

# Comprehensive Annual Financial Report



*City  
of*  
**PALM COAST**  
*Florida*

A large, rectangular sign made of red brick with the words "HEROES MEMORIAL PARK" in dark, capital letters. The sign is set on a grassy area with some small bushes in front. Behind the sign, three flagpoles stand tall against a blue sky with tall pine trees in the background. The leftmost pole has a dark flag with a white emblem. The middle pole has the United States flag. The rightmost pole has the Florida state flag.

**HEROES MEMORIAL PARK**

**For The Fiscal Year Ended September 30, 2006**

**CITY OF PALM COAST, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For The Year Ended September 30, 2006**

Prepared by:

City of Palm Coast  
Financial Services Department

# INTRODUCTORY SECTION

This section contains the following subsections:

- . Table of Contents
- . Letter of Transmittal
- . Certificate of Achievement for Excellence in Financial Reporting
- . Organization Chart
- . List of Principal Officials



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**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE CITY OF PALM COAST, FLORIDA**

**For The Year Ended September 30, 2006**

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## **LETTER OF TRANSMITTAL**



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In 1975, the Flagler County Board of County Commissioners established the Palm Coast Service District, including almost 40,000 acres. Funds for the district were derived primarily from ad valorem taxes and were utilized to provide fire services, fire hydrants, street maintenance and lighting, animal control and emergency services.

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

The City of Palm Coast currently has a population of 67,832 residents and covers an area of approximately 65 square miles. For fiscal year 2007, property within the City has a taxable value of \$6,239,994,489, an increase of over 40 percent from 2006. The City's property tax rate for fiscal year 2007 is \$3.25 per \$1,000 of taxable value.

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

### **Economic Outlook**

The City has seen an increase in the amount of commercial construction activity within the past few months and expects this trend to continue. The first retail stores have recently opened on some of the outlying parcels in the "Town Center" development and additional large retail stores are currently in the approval process. When completed this development will cover approximately 1,500 acres and will include a downtown commercial area, industrial sites, and multi-family residential housing. Additional projects in this development are expected to be underway soon. Construction on the internal parcels is expected to begin in 2007.

The Cobblestone Village is a large scale retail project that will be anchored by a home improvement center and several large retail stores. Site work has begun with construction to begin in 2007. The project is located close to I-95 and Palm Coast Parkway and will bring much needed and desired shopping opportunities for Palm Coast residents and visitors to our City.

Ground was broken on December 19, 2006 for water plant #3, which is expected to provide service to Palm Coast Park, a Development of Regional Impact. Palm Coast Park is a 4,740 acre development located in the northwest portion of the City. This project will provide property for commercial development along US Highway 1 and space for industrial development and single and multi-family housing. The water plant will also help to provide improved water service to the western and northern portions of the City. Several single and multi-family projects have been submitted for approval and should begin construction in 2007.

Several smaller projects are in various stages of the planning and approval process throughout the City. These projects include office, retail, industrial, restaurant, and medical facilities. The original Palm Coast Resort is being replaced by a larger more modern facility that will have condominiums, a hotel, and a conference center.

Like most areas, Palm Coast has experienced a significant decline in single-family home starts over the past year. In fiscal year 2006, the City issued 1,692 single-family building permits compared to 3,287 during fiscal year 2005. It is expected that a more sustainable 400 to 500 single-family building permits will be issued in 2007 and the foreseeable future. There are currently over 20,000 platted, undeveloped, single-family residential lots within the city.

### **Future Programs**

As mentioned earlier, construction has begun on water plant #3. The project will include the development of a new well field and the installation of transmission lines along US Highway 1. In 2008, construction is scheduled to begin on wastewater treatment plant #2, which will be located on the same site as water plant #3. This will allow for the sharing of an administrative facility which will help reduce costs.

A neighborhood park is under design for Rymfire Drive, adjacent to a new elementary school. This will be a shared facility with the school. The City is trying to locate sites for a second community park and for a municipal golf course. A study is underway to determine the need for another community center.

Two additional fire stations are anticipated for construction in 2007 and 2008. This will bring the number of City fire stations to five.

Two major road projects will be underway during the next two to three years. Design work for the four-laning of Belle Terre Parkway north of Palm Coast Parkway is nearing completion and right-of-way acquisition is being done at this time. Construction on Belle Terre Parkway is scheduled to begin in 2007. The four-laning of Old Kings Road south of Palm Coast Parkway is in the engineering and design phase. This project is associated with the development of Town Center and other development along Old Kings Road and should be under construction in late 2007.

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Palm Coast for its comprehensive annual financial report for the fiscal year ended September 30, 2005. This is the fifth year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The City of Palm Coast also received the GFOA Distinguished Budget Presentation Award for its Fiscal Year 2006 budget document. This is the third time that the City has received this award.

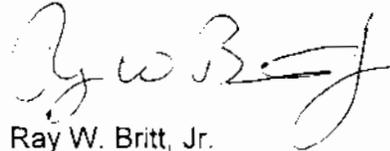
**Acknowledgements**

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

Respectfully submitted,



Richard M. Kelton  
City Manager



Ray W. Britt, Jr.  
General Services Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Palm Coast  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2005

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



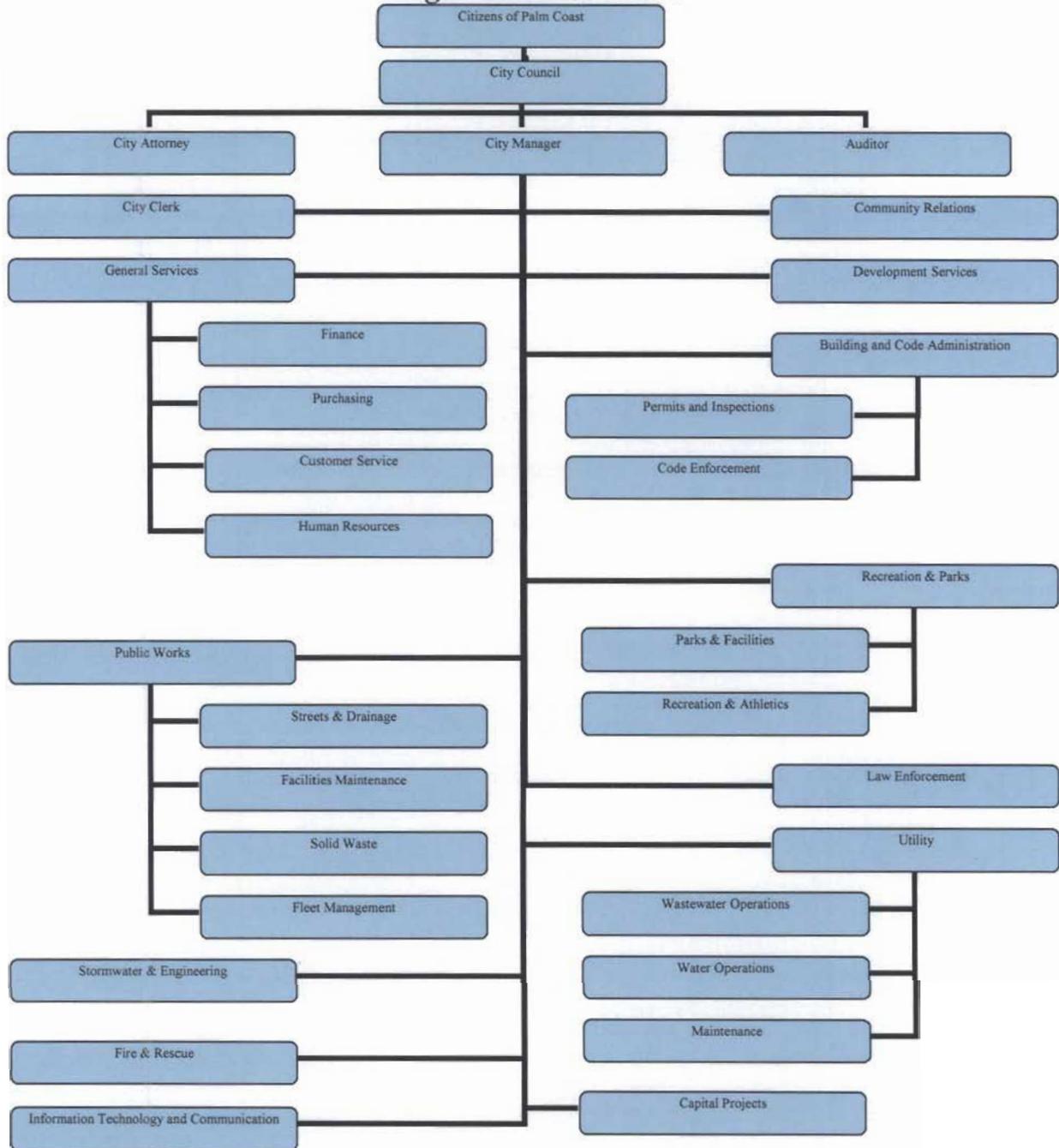
President

Executive Director



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# City of Palm Coast, Florida Organizational Chart



**LIST OF PRINCIPAL OFFICIALS**

**September 30, 2006**

**ELECTED OFFICIALS**

Mayor

Honorable Jim Canfield

City Council Members:

Bill Venne  
Jon Netts  
Mary DiStefano  
Alan Peterson

**CITY OFFICIALS**

City Manager

Richard M. Kelton

City Attorney

William L. Colbert

City Auditor

James Moore & Co., P.L.

General Services Director

Ray W. Britt, Jr.

# FINANCIAL SECTION

This section contains the following subsections:

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



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# **INDEPENDENT AUDITORS' REPORT**



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# JAMES MOORE & CO., P.L.L.C.

## 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, 2006, 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, 2006, 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 13, 2006, 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 13, 2006

## **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 2006 by \$301,166,247. Of this amount, \$30,943,406 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$47,353,345. Approximately 68% of this increase was attributable to one-time resources such as impact fees and developer contributions.
- As of the close of fiscal year 2006, the City's governmental funds reported combined ending fund balances of \$55,272,508, an increase of \$19,356,311 over the prior year. Approximately, 87% of this total amount or \$48,004,610 is reported as unreserved fund balance.
- At the end of fiscal year 2006, unreserved/undesignated fund balance in the general fund was \$12,404,524, or 51% of total general fund expenditures.
- The City of Palm Coast's total debt increased by \$9,091,552 during the current fiscal year. The City obtained two State Revolving Fund (SRF) loans to expand and improve the water and wastewater utility that serves the City. An additional SRF loan was obtained in fiscal year 2006 for stormwater system improvements. 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 funds 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 nine individual governmental funds. Five 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, streets improvement 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, transportation impact fee, streets improvement, 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, solid waste, and stormwater funds which are considered to be major funds of the City. 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 \$301,166,247 at the close of the most recent fiscal year.

Of the net assets, 10.2 percent falls in the unrestricted category. These may be used to meet ongoing obligations to citizens and creditors. Investment in capital assets makes up 74 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          |                |
|---------------------------------|-------------------------|----------------|--------------------------|---------------|----------------|----------------|
|                                 | 2006                    | 2005           | 2006                     | 2005          | 2006           | 2005           |
| Current and other assets        | \$ 62,493,832           | \$ 42,410,145  | \$ 35,622,769            | \$ 35,307,273 | \$ 98,116,601  | \$ 77,717,418  |
| Capital assets                  | 200,543,320             | 188,178,407    | 130,876,513              | 109,261,111   | 331,419,833    | 297,439,518    |
| Total assets                    | 263,037,152             | 230,588,552    | 166,499,282              | 144,568,384   | 429,536,434    | 375,156,936    |
| Long-term liabilities           | 1,425,644               | 1,073,632      | 114,096,933              | 105,357,393   | 115,522,577    | 106,431,025    |
| Other liabilities               | 6,139,368               | 6,636,381      | 6,708,242                | 8,276,628     | 12,847,610     | 14,913,009     |
| Total liabilities               | 7,565,012               | 7,710,013      | 120,805,175              | 113,634,021   | 128,370,187    | 121,344,034    |
| Net assets:                     |                         |                |                          |               |                |                |
| Invested in capital assets, net |                         |                |                          |               |                |                |
| of related debt                 | 200,311,305             | 188,058,574    | 20,287,134               | 13,854,695    | 220,598,439    | 201,913,269    |
| Restricted                      | 34,114,771              | 20,866,845     | 15,509,631               | 7,733,922     | 49,624,402     | 28,600,767     |
| Unrestricted                    | 21,046,064              | 13,953,120     | 9,897,342                | 9,345,746     | 30,943,406     | 23,298,866     |
| Total net assets                | \$ 255,472,140          | \$ 222,878,539 | \$ 45,694,107            | \$ 30,934,363 | \$ 301,166,247 | \$ 253,812,902 |

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

|   | Governmental Activities |                | Business-type Activities |               | Total          |                |
|---|-------------------------|----------------|--------------------------|---------------|----------------|----------------|
|   | 2006                    | 2005           | 2006                     | 2005          | 2006           | 2005           |
| Revenues:                               |                         |                |                          |               |                |                |
| Program revenues:                       |                         |                |                          |               |                |                |
| Charges for services                    | \$ 9,280,074            | \$ 8,357,574   | \$ 32,579,083            | \$ 26,545,893 | \$ 41,859,157  | \$ 34,903,467  |
| Operating grants and contributions      | 2,481,156               | 2,032,933      | 2,673,226                | -             | 5,154,382      | 2,032,933      |
| Capital grants and contributions        | 19,533,215              | 16,970,920     | 9,743,906                | 17,760,957    | 29,277,121     | 34,731,877     |
| General revenues:                       |                         |                |                          |               |                |                |
| Property taxes                          | 14,720,753              | 10,218,772     | -                        | -             | 14,720,753     | 10,218,772     |
| Other taxes                             | 5,047,367               | 4,630,134      | -                        | -             | 5,047,367      | 4,630,134      |
| Intergovernmental                       | 3,310,749               | 2,730,825      | -                        | -             | 3,310,749      | 2,730,825      |
| Other                                   | 4,177,807               | 1,600,677      | 132,951                  | (183,284)     | 4,310,758      | 1,417,393      |
| Total revenues                          | 58,551,121              | 46,541,835     | 45,129,166               | 44,123,566    | 103,680,287    | 90,665,401     |
| Expenses:                               |                         |                |                          |               |                |                |
| General government                      | 8,721,369               | 6,821,382      | -                        | -             | 8,721,369      | 6,821,382      |
| Public safety                           | 6,339,499               | 4,450,045      | -                        | -             | 6,339,499      | 4,450,045      |
| Transportation and physical environment | 8,776,023               | 7,054,196      | -                        | -             | 8,776,023      | 7,054,196      |
| Culture & recreation                    | 2,101,421               | 1,696,730      | -                        | -             | 2,101,421      | 1,696,730      |
| Utility                                 | -                       | -              | 22,329,065               | 18,667,179    | 22,329,065     | 18,667,179     |
| Solid Waste                             | -                       | -              | 4,359,944                | 3,733,373     | 4,359,944      | 3,733,373      |
| Storm Water                             | -                       | -              | 3,680,413                | 1,270,065     | 3,680,413      | 1,270,065      |
| interest on long-term debt              | 19,208                  | 39,017         | -                        | -             | 19,208         | 39,017         |
| Total expenses                          | 25,957,520              | 20,061,370     | 30,369,422               | 23,670,617    | 56,326,942     | 43,731,987     |
| Increase in net assets                  | 32,593,601              | 26,480,465     | 14,759,744               | 20,452,949    | 47,353,345     | 46,933,414     |
| Net assets - beginning                  | 222,878,539             | 196,398,074    | 30,934,363               | 10,481,414    | 253,812,902    | 206,879,488    |
| Net assets - ending                     | \$ 255,472,140          | \$ 222,878,539 | \$ 45,694,107            | \$ 30,934,363 | \$ 301,166,247 | \$ 253,812,902 |

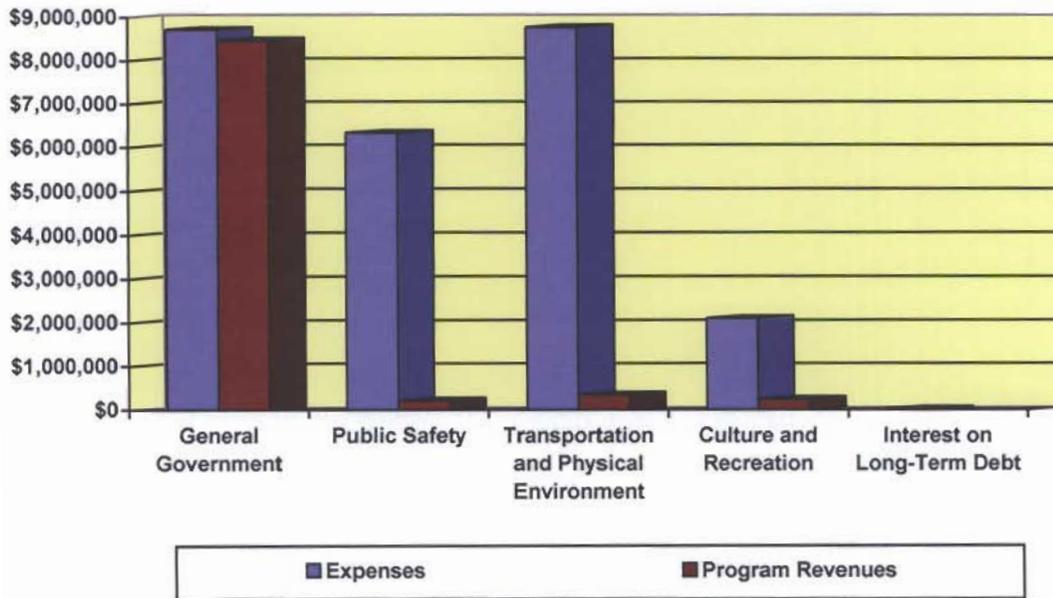
**Governmental Activities**

Governmental activities increased the City of Palm Coast's net assets by \$32,593,601 during the current fiscal year. This represents 69 percent of the total growth in net assets for the City. Buildings and infrastructure account for over \$10 million of the increase. The remainder was primarily impact fees restricted for future construction projects. Restricted net assets increased by \$13,247,926 during the fiscal year. Restricted developer contributions of \$7,271,000 and impact fees account for this increase.

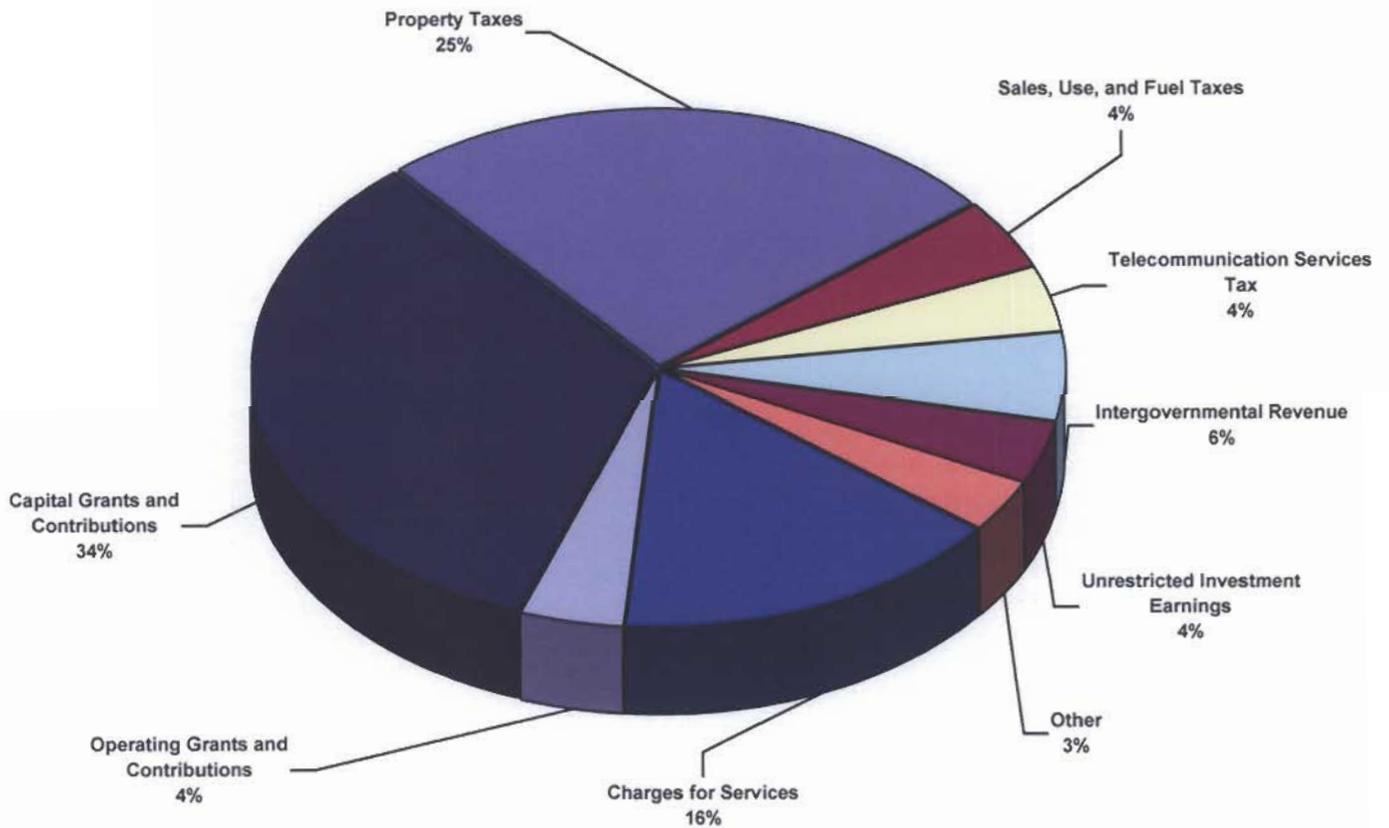
**Business-type Activities**

Business-type activities increased the City of Palm Coast's net assets by \$14,759,744 or 31 percent of the total growth in net assets. The increase in net assets is primarily attributable to capital grants and contributions. Restricted net assets increased by \$7,775,709 during the fiscal year. Water and sewer impact fee collections account for this increase.

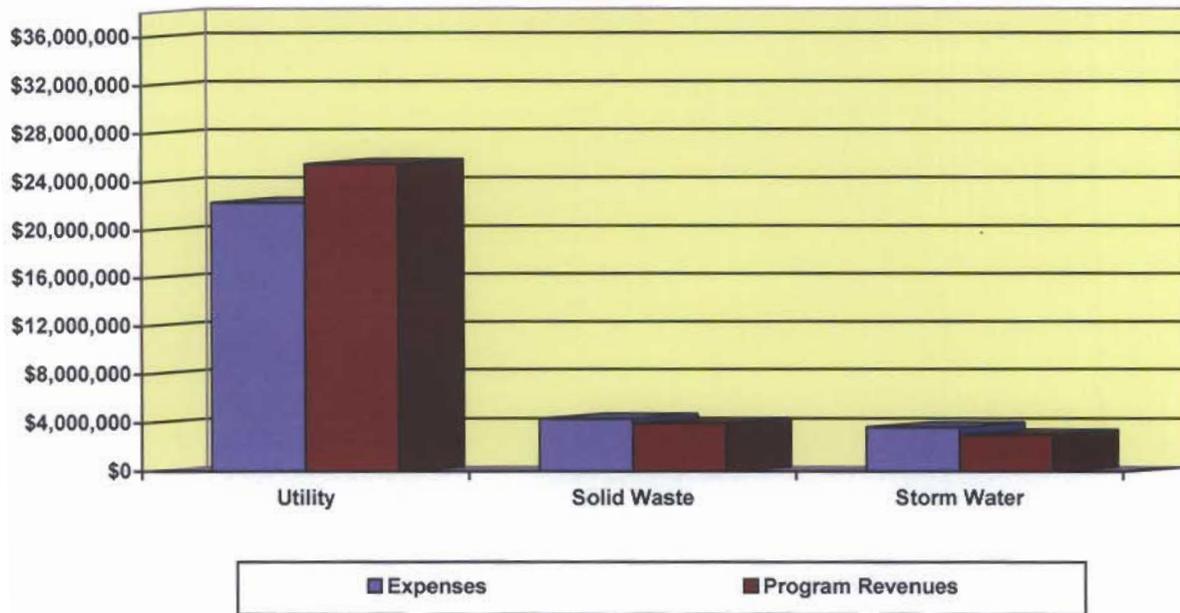
### Expenses and Program Revenues - Governmental Activities



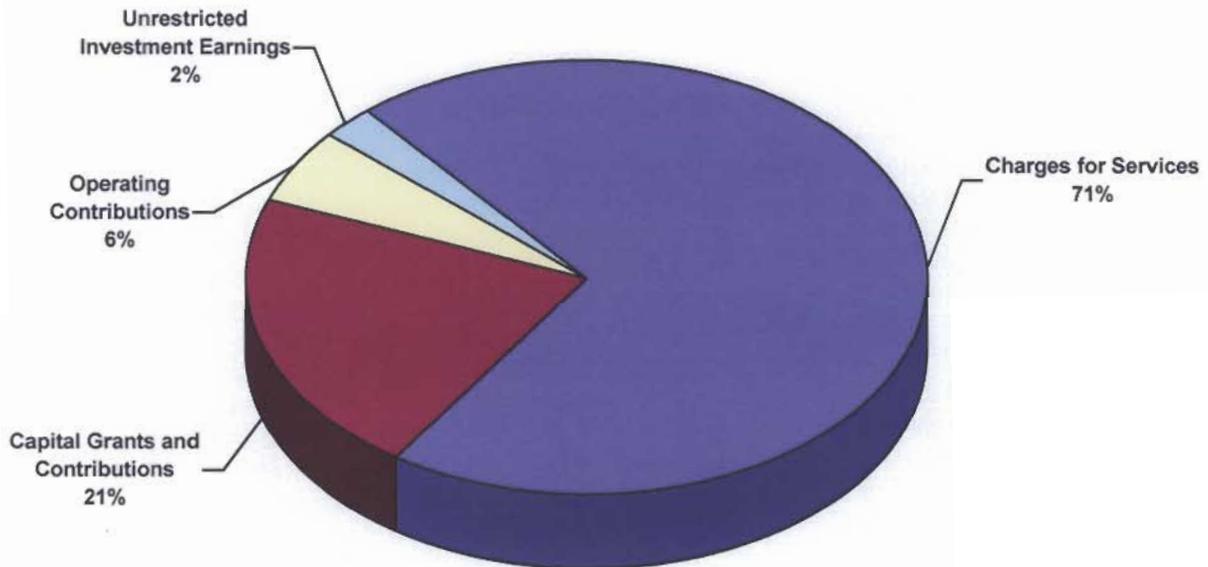
### Revenues by Source - Governmental Activities



### 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/undesignated fund balance in the general fund was \$12,404,524, with an additional \$1,168,033 designated as a disaster reserve. The total fund balance stood at \$14,675,850. 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 51 percent of total general fund expenditures versus 50 percent for fiscal year 2005. Total fund balance represents 60 percent of the total general fund expenditures versus 58 percent for fiscal year 2005.

The fund balance of the City of Palm Coast's general fund increased by \$3,046,846 during the current fiscal year. Key factors in this growth are as follows:

- Property tax revenue increased about \$2.3 million in the current year. There was no change in the millage rate. Charges for services increased about \$1 million for the current year.

The capital projects fund has a total fund balance of \$7,469,926, an increase of \$3,931,793. A portion of the total property tax revenue is allocated to this fund to cover capital expenditures. The transportation impact fee fund balance was \$22,902,665, an increase of \$11,926,571. This increase is primarily reflective of impact fees and developer contributions for future construction projects. The streets improvement fund balance was \$2,564,984. This was a non-major governmental fund in previous years.

The other governmental funds have a total fund balance \$7,659,083. This was an increase of \$12,936 during the current fiscal year. The Park Impact Fee Fund accounts for 67 percent of the total fund balance. 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 \$9,400,193 at the end of the year, with the total fund balance at \$42,018,346. The unrestricted net assets decreased \$73,131 for the year.

The solid waste funds unrestricted net assets of \$(464,731) represents a decrease of \$357,946. Increases in operating costs contributed to the decrease.

The stormwater funds unrestricted net assets of \$358,276 represents an increase of \$738,184. This increase is primarily due to operating contributions during the year.

## General Fund Budgetary Highlights

Differences between the original budget and the final amended budget totaled \$768,000. Most of the change was due to an increase in the code enforcement budget of \$575,000. There were minor changes in expenditures in other departments throughout the year. During the year, revenues exceeded the final amended budget by \$3,606,934. This was the result of higher than expected tax collections and intergovernmental revenues related to growth. Permit revenue also exceeded budget expectations. Expenditures were less than the final amended budget by \$4,338,037. Vacancies in Building & Code Administration, Public Works and projects that were not completed are the primary reasons for this difference.

## Capital Asset and Debt Administration

**Capital assets.** The City of Palm Coast's investment in capital assets as of September 30, 2006, amounts to \$331,419,833 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment. This is an increase of \$33,980,315 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, and construction of parks and recreation facilities.

Table III  
City of Palm Coast's Capital Assets

|                            | Governmental Activities |                | Business-type Activities |                | Total          |                |
|----------------------------|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
|                            | 2006                    | 2005           | 2006                     | 2005           | 2006           | 2005           |
| Land                       | \$ 69,808,144           | \$ 67,837,121  | \$ 13,032,557            | \$ 12,299,100  | \$ 82,840,701  | \$ 80,136,221  |
| Buildings and improvements |                         |                |                          |                |                |                |
| other than buildings       | 13,490,289              | 9,510,586      | 45,691,576               | 30,185,790     | 59,181,865     | 39,696,376     |
| Infrastructure             | 105,186,924             | 101,035,517    | 64,307,682               | 48,251,483     | 169,494,606    | 149,287,000    |
| Equipment                  | 7,036,133               | 6,159,369      | 753,564                  | 436,549        | 7,789,697      | 6,595,918      |
| Construction in progress   | 5,021,830               | 3,635,814      | 7,091,134                | 18,088,189     | 12,112,964     | 21,724,003     |
| Total                      | \$ 200,543,320          | \$ 188,178,407 | \$ 130,876,513           | \$ 109,261,111 | \$ 331,419,833 | \$ 297,439,518 |

Additional information on the City of Palm Coast's capital assets can be found in Note 6 on page 50 of this report.

**Long-term debt.** The City of Palm Coast owes \$94,805,000 in revenue bonds used for the purchase and expansion of the utility system. The City owes \$228,072 on two loans used to purchase equipment through fleet management. There is a CDBG loan with a balance of \$167,812 and State Revolving Fund loans of \$18,844,279 for utility and stormwater improvements. 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 \$115,522,577.

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

|                                   | Governmental Activities |              | Business-type Activities |                | Total          |                |
|-----------------------------------|-------------------------|--------------|--------------------------|----------------|----------------|----------------|
|                                   | 2006                    | 2005         | 2006                     | 2005           | 2006           | 2005           |
| Loans from other governments      | \$ 167,812              | \$ 199,880   | \$ 18,844,279            | \$ 8,415,152   | \$ 19,012,091  | \$ 8,615,032   |
| Loans from financial institutions | 228,072                 | 92,801       | -                        | -              | 228,072        | 92,801         |
| Revenue bonds                     | -                       | -            | 94,805,000               | 96,650,000     | 94,805,000     | 96,650,000     |
| Capital leases                    | 3,944                   | 27,033       | -                        | -              | 3,944          | 27,033         |
| Compensated absences              | 1,025,816               | 753,918      | 447,654                  | 292,241        | 1,473,470      | 1,046,159      |
| Total                             | \$ 1,425,644            | \$ 1,073,632 | \$ 114,096,933           | \$ 105,357,393 | \$ 115,522,577 | \$ 106,431,025 |

Additional information on the City of Palm Coast's long-term debt can be found in Note 9 beginning on page 54 of this report.

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

During the current fiscal year, unreserved/undesignated fund balance in the General Fund increased to \$12,404,524 plus an additional \$968,856 reserved for encumbrances. The City of Palm Coast has appropriated \$3,860,226 of the unreserved fund balance for spending in the 2007 fiscal year budget. After encumbrance and project carryovers, the available fund balance, as a percentage of prior year expenditures and transfers out is 33 percent.

The City Council approved a millage rate of 3.25 mills for fiscal year 2007. This is a reduction of .15 mills or 4.4% from the fiscal year 2006 rate. The City Council has designated .75 mills for capital projects.

### **Requests for Information**

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

City of Palm Coast  
Financial Services  
2 Commerce Boulevard  
Palm Coast, FL 32164-3126

Or

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

## **BASIC FINANCIAL STATEMENTS**



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City of Palm Coast, Florida  
Statement of Net Assets  
September 30, 2006

|   | Governmental<br>Activities | Business-type<br>Activities | Total                 |
|---|----------------------------|-----------------------------|-----------------------|
| <b>ASSETS</b>                                     |                            |                             |                       |
| Equity in pooled cash and investments             | \$ 60,134,597              | \$ 7,416,439                | \$ 67,551,036         |
| Receivables - net                                 | 486,326                    | 5,596,585                   | 6,082,911             |
| Due from other governments                        | 1,772,662                  | -                           | 1,772,662             |
| Prepaid items                                     | 50,686                     | 1,000                       | 51,686                |
| Inventories                                       | 32,585                     | 436,294                     | 468,879               |
| Unamortized bond premium                          | -                          | (1,320,308)                 | (1,320,308)           |
| Unamortized debt issuance costs                   | -                          | 3,171,875                   | 3,171,875             |
| Loan acquisition costs                            | -                          | 304,762                     | 304,762               |
| Other Assets                                      | 16,976                     | -                           | 16,976                |
| Restricted assets                                 |                            |                             |                       |
| Equity in pooled cash and investments             | -                          | 18,887,258                  | 18,887,258            |
| Due from other governments                        | -                          | 903,571                     | 903,571               |
| Prepaid Items                                     | -                          | 225,293                     | 225,293               |
| Capital assets (net of accumulated depreciation): |                            |                             |                       |
| Land  | 69,808,144                 | 13,032,557                  | 82,840,701            |
| Buildings and improvements other than buildings   | 13,490,289                 | 45,691,576                  | 59,181,865            |
| Infrastructure                                    | 105,186,924                | 64,307,682                  | 169,494,606           |
| Equipment   | 7,036,133                  | 753,564                     | 7,789,697             |
| Construction in progress                          | 5,021,830                  | 7,091,134                   | 12,112,964            |
| <b>Total assets</b>                               | <b>263,037,152</b>         | <b>166,499,282</b>          | <b>429,536,434</b>    |
| <b>LIABILITIES</b>                                |                            |                             |                       |
| Accounts payable and other current liabilities    | 2,781,874                  | 1,131,024                   | 3,912,898             |
| Due to other governments                          | 464,917                    | -                           | 464,917               |
| Internal balances                                 | 603,604                    | (603,604)                   | -                     |
| Customer deposits                                 | 2,215,126                  | 2,577,902                   | 4,793,028             |
| Unearned revenue                                  | 73,847                     | -                           | 73,847                |
| Payable from restricted assets:                   |                            |                             |                       |
| Accrued bond interest payable                     | -                          | 2,202,936                   | 2,202,936             |
| Accounts payable                                  | -                          | 1,023,324                   | 1,023,324             |
| Contract payable                                  | -                          | 376,660                     | 376,660               |
| Noncurrent liabilities:                           |                            |                             |                       |
| Due within one year                               | 744,344                    | 2,843,669                   | 3,588,013             |
| Due in more than one year                         | 681,300                    | 111,253,264                 | 111,934,564           |
| <b>Total liabilities</b>                          | <b>7,565,012</b>           | <b>120,805,175</b>          | <b>128,370,187</b>    |
| <b>NET ASSETS</b>                                 |                            |                             |                       |
| Invested in capital assets, net of related debt:  | 200,311,305                | 20,287,134                  | 220,598,439           |
| Restricted for:                                   |                            |                             |                       |
| Construction                                      | 34,014,161                 | 13,629,631                  | 47,643,792            |
| Bond debt service                                 | -                          | 1,880,000                   | 1,880,000             |
| Public safety                                     | 100,610                    | -                           | 100,610               |
| Unrestricted                                      | 21,046,064                 | 9,897,342                   | 30,943,406            |
| <b>Total net assets</b>                           | <b>\$ 255,472,140</b>      | <b>\$ 45,694,107</b>        | <b>\$ 301,166,247</b> |

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

City of Palm Coast, Florida  
Statement of Activities  
For the Year Ended September 30, 2006

| Functions/Programs                      | Expenses             | Program Revenues     |                                    |                                  |
|---|----------------------|----------------------|------------------------------------|----------------------------------|
|   |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary government:</b>              |                      |                      |                                    |                                  |
| Governmental activities:                |                      |                      |                                    |                                  |
| General government                      | \$ 8,721,369         | \$ 8,477,215         | \$ -                               | \$ -                             |
| Public safety                           | 6,339,499            | 214,074              | 87,691                             | 1,026,616                        |
| Transportation and physical environment | 8,776,023            | 344,155              | 2,393,465                          | 16,160,001                       |
| Culture and recreation                  | 2,101,421            | 244,630              | -                                  | 2,346,598                        |
| Interest on long-term debt              | 19,208               | -                    | -                                  | -                                |
| <b>Total governmental activities</b>    | <b>\$ 25,957,520</b> | <b>\$ 9,280,074</b>  | <b>\$ 2,481,156</b>                | <b>\$ 19,533,215</b>             |
| Business-type activities:               |                      |                      |                                    |                                  |
| Utility                                 | 22,329,065           | 25,503,330           | -                                  | 9,599,955                        |
| Solid Waste                             | 4,359,944            | 4,003,761            | -                                  | -                                |
| Storm Water                             | 3,680,413            | 3,071,992            | 2,673,226                          | 143,951                          |
| <b>Total business-type activities</b>   | <b>\$ 30,369,422</b> | <b>\$ 32,579,083</b> | <b>\$ 2,673,226</b>                | <b>\$ 9,743,906</b>              |

General revenues:  
Property taxes  
Sales and use taxes  
Telecommunication services tax  
Intergovernmental revenue  
Contributions not restricted to specific programs  
Unrestricted investment earnings  
Miscellaneous  
Gain on sale of capital assets  
Transfers  
Total general revenues and transfers  
Change in net assets  
Net assets - beginning  
Net assets - ending

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

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

| <b>Governmental</b> |               | <b>Business-type</b> |  |                |
|---------------------|---------------|----------------------|--|----------------|
| <b>Activities</b>   |               | <b>Activities</b>    |  | <b>Total</b>   |
| \$ (244,154)        | \$ -          | \$ -                 |  | \$ (244,154)   |
| (5,011,118)         | -             | -                    |  | (5,011,118)    |
| 10,121,598          | -             | -                    |  | 10,121,598     |
| 489,807             | -             | -                    |  | 489,807        |
| (19,208)            | -             | -                    |  | (19,208)       |
| 5,336,925           | -             | -                    |  | 5,336,925      |
| -                   | 12,774,220    | -                    |  | 12,774,220     |
| -                   | (356,183)     | -                    |  | (356,183)      |
| -                   | 2,208,756     | -                    |  | 2,208,756      |
| -                   | 14,626,793    | -                    |  | 14,626,793     |
| 14,720,753          | -             | -                    |  | 14,720,753     |
| 2,617,198           | -             | -                    |  | 2,617,198      |
| 2,430,169           | -             | -                    |  | 2,430,169      |
| 3,310,749           | -             | -                    |  | 3,310,749      |
| 802,047             | -             | -                    |  | 802,047        |
| 2,358,173           | 1,089,712     | -                    |  | 3,447,885      |
| 35,711              | -             | -                    |  | 35,711         |
| 25,115              | -             | -                    |  | 25,115         |
| 956,761             | (956,761)     | -                    |  | -              |
| 27,256,676          | 132,951       | -                    |  | 27,389,627     |
| 32,593,601          | 14,759,744    | -                    |  | 47,353,345     |
| 222,878,539         | 30,934,363    | -                    |  | 253,812,902    |
| \$ 255,472,140      | \$ 45,694,107 | \$ -                 |  | \$ 301,166,247 |

City of Palm Coast, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2006

| <b>ASSETS</b>                              | <b>General</b>       | <b>Capital<br/>Projects</b> | <b>Transportation<br/>Impact Fee<br/>Fund</b> | <b>Streets<br/>Improvement<br/>Fund</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|----------------------|-----------------------------|---|---|--|---|
| Equity in pooled cash and investments      | \$ 15,874,170        | \$ 7,555,210                | \$ 23,789,473                                 | \$ 2,021,179                            | \$ 9,249,902                               | \$ 58,489,934                           |
| Accounts receivable - net                  | 290,390              | -                           | 4,475   | -                                       | -  | 294,865                                 |
| Notes receivable - current                 | 33,375               | -                           | -   | -                                       | -  | 33,375                                  |
| Due from other governments                 | 864,317              | 149,767                     | 25,658  | 712,920                                 | 20,000                                     | 1,772,662                               |
| Notes receivable - noncurrent              | 134,437              | -                           | -   | -                                       | -  | 134,437                                 |
| Due from other funds                       | 1,500,000            | 170,389                     | -   | -                                       | -  | 1,670,389                               |
| Prepaid items                              | 40,886               | 5,000                       | -   | -                                       | 4,800                                      | 50,686                                  |
| <b>Total assets</b>                        | <b>\$ 18,737,575</b> | <b>\$ 7,880,366</b>         | <b>\$ 23,819,606</b>                          | <b>\$ 2,734,099</b>                     | <b>\$ 9,274,702</b>                        | <b>\$ 62,446,348</b>                    |
| <b>LIABILITIES AND FUND BALANCES</b>       |                      |                             |   |   |  |   |
| Liabilities:                               |                      |                             |   |   |  |   |
| Accounts payable                           | \$ 533,248           | \$ 407,797                  | \$ 823,183                                    | \$ 169,115                              | \$ 115,619                                 | \$ 2,048,962                            |
| Accrued liabilities                        | 536,289              | 2,643                       | 93,758  | -                                       | -  | 632,690                                 |
| Due to other governments                   | 464,917              | -                           | -   | -                                       | -  | 464,917                                 |
| Due to other funds                         | -                    | -                           | -   | -                                       | 1,500,000                                  | 1,500,000                               |
| Customer deposits                          | 2,215,126            | -                           | -   | -                                       | -  | 2,215,126                               |
| Deferred revenue                           | 312,145              | -                           | -   | -                                       | -  | 312,145                                 |
| <b>Total liabilities</b>                   | <b>4,061,725</b>     | <b>410,440</b>              | <b>916,941</b>                                | <b>169,115</b>                          | <b>1,615,619</b>                           | <b>7,173,840</b>                        |
| Fund balances:                             |                      |                             |   |   |  |   |
| Reserved for:                              |                      |                             |   |   |  |   |
| Encumbrances                               | 968,856              | 1,156,424                   | 2,582,254                                     | 197,311                                 | 1,060,583                                  | 5,965,428                               |
| Notes receivable - noncurrent              | 134,437              | -                           | -   | -                                       | -  | 134,437                                 |
| Unreserved:                                |                      |                             |   |   |  |   |
| Designated for:                            |                      |                             |   |   |  |   |
| Disaster reserve                           | 1,168,033            | -                           | -   | -                                       | -  | 1,168,033                               |
| Undesignated, reported in:                 |                      |                             |   |   |  |   |
| General fund                               | 12,404,524           | -                           | -   | -                                       | -  | 12,404,524                              |
| Special revenue funds                      | -                    | -                           | 20,320,411                                    | 2,367,673                               | 6,598,500                                  | 29,286,584                              |
| Capital projects funds                     | -                    | 6,313,502                   | -   | -                                       | -  | 6,313,502                               |
| <b>Total fund balances</b>                 | <b>14,675,850</b>    | <b>7,469,926</b>            | <b>22,902,665</b>                             | <b>2,564,984</b>                        | <b>7,659,083</b>                           | <b>55,272,508</b>                       |
| <b>Total liabilities and fund balances</b> | <b>\$ 18,737,575</b> | <b>\$ 7,880,366</b>         | <b>\$ 23,819,606</b>                          | <b>\$ 2,734,099</b>                     | <b>\$ 9,274,702</b>                        | <b>\$ 62,446,348</b>                    |

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

City of Palm Coast, Florida  
 Reconciliation of the Balance Sheet to the Statement of Net Assets  
 Governmental Funds  
 September 30, 2006

|   |    |                    |
|---|----|--------------------|
| Fund balances - total governmental funds  | \$ | 55,272,508         |
| <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.   |    | 196,413,136        |
| Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds.   |    | 238,298            |
| 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. |    | 4,732,312          |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.  |    | (1,184,114)        |
| Net assets of governmental activities   | \$ | <u>255,472,140</u> |

City of Palm Coast, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended September 30, 2006

|  | General              | Capital<br>Projects | Transportation<br>Impact Fee<br>Fund | Streets<br>Improvement<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|---------------------|--------------------------------------|--------------------------------|-----------------------------------|--------------------------------|
| <b>REVENUES</b>                              |                      |                     |                                      |                                |                                   |                                |
| Taxes  | \$ 12,989,761        | \$ 4,294,923        | \$ -                                 | \$ 4,297,798                   | \$ 88,457                         | \$ 21,670,939                  |
| Licenses and permits                         | 6,161,259            | -                   | -                                    | -                              | -                                 | 6,161,259                      |
| Intergovernmental revenue                    | 3,889,086            | 400,000             | 25,658                               | -                              | 207,687                           | 4,522,431                      |
| Charges for services                         | 3,883,515            | 69,329              | -                                    | -                              | -                                 | 3,952,844                      |
| Fines and forfeitures                        | 824,699              | -                   | -                                    | -                              | 43,769                            | 868,468                        |
| Impact fees                                  | -                    | -                   | 8,255,657                            | -                              | 3,248,214                         | 11,503,871                     |
| Contributions                                | -                    | 125,000             | 7,271,000                            | -                              | -                                 | 7,396,000                      |
| Investment earnings                          | 787,704              | 303,525             | 750,355                              | 87,178                         | 397,312                           | 2,326,074                      |
| Miscellaneous                                | 34,831               | -                   | -                                    | -                              | -                                 | 34,831                         |
| <b>Total revenues</b>                        | <b>28,570,855</b>    | <b>5,192,777</b>    | <b>16,302,670</b>                    | <b>4,384,976</b>               | <b>3,985,439</b>                  | <b>58,436,717</b>              |
| <b>EXPENDITURES</b>                          |                      |                     |                                      |                                |                                   |                                |
| Current:                                     |                      |                     |                                      |                                |                                   |                                |
| General government                           | 10,092,606           | 38,229              | -                                    | -                              | -                                 | 10,130,835                     |
| Public safety                                | 6,178,208            | -                   | -                                    | -                              | 11,000                            | 6,189,208                      |
| Transportation and physical environment      | 5,401,745            | -                   | 124,338                              | -                              | 131,900                           | 5,657,983                      |
| Culture and recreation                       | 1,773,901            | -                   | -                                    | -                              | -                                 | 1,773,901                      |
| Capital outlay:                              |                      |                     |                                      |                                |                                   |                                |
| General government                           | 326,804              | 11,799              | -                                    | -                              | -                                 | 338,603                        |
| Public safety                                | 94,476               | 10,655              | -                                    | -                              | 65,543                            | 170,674                        |
| Transportation and physical environment      | 374,035              | 1,031,172           | 4,251,761                            | 3,946,811                      | 1,147,108                         | 10,750,887                     |
| Culture and recreation                       | 212,495              | 221,425             | -                                    | -                              | 2,715,114                         | 3,149,034                      |
| Debt service:                                |                      |                     |                                      |                                |                                   |                                |
| Principal                                    | 55,158               | -                   | -                                    | -                              | -                                 | 55,158                         |
| Interest and Other                           | 9,634                | -                   | -                                    | -                              | -                                 | 9,634                          |
| <b>Total expenditures</b>                    | <b>24,519,062</b>    | <b>1,313,280</b>    | <b>4,376,099</b>                     | <b>3,946,811</b>               | <b>4,070,665</b>                  | <b>38,225,917</b>              |
| Excess of revenues over (under) expenditures | 4,051,793            | 3,879,497           | 11,926,571                           | 438,165                        | (85,226)                          | 20,210,800                     |
| <b>OTHER FINANCING SOURCES AND (USES)</b>    |                      |                     |                                      |                                |                                   |                                |
| Transfers in                                 | 668,735              | 52,296              | -                                    | -                              | 98,162                            | 819,193                        |
| Transfers out                                | (1,673,682)          | -                   | -                                    | -                              | -                                 | (1,673,682)                    |
| <b>Total other financing sources (uses)</b>  | <b>(1,004,947)</b>   | <b>52,296</b>       | <b>-</b>                             | <b>-</b>                       | <b>98,162</b>                     | <b>(854,489)</b>               |
| Net change in fund balances                  | 3,046,846            | 3,931,793           | 11,926,571                           | 438,165                        | 12,936                            | 19,356,311                     |
| Fund balances - beginning - restated         | 11,629,004           | 3,538,133           | 10,976,094                           | 2,126,819                      | 7,646,147                         | 35,916,197                     |
| <b>Fund balances - ending</b>                | <b>\$ 14,675,850</b> | <b>\$ 7,469,926</b> | <b>\$ 22,902,665</b>                 | <b>\$ 2,564,984</b>            | <b>\$ 7,659,083</b>               | <b>\$ 55,272,508</b>           |

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, 2006

Net change in fund balances - total governmental funds \$ 19,356,311

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 | 14,409,198         |            |
| Less current year depreciation  | <u>(3,768,345)</u> | 10,640,853 |

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

|  |  |         |
|--|--|---------|
| Contributed property and equipment         |  | 802,047 |
| Revenue collections expected after 60 days |  | 88,002  |

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

(185,865)

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.

55,158

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 |  | (265,310) |
|----------------------|--|-----------|

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.

2,102,405

Change in net assets of governmental activities.

\$ 32,593,601

City of Palm Coast, Florida  
Statement of Net Assets  
Proprietary Fund  
September 30, 2006

|   | Business-type Activities-Enterprise Funds |                   |                     |                       | Governmental<br>Activities<br>Internal Service<br>Funds |
|---|---|-------------------|---------------------|-----------------------|---|
|   | Utility                                   | Solid<br>Waste    | Storm<br>Water      | Total                 |   |
| <b>ASSETS</b>   |   |                   |                     |                       |   |
| Current assets:   |   |                   |                     |                       |   |
| Equity in pooled cash and investments                         | \$ 7,416,439                              | \$ -              | \$ -                | \$ 7,416,439          | \$ 1,644,663  |
| Accounts receivable - net                                     | 4,141,281                                 | 757,261           | 698,043             | 5,596,585             | 23,649  |
| Inventories   | 436,294                                   | -                 | -                   | 436,294               | 32,585  |
| Prepaid items   | -   | -                 | 1,000               | 1,000                 | -   |
| Restricted current assets:                                    |   |                   |                     |                       |   |
| Cash with fiscal agent  | 4,082,936                                 | -                 | -                   | 4,082,936             | -   |
| Due from other governments                                    | 647,353                                   | -                 | 256,218             | 903,571               | -   |
| <b>Total current assets</b>                                   | <b>16,724,303</b>                         | <b>757,261</b>    | <b>955,261</b>      | <b>18,436,825</b>     | <b>1,700,897</b>  |
| Noncurrent assets:  |   |                   |                     |                       |   |
| Restricted assets:  |   |                   |                     |                       |   |
| Equity in pooled cash and investments:                        |   |                   |                     |                       |   |
| Impact fees   | 14,804,322                                | -                 | -                   | 14,804,322            | -   |
| Due from other governments                                    | -   | -                 | -                   | -                     | -   |
| Prepaid construction costs                                    | 225,293                                   | -                 | -                   | 225,293               | -   |
| Other assets  | -   | -                 | -                   | -                     | 16,976  |
| <b>Total restricted assets</b>                                | <b>15,029,615</b>                         | <b>-</b>          | <b>-</b>            | <b>15,029,615</b>     | <b>16,976</b>   |
| Capital assets:   |   |                   |                     |                       |   |
| Land  | 12,778,944                                | -                 | 253,613             | 13,032,557            | -   |
| Building and improvements other than buildings                | 49,947,218                                | -                 | 105,249             | 50,052,467            | -   |
| Infrastructure  | 64,137,977                                | -                 | 5,012,959           | 69,150,936            | -   |
| Equipment   | 494,999                                   | -                 | 390,204             | 885,203               | 5,673,433   |
|   | 127,359,138                               | -                 | 5,762,025           | 133,121,163           | 5,673,433   |
| Less accumulated depreciation:                                | (9,265,938)                               | -                 | (69,846)            | (9,335,784)           | (1,543,249)   |
|   | 118,093,200                               | -                 | 5,692,179           | 123,785,379           | 4,130,184   |
| Construction in progress                                      | 7,091,134                                 | -                 | -                   | 7,091,134             | -   |
| <b>Total capital assets (net of accumulated depreciation)</b> | <b>125,184,334</b>                        | <b>-</b>          | <b>5,692,179</b>    | <b>130,876,513</b>    | <b>4,130,184</b>  |
| Due from other funds  | 947,947                                   | -                 | -                   | 947,947               | -   |
| Loan acquisition costs  | 304,762                                   | -                 | -                   | 304,762               | -   |
| Unamortized bond premium                                      | (1,320,308)                               | -                 | -                   | (1,320,308)           | -   |
| Unamortized debt issuance costs                               | 3,171,875                                 | -                 | -                   | 3,171,875             | -   |
| <b>Total noncurrent assets</b>                                | <b>143,318,225</b>                        | <b>-</b>          | <b>5,692,179</b>    | <b>149,010,404</b>    | <b>4,147,160</b>  |
| <b>Total assets</b>   | <b>\$ 160,042,528</b>                     | <b>\$ 757,261</b> | <b>\$ 6,647,440</b> | <b>\$ 167,447,229</b> | <b>\$ 5,848,057</b>                                     |

City of Palm Coast, Florida  
Statement of Net Assets (continued)  
Proprietary Fund  
September 30, 2006

|  | Business-type Activities-Enterprise Funds |                     |                     |                      | Governmental<br>Activities<br>Internal Service<br>Funds |
|--|---|---------------------|---------------------|----------------------|---|
|  | Utility                                   | Solid<br>Waste      | Storm<br>Water      | Total                |   |
| <b>LIABILITIES</b>   |   |                     |                     |                      |   |
| Current liabilities:   |   |                     |                     |                      |   |
| Accounts payable   | \$ 489,519                                | \$ 380,514          | \$ 164,215          | \$ 1,034,248         | \$ 97,749   |
| Loans payable  | 621,862                                   | -                   | 167,026             | 788,888              | 190,226   |
| Compensated absences   | 150,188                                   | 3,467               | 21,126              | 174,781              | 5,326   |
| Accrued liabilities  | 82,812                                    | 1,343               | 12,621              | 96,776               | 2,473   |
| Customer deposits  | 2,577,902                                 | -                   | -                   | 2,577,902            | -   |
| Current liabilities payable from<br>restricted assets:   |   |                     |                     |                      |   |
| Current maturities of bonds payable  | 1,880,000                                 | -                   | -                   | 1,880,000            | -   |
| Accrued bond interest payable  | 2,202,936                                 | -                   | -                   | 2,202,936            | -   |
| Accounts payable   | 1,023,324                                 | -                   | -                   | 1,023,324            | -   |
| Contract payable   | 376,660                                   | -                   | -                   | 376,660              | -   |
| <b>Total current liabilities</b>   | <b>9,405,203</b>                          | <b>385,324</b>      | <b>364,988</b>      | <b>10,155,515</b>    | <b>295,774</b>  |
| Noncurrent liabilities:  |   |                     |                     |                      |   |
| Compensated absences   | 241,347                                   | 6,628               | 24,898              | 272,873              | 8,132   |
| Bonds payable  | 92,925,000                                | -                   | -                   | 92,925,000           | -   |
| Loans payable  | 15,452,632                                | -                   | 2,602,759           | 18,055,391           | 37,846  |
| Due to other funds   | -   | 830,040             | 117,907             | 947,947              | 170,389   |
| <b>Total noncurrent liabilities</b>  | <b>108,618,979</b>                        | <b>836,668</b>      | <b>2,745,564</b>    | <b>112,201,211</b>   | <b>216,367</b>  |
| <b>Total liabilities</b>   | <b>118,024,182</b>                        | <b>1,221,992</b>    | <b>3,110,552</b>    | <b>122,356,726</b>   | <b>512,141</b>  |
| <b>NET ASSETS</b>  |   |                     |                     |                      |   |
| Invested in capital assets, net of<br>related debt   | 17,108,522                                | -                   | 3,178,612           | 20,287,134           | 3,902,112   |
| Restricted for construction  | 13,629,631                                | -                   | -                   | 13,629,631           | -   |
| Restricted for bond debt service   | 1,880,000                                 | -                   | -                   | 1,880,000            | -   |
| Unrestricted   | 9,400,193                                 | (464,731)           | 358,276             | 9,293,738            | 1,433,804   |
| <b>Total net assets</b>  | <b>42,018,346</b>                         | <b>\$ (464,731)</b> | <b>\$ 3,536,888</b> | <b>\$ 45,090,503</b> | <b>\$ 5,335,916</b>                                     |
| Adjustment to reflect the<br>consolidation of internal service fund<br>activities related to enterprise funds. |   |                     |                     | 603,604              |   |
|  |   |                     |                     | <u>\$ 45,694,107</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, 2006

|  | Business-type Activities -<br>Enterprise Funds |                     |                      |                   | Governmental<br>Activities -<br>Internal<br>Service Funds |
|--|--|---------------------|----------------------|-------------------|---|
|  | Utility  | Solid<br>Waste      | Storm<br>Water       | Totals            |   |
| Operating revenues:  |  |                     |                      |                   |   |
| Charges for services:  |  |                     |                      |                   |   |
| Water sales  | \$ 16,440,801                                  | \$ -                | \$ -                 | \$ 16,440,801     | \$ -  |
| Sewer charges  | 8,235,518                                      | -                   | -                    | 8,235,518         | -   |
| Garbage charges  | -  | 3,982,553           | -                    | 3,982,553         | -   |
| Storm Water charges  | -  | -                   | 3,071,992            | 3,071,992         | -   |
| Miscellaneous  | 827,011  | 21,208              | -                    | 848,219           | 2,692,785   |
| Total operating revenues   | <u>25,503,330</u>                              | <u>4,003,761</u>    | <u>3,071,992</u>     | <u>32,579,083</u> | <u>2,692,785</u>  |
| Operating expenses:  |  |                     |                      |                   |   |
| Administrative   | 3,813,881                                      | -                   | -                    | 3,813,881         | 1,464,744   |
| Water system   | 6,151,800                                      | -                   | -                    | 6,151,800         | -   |
| Sewer system   | 4,186,541                                      | -                   | -                    | 4,186,541         | -   |
| Solid waste system   | -  | 4,326,165           | -                    | 4,326,165         | -   |
| Storm water system   | -  | -                   | 3,601,008            | 3,601,008         | -   |
| Depreciation   | 3,781,087                                      | -                   | 61,780               | 3,842,867         | 740,039   |
| Total operating expenses   | <u>17,933,309</u>                              | <u>4,326,165</u>    | <u>3,662,788</u>     | <u>25,922,262</u> | <u>2,204,783</u>  |
| Operating income (loss)  | 7,570,021                                      | (322,404)           | (590,796)            | 6,656,821         | 488,002   |
| Nonoperating income (expenses):  |  |                     |                      |                   |   |
| Operating Grants   | -  | -                   | 2,673,226            | 2,673,226         | -   |
| Investment revenue   | 1,089,712                                      | -                   | -                    | 1,089,712         | 32,099  |
| Interest/amortization expense  | (4,602,702)                                    | (35,542)            | (53,405)             | (4,691,649)       | (9,574)   |
| Other  | -  | -                   | -                    | -                 | 25,116  |
| Total nonoperating revenues<br>(expenses)  | <u>(3,512,990)</u>                             | <u>(35,542)</u>     | <u>2,619,821</u>     | <u>(928,711)</u>  | <u>47,641</u>   |
| Income (loss) before capital contributions<br>and transfers  | 4,057,031                                      | (357,946)           | 2,029,025            | 5,728,110         | 535,643   |
| Capital grants and contributions   | 9,599,955                                      | -                   | 143,951              | 9,743,906         | -   |
| Transfers in   | 236,732  | -                   | -                    | 236,732           | 1,811,251   |
| Transfers out  | (1,180,806)                                    | -                   | (12,687)             | (1,193,493)       | -   |
| Change in net assets   | <u>12,712,912</u>                              | <u>(357,946)</u>    | <u>2,160,289</u>     | <u>14,515,255</u> | <u>2,346,894</u>  |
| Total net assets - beginning   | <u>29,305,434</u>                              | <u>(106,785)</u>    | <u>1,376,599</u>     |                   | <u>2,989,022</u>  |
| Total net assets - ending  | <u>\$ 42,018,346</u>                           | <u>\$ (464,731)</u> | <u>\$ 3,536,888</u>  |                   | <u>\$ 5,335,916</u>                                       |
| Adjustment to reflect the<br>consolidation of internal service fund<br>activities related to enterprise funds. |  |                     | <u>244,489</u>       |                   |   |
|  |  |                     | <u>\$ 14,759,744</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, 2006

|   | Business-type Activities -<br>Enterprise Funds |                |                |               | Governmental<br>Activities -<br>Internal<br>Service Funds |
|---|--|----------------|----------------|---------------|---|
|   | Utility  | Solid<br>Waste | Storm<br>Water | Totals        |   |
| <b>Cash flows from operating activities</b>                             |  |                |                |               |   |
| Cash received from customers  | \$ 25,200,187                                  | \$ 3,815,264   | \$ 2,845,044   | \$ 31,860,495 | \$ 2,685,140  |
| Cash paid to suppliers  | (10,409,374)                                   | (4,196,274)    | (2,677,164)    | (17,282,812)  | (1,240,473)   |
| Cash paid to employees  | (5,158,164)                                    | (97,271)       | (821,987)      | (6,077,422)   | (171,520)   |
| Net cash provided by (used in) operating activities                     | 9,632,649                                      | (478,281)      | (654,107)      | 8,500,261     | 1,273,147   |
| <b>Cash flow from noncapital financing activities</b>                   |  |                |                |               |   |
| Transfers in from other funds   | 236,732  | -              | -              | 236,732       | 1,811,251   |
| Transfers out to other funds  | (1,180,806)                                    | -              | (12,687)       | (1,193,493)   | -   |
| Interfund Loan Repayment  | -  | -              | -              | -             | (166,639)   |
| Advances to other funds   | 98,270   | -              | -              | 98,270        | -   |
| Advances from other funds   | -  | 513,823        | (612,093)      | (98,270)      | -   |
| Net cash provided by (used in) noncapital financing activities          | (845,804)                                      | 513,823        | (624,780)      | (956,761)     | 1,644,612   |
| <b>Cash flow from capital and related financing activities</b>          |  |                |                |               |   |
| Proceeds from issuance of long-term debt                                | 9,601,556                                      | -              | 2,504,718      | 12,106,274    | 302,752   |
| Loan Principal Payments   | (1,896,743)                                    | -              | -              | (1,896,743)   | (166,658)   |
| Interest paid   | (4,573,595)                                    | (35,542)       | (53,405)       | (4,662,542)   | (9,574)   |
| Acquisition and construction of property, plant and equipment           | (20,866,515)                                   | -              | (3,847,492)    | (24,714,007)  | (1,877,361)   |
| Proceeds from the sale of capital assets                                | -  | -              | -              | -             | 36,761  |
| Impact fees and contributions   | 9,599,955                                      | -              | 2,675,066      | 12,275,021    | -   |
| Net cash provided by (used in) capital and related financing activities | (8,135,342)                                    | (35,542)       | 1,278,887      | (6,891,997)   | (1,714,080)   |
| <b>Cash flow from investing activities</b>                              |  |                |                |               |   |
| Interest on investments   | 1,089,712                                      | -              | -              | 1,089,712     | 32,099  |
| Net cash provided by (used in) investing activities                     | 1,089,712                                      | -              | -              | 1,089,712     | 32,099  |
| Net increase in cash and cash equivalents                               | 1,741,215                                      | -              | -              | 1,741,215     | 1,235,778   |
| Beginning cash and cash equivalents                                     | 24,562,482                                     | -              | -              | 24,562,482    | 408,885   |
| Ending cash and cash equivalents  | \$ 26,303,697                                  | \$ -           | \$ -           | \$ 26,303,697 | \$ 1,644,663  |

(continued)

City of Palm Coast, Florida  
Statement of Cash Flows (continued)  
Proprietary Funds  
For the Year Ended September 30, 2006

|  | Business-type Activities -<br>Enterprise Funds |                     |                              |                      | Governmental<br>Activities -<br>Internal<br>Service Funds |
|--|--|---------------------|------------------------------|----------------------|---|
|  | Utility  | Solid<br>Waste      | (Nonmajor)<br>Storm<br>Water | Totals               |   |
| <b>Reconciliation of operating income<br/>to net cash provided by operating<br/>activities</b> |  |                     |                              |                      |   |
| Operating income (loss)  | \$ 7,570,021                                   | \$ (322,404)        | \$ (590,796)                 | \$ 6,656,821         | \$ 488,002  |
| Adjustment to reconcile operating<br>income to net cash provided by<br>operating activities    |  |                     |                              |                      |   |
| Depreciation and amortization  | 3,781,087                                      | -                   | 61,780                       | 3,842,867            | 740,039   |
| Change in assets and liabilities:  |  |                     |                              |                      |   |
| Accounts receivable  | (818,597)                                      | (188,497)           | (226,948)                    | (1,234,042)          | (7,645)   |
| Due from other governments   | 81,382   | -                   | -                            | 81,382               | -   |
| Inventories  | (155,810)                                      | -                   | -                            | (155,810)            | 23,957  |
| Accounts payable   | 199,551  | 29,197              | 87,746                       | 316,494              | 22,484  |
| Accrued liabilities  | 12,902   | 543                 | (156)                        | 13,289               | (279)   |
| Customer deposits  | 434,072  | -                   | -                            | 434,072              | -   |
| Restricted accounts payable  | (1,475,055)                                    | -                   | -                            | (1,475,055)          | -   |
| Compensated absences   | 3,096  | 2,880               | 14,267                       | 20,243               | 6,589   |
| <b>Net cash provided by (used in)<br/>operating activities</b>                                 | <b>\$ 9,632,649</b>                            | <b>\$ (478,281)</b> | <b>\$ (654,107)</b>          | <b>\$ 8,500,261</b>  | <b>\$ 1,273,147</b>                                       |
| <b>Cash and cash equivalents<br/>classified as:</b>  |  |                     |                              |                      |   |
| Equity in pooled cash and investments in<br>current assets                                     | \$ 7,416,439                                   | \$ -                | \$ -                         | \$ 7,416,439         | \$ 1,644,663  |
| Restricted equity in pooled cash and<br>investments  |  |                     |                              |                      |   |
| Cash with fiscal agent   | 4,082,936                                      | -                   | -                            | 4,082,936            | -   |
| Impact fees  | 14,804,322                                     | -                   | -                            | 14,804,322           | -   |
| <b>Total restricted equity in pooled cash and<br/>investments</b>                              | <b>18,887,258</b>                              | <b>-</b>            | <b>-</b>                     | <b>18,887,258</b>    | <b>-</b>  |
| <b>Total cash and cash equivalents</b>   | <b>\$ 26,303,697</b>                           | <b>\$ -</b>         | <b>\$ -</b>                  | <b>\$ 26,303,697</b> | <b>\$ 1,644,663</b>                                       |

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

City of Palm Coast, Florida  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
September 30, 2006

|  | <b>Volunteer<br/>Firefighter<br/>Pension Fund</b> |
|--|---|
| <b>ASSETS</b>  |   |
| Cash and investments                                     | \$ 305,309  |
| Total assets   | 305,309   |
| <b>LIABILITIES</b>                                       |   |
| Tax withholding payable                                  | 270   |
| Total liabilities  | 270   |
| <b>NET ASSETS</b>  |   |
| Held in Trust for Pension Benefits<br>and Other Purposes | \$ 305,039  |

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, 2006

|                                | <b>Volunteer<br/>Firefighter<br/>Pension Fund</b> |
|--------------------------------|---|
| <b>ADDITIONS</b>               |   |
| Contributions:                 |   |
| State contributions            | \$ 192,845  |
| Total contributions            | 192,845   |
| Investment earnings:           |   |
| Interest                       | 6,376   |
| Total investment earnings      | 6,376   |
| Total additions                | 199,221   |
| <b>SUBTRACTIONS</b>            |   |
| Benefit Distributions          | 2,940   |
| Total subtractions             | 2,940   |
| <b>Net increase (Decrease)</b> | 196,281   |
| Net assets - beginning         | 108,758   |
| Net assets - ending            | \$ 305,039  |

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



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**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**



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**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006**

**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  
SEPTEMBER 30, 2006**

**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 streets improvement special revenue 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.

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.

The stormwater enterprise fund accounts for revenues and expenditures related to the collection and management of stormwater throughout the city.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
SEPTEMBER 30, 2006**

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

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

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.

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.

CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2006

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

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

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 and payables***

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

Receivables consist primarily of amounts due from other governments, as well as utility, solid waste, 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 17%, 18% and 22%, respectively, of the outstanding receivable amounts. Under Florida law, the assessment and collection of all county, municipal, and school district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate up to 10 mills.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2006**

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

***Receivables and payables (Continued)***

The property tax calendar is as follows:

| Valuation Date   | January 1, 2005    |                 |          |    |          |   |         |   |          |   |       |   |   |
|--|--------------------|-----------------|----------|----|----------|---|---------|---|----------|---|-------|---|---|
| Property Appraiser prepares the assessment roll with values as of January 1, 2005, submits this preliminary roll for approval by the State and notifies each taxing authority of their respective valuations.  | July 1, 2005       |                 |          |    |          |   |         |   |          |   |       |   |   |
| City Council holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year.  | September 2005     |                 |          |    |          |   |         |   |          |   |       |   |   |
| Property Appraiser certifies the assessment roll and all real and tangible personal property taxes are due and payable (Levy date).  | November 1, 2005   |                 |          |    |          |   |         |   |          |   |       |   |   |
| A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November 2005 through March 2006, with the following applicable discounts:   |                    |                 |          |    |          |   |         |   |          |   |       |   |   |
| <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Month Paid</u></th> <th style="text-align: left;"><u>Discount</u></th> </tr> </thead> <tbody> <tr> <td>November</td> <td>4%</td> </tr> <tr> <td>December</td> <td>3</td> </tr> <tr> <td>January</td> <td>2</td> </tr> <tr> <td>February</td> <td>1</td> </tr> <tr> <td>March</td> <td>0</td> </tr> </tbody> </table> | <u>Month Paid</u>  | <u>Discount</u> | November | 4% | December | 3 | January | 2 | February | 1 | March | 0 | November 1, 2005<br>through<br>March 31, 2006 |
| <u>Month Paid</u>  | <u>Discount</u>    |                 |          |    |          |   |         |   |          |   |       |   |   |
| November   | 4%                 |                 |          |    |          |   |         |   |          |   |       |   |   |
| December   | 3                  |                 |          |    |          |   |         |   |          |   |       |   |   |
| January  | 2                  |                 |          |    |          |   |         |   |          |   |       |   |   |
| February   | 1                  |                 |          |    |          |   |         |   |          |   |       |   |   |
| March  | 0                  |                 |          |    |          |   |         |   |          |   |       |   |   |
| All unpaid taxes on real and tangible personal property become delinquent.   | April 1, 2006      |                 |          |    |          |   |         |   |          |   |       |   |   |
| A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised.   | April and May 2006 |                 |          |    |          |   |         |   |          |   |       |   |   |
| Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien date).  | June 1, 2006       |                 |          |    |          |   |         |   |          |   |       |   |   |
| 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, 2006       |                 |          |    |          |   |         |   |          |   |       |   |   |

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2006**

**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 \$5,000 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  
 SEPTEMBER 30, 2006**

**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 and loan 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 \$196,413,136 difference are as follows:

|  |                |
|--|----------------|
| Capital assets   | \$ 203,365,579 |
| Less: Accumulated Depreciation   | (11,974,273)   |
| Construction in progress   | 5,021,830      |
| Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i> | \$ 196,413,136 |

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2006**

**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 \$1,184,114 difference are as follows:

|  |                            |
|--|----------------------------|
| Loans payable  | \$ 167,812                 |
| Capital leases payable   | 3,944                      |
| Compensated absences   | <u>1,012,358</u>           |
| Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i> | <u><u>\$ 1,184,114</u></u> |

***Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities***

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net 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 \$55,158 difference are as follows:

|  |                         |
|--|-------------------------|
| Debt repayments:   |                         |
| Loan   | 32,069                  |
| Capital lease  | <u>23,089</u>           |
| 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> | <u><u>\$ 55,158</u></u> |

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
SEPTEMBER 30, 2006**

**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 \$988,039 as of September 30, 2006. This fund incurred redevelopment expenditures in advance of future anticipated property tax revenues.

***Excess of Expenditures Over Appropriations***

For the year ended September 30, 2006, no departments exceeded appropriations.

***Budgetary Information***

The City follows these procedures in adopting the budget:

1. On or before the 30<sup>th</sup> day of September of each year, the City Council by resolution adopts an annual budget for all funds, after public hearings are conducted to obtain taxpayer comments.
2. If, during the fiscal year, revenues in excess of those estimated in the budget are available for appropriation, the Council may, by resolution, make supplemental appropriations for the year in an amount not to exceed such excess.
3. The City cannot legally exceed the budget; however, the City Manager is authorized to transfer budgeted amounts within a department. Any revisions that change the total expenditures of any department must be approved by the City Council. The legal level of budgetary control is the department level.
4. Budgeted amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual budget during the year. Encumbrance accounting is employed. Unexpended and unencumbered appropriations lapse at the end of the fiscal year and may be reappropriated in the ensuing year.
5. The budget includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as a budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior periods' excess of revenues over expenditures.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2006**

**Note 4 – Deposits and Investments**

***Deposits***

At year-end, the carrying amount of the City's deposits was \$9,064,571 and the bank balance was \$9,929,466. 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 \$10,776 in petty cash. In addition, the City has a money market cash balance of \$158,607 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.
6. Commercial paper
7. Corporate bonds

As of September 30, 2006, the City has the following investments:

| Investment Type             | Fair Value           | Percentage<br>of Total | Maturities  |
|-----------------------------|----------------------|------------------------|-------------|
| Florida SBA Investment Pool | \$ 38,158,101        | 52.18%                 | n/a         |
| U.S. Government Agencies    | 14,052,490           | 19.22%                 | 1-3 Years   |
| Commercial Paper            | 10,440,908           | 14.28%                 | 90-180 Days |
| U.S. Treasuries             | 8,028,278            | 10.98%                 | 1-2 Years   |
| Corporate Notes             | <u>2,441,627</u>     | 3.34%                  | 1-3 Years   |
|                             | <u>\$ 73,121,404</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, 2006.

*Interest Rate Risk.* The City's investment policy limits the maturities of operating funds to a maximum of twenty-four (24) months. Bond reserves, construction funds, and other non-operating funds cannot exceed maturities of ten (10) years. Longer maturities, not to

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2006**

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

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, 2006, the City's investments in U.S. Government Agencies were rated AAA, commercial paper rated A-1+, and corporate bonds rated AA- to AAA by Standard & Poor's.

*Concentrations of Credit Risk.* The City's investment policy allows a maximum of seventy-five (75) percent of available funds to be invested in U.S. Government Agencies. As of September 30, 2006, the City's largest agency investment is in the Federal Home Loan Bank. These securities represent 6.9 percent of the City's total investments.

The Volunteer Firefighters' Pension monies totaling \$305,309 are invested in a bank money market account and the Florida SBA investment pool.

Cash with fiscal agent as of September 30, 2006 totaled \$4,082,936. 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, 2006:

|                                      | General Fund      | Transportation Impact Fee Fund | Utility Fund        | Solid Waste Fund  | Storm Water Fund  | Fleet Management Fund | Totals              |
|--------------------------------------|-------------------|--------------------------------|---------------------|-------------------|-------------------|-----------------------|---------------------|
| Accounts receivable                  | \$ 290,390        | \$ 4,475                       | \$ 4,575,092        | \$ 92,587         | \$ 891,790        | \$ 23,549             | \$ 7,106,923        |
| Notes receivable - current           | 33,375            | -                              | -                   | -                 | -                 | -                     | 33,375              |
| Notes receivable - noncurrent        | 134,437           | -                              | -                   | -                 | -                 | -                     | 134,437             |
| Less allowance for doubtful accounts | -                 | -                              | (833,811)           | (154,326)         | (193,687)         | -                     | (1,181,824)         |
|                                      | <u>\$ 458,202</u> | <u>\$ 4,475</u>                | <u>\$ 4,141,281</u> | <u>\$ 757,261</u> | <u>\$ 698,043</u> | <u>\$ 23,549</u>      | <u>\$ 6,082,911</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**  
**SEPTEMBER 30, 2006**

**Note 6 – Capital Assets**

Capital asset activity for the year ended September 30, 2006 was as follows:

|   | Balance<br>09/30/05 | Increases     | Decreases    | Balance<br>09/30/06 |
|---|---------------------|---------------|--------------|---------------------|
| <b>A. Governmental Activities</b>               |                     |               |              |                     |
| Capital assets, not being depreciated:          |                     |               |              |                     |
| Land  | \$ 67,837,121       | \$ 1,971,023  | \$ -         | \$ 69,808,144       |
| Construction in progress                        | 3,635,814           | 1,586,156     | (200,140)    | 5,021,830           |
| Total capital assets, not being depreciated     | 71,472,935          | 3,557,179     | (200,140)    | 74,829,974          |
| Capital assets, being depreciated               |                     |               |              |                     |
| Buildings and improvements other than buildings | 10,011,273          | 4,410,819     | -            | 14,422,092          |
| Infrastructure                                  | 107,546,703         | 6,868,825     | -            | 114,415,528         |
| Equipment                                       | 8,175,894           | 2,250,567     | (33,213)     | 10,393,248          |
| Total capital assets, being depreciated         | 125,733,870         | 13,530,211    | (33,213)     | 139,230,868         |
| Less accumulated depreciated for:               |                     |               |              |                     |
| Buildings and improvements other than buildings | (500,688)           | (431,115)     | -            | (931,803)           |
| Infrastructure                                  | (6,511,185)         | (2,717,419)   | -            | (9,228,604)         |
| Equipment                                       | (2,016,525)         | (1,359,850)   | 19,260       | (3,357,115)         |
| Total accumulated depreciation                  | (9,028,398)         | (4,508,384)   | 19,260       | (13,517,522)        |
| Total capital assets, being depreciated, net    | 116,705,472         | 9,021,827     | (13,953)     | 125,713,346         |
| Governmental activities capital assets, net     | \$ 188,178,407      | \$ 12,579,006 | \$ (214,093) | \$ 200,543,320      |

|   | Balance<br>09/30/05 | Increases     | Decreases       | Balance<br>09/30/06 |
|---|---------------------|---------------|-----------------|---------------------|
| <b>B. Business-type Activities</b>              |                     |               |                 |                     |
| Capital assets, not being depreciated:          |                     |               |                 |                     |
| Land  | \$ 12,299,100       | \$ 733,457    | \$ -            | \$ 13,032,557       |
| Construction in progress                        | 18,088,189          | 1,202,160     | (12,199,215)    | 7,091,134           |
| Total capital assets, not being depreciated     | 30,387,289          | 1,935,617     | (12,199,215)    | 20,123,691          |
| Capital assets, being depreciated               |                     |               |                 |                     |
| Buildings and improvements other than buildings | 32,847,425          | 17,205,042    | -               | 50,052,467          |
| Infrastructure                                  | 51,028,872          | 18,122,064    | -               | 69,150,936          |
| Equipment                                       | 490,442             | 394,761       | -               | 885,203             |
| Total capital assets, being depreciated         | 84,366,739          | 35,721,867    | -               | 120,088,606         |
| Less accumulated depreciated for:               |                     |               |                 |                     |
| Buildings and improvements other than buildings | (2,661,635)         | (1,699,256)   | -               | (4,360,891)         |
| Infrastructure                                  | (2,777,389)         | (2,065,865)   | -               | (4,843,254)         |
| Equipment                                       | (53,893)            | (77,746)      | -               | (131,639)           |
| Total accumulated depreciation                  | (5,492,917)         | (3,842,867)   | -               | (9,335,784)         |
| Total capital assets, being depreciated, net    | 78,873,822          | 31,879,000    | -               | 110,752,822         |
| Business-type activities capital assets, net    | \$ 109,261,111      | \$ 33,814,617 | \$ (12,199,215) | \$ 130,876,513      |

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
SEPTEMBER 30, 2006**

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

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

|  |           |                         |
|--|-----------|-------------------------|
| Governmental activities:   |           |                         |
| General government   | \$        | 478,175                 |
| Public safety  |           | 117,695                 |
| Transportation and Physical Environment  |           | 2,861,924               |
| Culture and recreation   |           | 310,551                 |
| Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets |           | <u>740,039</u>          |
| Total depreciation expense - governmental activities   | <b>\$</b> | <b><u>4,508,384</u></b> |
| Business activities:   |           |                         |
| Utility  | \$        | 3,781,087               |
| Solid Waste  |           | -                       |
| Stormwater   |           | <u>61,780</u>           |
| Total depreciation expense - business activities   | <b>\$</b> | <b><u>3,842,867</u></b> |

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

The composition of interfund balances as of September 30, 2006, is as follows:

Advances from/to other funds:

| Receivable Fund       | Payable Fund          | Purpose                            | Amount              |
|-----------------------|-----------------------|------------------------------------|---------------------|
| Capital Projects Fund | Fleet Management Fund | Purchase of Fleet equipment        | \$ 170,389          |
| General Fund          | SR100 CRA Fund        | Purchase and redevelopment of land | 1,500,000           |
| Utility Fund          | Solid Waste Fund      | Supplement operating cash flow     | 830,040             |
| Utility Fund          | Stormwater Fund       | Supplement operating cash flow     | 117,907             |
|                       |                       | Total                              | <u>\$ 2,618,336</u> |

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
SEPTEMBER 30, 2006**

**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. Transfers from the Utility Fund are in lieu of tax transfers, maintenance transfers, and to establish reserves for future capital expenditures.

| Transfer out:              | Transfer In:      |                  |                       |                   |                     | Total               |
|----------------------------|-------------------|------------------|-----------------------|-------------------|---------------------|---------------------|
|                            | General Fund      | Capital Projects | Nonmajor Governmental | Utility Fund      | Internal Service    |                     |
| General Fund               | \$ -              | \$ 15,296        | \$ 98,162             | \$ 236,732        | \$ 1,323,492        | \$ 1,673,682        |
| Utility Fund               | 668,735           | 37,000           | -                     | -                 | 475,071             | 1,180,806           |
| Stormwater Fund            | -                 | -                | -                     | -                 | 12,687              | 12,687              |
| <b>Total transfers out</b> | <b>\$ 668,735</b> | <b>\$ 52,296</b> | <b>\$ 98,162</b>      | <b>\$ 236,732</b> | <b>\$ 1,811,250</b> | <b>\$ 2,867,175</b> |

**Note 8 – Leases and Agreements**

Interlocal Agreements:

The City maintains an interlocal agreement with the Flagler County Sheriff for law enforcement services. The agreement provides for additional services above the base level of service provided by the Sheriff on a County-wide basis. For 2006 the total cost was \$1,764,689 and provided 21.5 additional personnel.

Operating Leases:

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

|              |                  |
|--------------|------------------|
| General Fund | <u>\$ 17,222</u> |
|--------------|------------------|

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
SEPTEMBER 30, 2006**

**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 |    | (169,842)     |
|                                |    | <u>42,480</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>         |    |              |
| 2007                                    | \$ | <u>4,065</u> |
| Total minimum lease payments            |    | 4,065        |
| Less amount representing interest       |    | (121)        |
| Present value of minimum lease payments | \$ | <u>3,944</u> |

The current obligation under capital lease is \$3,944.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
SEPTEMBER 30, 2006**

**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<br><u>September 30</u> | Principal         | Interest         |
|------------------------------------|-------------------|------------------|
| 2007                               | \$ 33,375         | \$ 6,105         |
| 2008                               | 34,735            | 4,745            |
| 2009                               | 36,150            | 3,542            |
| 2010                               | 37,623            | 1,857            |
| 2011                               | 25,930            | 390              |
|                                    | <u>\$ 167,812</u> | <u>\$ 16,639</u> |

***Equipment Loans***

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 \$4,593 per month at 2.94% interest through June 8, 2007.

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

| Year Ending<br><u>September 30</u> | Principal        | Interest      |
|------------------------------------|------------------|---------------|
| 2007                               | \$ 38,851        | \$ 457        |
|                                    | <u>\$ 38,851</u> | <u>\$ 457</u> |

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
SEPTEMBER 30, 2006**

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

During the fiscal year ended September 30, 2006, the City of Palm Coast entered into a loan agreement for the purchase of equipment. The loan principal of \$302,752 is payable at \$12,615 per month at 0% interest through December 22, 2007.

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

| Year Ending<br>September 30 | Principal         | Interest    |
|-----------------------------|-------------------|-------------|
| 2007                        | \$ 151,375        | -           |
| 2008                        | 37,846            | -           |
|                             | <u>\$ 189,221</u> | <u>\$ -</u> |

**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.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
SEPTEMBER 30, 2006**

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

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.

**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<br><u>September 30</u> | <u>Principal</u>     | <u>Interest</u>      |
|------------------------------------|----------------------|----------------------|
| 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                               | 2,055,000            | 4,167,203            |
| 2012-2016                          | 11,405,000           | 19,559,883           |
| 2017-2021                          | 14,375,000           | 16,310,313           |
| 2022-2026                          | 18,505,000           | 11,998,313           |
| 2027-2031                          | 23,590,000           | 6,690,375            |
| 2032-2033                          | 17,120,000           | 884,000              |
|                                    | <u>\$ 94,805,000</u> | <u>\$ 76,824,049</u> |

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
SEPTEMBER 30, 2006**

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

***State Revolving Fund Loans***

During year ended September 30, 2005, the City executed an agreement with the Florida Department of Environmental Protection to borrow through the State Revolving Fund loan program, for the purpose of lift station and force main improvements. The original loan principal of \$2,782,157 is payable semi-annually in the amount of \$89,441 at an interest rate 2.71% through December 15, 2025.

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

| Year Ending<br><u>September 30</u> | Principal           | Interest          |
|------------------------------------|---------------------|-------------------|
| 2007                               | \$ 105,598          | \$ 73,284         |
| 2008                               | 110,960             | 70,386            |
| 2009                               | 113,988             | 67,358            |
| 2010                               | 117,098             | 64,248            |
| 2011                               | 120,292             | 61,054            |
| 2012-2016                          | 652,520             | 254,210           |
| 2017-2021                          | 746,527             | 160,203           |
| 2022-2026                          | 763,430             | 52,626            |
|                                    | <u>\$ 2,730,413</u> | <u>\$ 803,369</u> |

During year ended September 30, 2005, the City executed an agreement with the Florida Department of Environmental Protection to borrow through the State Revolving Fund loan program, for the purpose of wastewater treatment facilities improvements. The loan principal of \$13,344,081 is payable semi-annually in the amount of \$429,938 at an interest rate 2.60% through June 15, 2026.

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

| Year Ending<br><u>September 30</u> | Principal            | Interest            |
|------------------------------------|----------------------|---------------------|
| 2007                               | \$ 516,264           | \$ 343,612          |
| 2008                               | 529,774              | 330,102             |
| 2009                               | 543,638              | 316,238             |
| 2010                               | 557,864              | 302,012             |
| 2011                               | 572,463              | 287,413             |
| 2012-2016                          | 3,095,022            | 1,204,358           |
| 2017-2021                          | 3,521,748            | 777,632             |
| 2022-2027                          | 4,007,308            | 292,072             |
|                                    | <u>\$ 13,344,081</u> | <u>\$ 3,853,439</u> |

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2006**

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

During the year ended September 30, 2006, the City executed an agreement with the Florida Department of Environmental Protection to borrow up to \$4,295,200 through the State Revolving Fund loan program, for the purpose of stormwater drainage improvements and swale rehabilitation. As of September 30, 2006 the total amount of funding received on this loan was \$2,504,719. The total expended on this project, including capitalized interest, was \$2,769,785 with \$256,218 in funding pending as of year end. Estimated repayment dates are subject to change pending the completion of the project.

| Description                    | Interest Rate | Disbursable Amount | Amount Funded | Estimated Repayment | Semi-Annual Payment | Term (Years) |
|--------------------------------|---------------|--------------------|---------------|---------------------|---------------------|--------------|
| Stormwater system improvements | 2.55%         | \$ 4,295,200       | \$ 2,504,719  | 2/13/2007           | \$ 137,748          | 20           |

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

During the year ended September 30, 2006, the following changes in long-term debt occurred:

| Governmental Activities:      | Balance               | Additions            | Reductions            | Balance               | One Year            |
|-------------------------------|-----------------------|----------------------|-----------------------|-----------------------|---------------------|
| CDBG Loan                     | \$ 199,880            | \$ -                 | \$ (32,068)           | \$ 167,812            | \$ 33,375           |
| Capital leases                | 27,033                | -                    | (23,089)              | 3,944                 | 3,944               |
| Equipment Loan                | 92,801                | 302,752              | (167,481)             | 228,072               | 190,226             |
| Compensated Absences          | 753,918               | 734,265              | (462,367)             | 1,025,816             | 516,799             |
| Long-term debt                | <u>\$ 1,073,632</u>   | <u>\$ 1,037,017</u>  | <u>\$ (685,005)</u>   | <u>\$ 1,425,644</u>   | <u>\$ 744,344</u>   |
| <br>Business Type Activities: |                       |                      |                       |                       |                     |
| Utility Revenue Bond          | \$ 96,650,000         | \$ -                 | \$ (1,845,000)        | \$ 94,805,000         | \$ 1,880,000        |
| State Revolving Fund Loans    | 8,415,152             | 10,480,871           | (51,744)              | 18,844,279            | 788,888             |
| Compensated Absences          | 292,241               | 384,062              | (228,649)             | 447,654               | 174,781             |
| Long-term debt                | <u>\$ 105,357,393</u> | <u>\$ 10,864,933</u> | <u>\$ (2,125,393)</u> | <u>\$ 114,096,933</u> | <u>\$ 2,843,669</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 \$228,072 and \$13,458 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  
SEPTEMBER 30, 2006**

**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. The plan is administered by a third party administrator, Great West Retirement Services. The authority to establish and amend benefits rests with the City Council. Under this plan, the City contributes a certain percentage of employees' eligible wages based upon their job classification as determined by City Council. For the fiscal year ended September 30, 2006, general employees received a 9% contribution, with department heads receiving 12% and special risk employees receiving 15%. Employees do not participate in the plan funding. Pension contributions are subject to a five year (5) vesting schedule. Withdrawals from the plan may be made due to retirement, attainment of age 59 ½, separation from service, disability, or death. For the period ended September 30, 2006, contributions to this plan totaled \$1,114,882.

***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  
 SEPTEMBER 30, 2006**

**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>10/1/2005 -<br/>09/30/2006</u> |
|--|-----------------------------------|
| Regular employees – members not qualifying for other classes                           | 9.85%                             |
| Special Risk Employees – members employed as law enforcement officers and firefighters | 20.92%                            |
| 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<br/>Contribution</u> | <u>%<br/>Contributed</u> |
|---------------------------|----------------------------------|--------------------------|
| 09/30/2004                | \$177,984                        | 100%                     |
| 09/30/2005                | 203,845                          | 100%                     |
| 09/30/2006                | 232,212                          | 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 plan is a single-employer defined benefit pension plan.

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 PALM COAST, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS – CONTINUED  
 SEPTEMBER 30, 2006**

***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, subject only to the actuarial reduction for early retirement at age fifty (50).

The authority to establish and amend benefits rests with the City Council. City contribution requirements to the plan are adopted as part of the City's annual budget. The current retirement benefit is based on \$35 per month for each year of credited service. Volunteers do not contribute to the plan.

Contributions from the state to the plan are reported as revenues and expenditures in the general fund before being reported in the pension fund. The amount recorded for the period ended September 30, 2006 was \$192,845. A separate, audited GAAP-basis pension plan report is not available for the plan. Currently, one member has begun receiving retirement benefits. There are 35 active participants, with seven being eligible for normal retirement. An actuarial valuation, utilizing the aggregate cost method, has been completed as of October 1, 2005.

Three Year Trend Information

| Year Ended<br>September 30 | Actuarially<br>Required<br>Contribution | State<br>Contribution | Percentage<br>of APC<br>Contributed | Net<br>Pension<br>Obligation |
|----------------------------|---|-----------------------|-------------------------------------|------------------------------|
| 2005                       | 0                                       | \$ 86,664             | 100%                                | 0                            |
| 2004                       | 0                                       | 22,312                | 100%                                | 0                            |
| 2003                       | 0                                       | 0                     | 100%                                | 0                            |

**CITY OF PALM COAST, FL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2006**

**Note 11 – Restatement of Fund Balances**

For the year ended September 30, 2006, the City reclassified certain special revenue funds to the general fund, capital projects fund, and transportation impact fee special revenue fund based on their actual function. The following balances were restated:

| Fund Balance                 | 9/30/2005<br>Balance | Change      | Restated<br>9/30/2005<br>Balance |
|------------------------------|----------------------|-------------|----------------------------------|
| General Fund                 | \$10,612,139         | \$1,016,865 | \$11,629,004                     |
| Capital Projects Fund        | 3,408,102            | 130,031     | 3,538,133                        |
| <b>Special Revenue</b>       |                      |             |                                  |
| Transportation Impact Fee    | 10,347,953           | 628,141     | 10,976,094                       |
| Disaster Reserve             | 1,016,865            | (1,016,865) | -                                |
| Development Special Projects | 628,141              | (628,141)   | -                                |
| Recycling Revenue            | 130,031              | (130,031)   | -                                |
| Totals                       | <u>\$26,143,231</u>  | -           | <u>\$26,143,231</u>              |

**Note 12 – Prepaid Water and Sewer Impact Fees**

The original developers of the City of Palm Coast collected impact fees to establish utility infrastructure. These amounts are considered a prepayment of current impact fees and are subtracted from the total impact fees due when a building lot is developed. As of September 30, 2006, the amount of prepaid impact fees is estimated to be \$24,395,000.

**Note 13 – 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  
SEPTEMBER 30, 2006**

**Note 14 – Community Redevelopment Area**

The City has established the SR100 Community Redevelopment special revenue fund to account for revenues and expenditures related to the SR100 community redevelopment area. For the fiscal year ended September 30, 2006, the fund received \$207,687 in grant revenue, \$150,646 in property tax revenue, and \$35,125 in investment earnings. In addition, the fund received a \$1,000,000 working capital loan from the General Fund. Expenditures for the fiscal year of \$1,279,008 are for the purchase of land and related redevelopment costs.

**Note 15 – Developer Contribution**

A contribution of \$7,271,000 was received from a developer and recorded in the Transportation Impact Fee special revenue fund during fiscal year 2006. This one time contribution is required as part of the Palm Coast Park Development of Regional Impact development order dated December 7, 2004. This contribution is in addition to normal transportation impact fees, and is for the mitigation of the traffic impact on specific existing roadways due to this development.

**Note 16 – Subsequent Events**

In January 2007, the city will issue \$50,765,000 of utility revenue bonds to finance the construction of a new water treatment plant and related infrastructure. The interest rate on the bonds will range from 4.2 – 5.0 percent and the maturity date is January 2036.

## **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, 2006

|   | Budgeted Amounts |               | Actual<br>Amounts | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---|------------------|---------------|-------------------|---|
|   | Original         | Final         |                   |   |
| <b>REVENUES</b>                               |                  |               |                   |   |
| Taxes   | \$ 11,976,000    | \$ 12,169,000 | \$ 12,989,761     | \$ 820,761  |
| Licenses and permits                          | 4,513,400        | 4,513,400     | 6,161,259         | 1,647,859   |
| Intergovernmental                             | 3,406,900        | 3,406,900     | 3,889,086         | 482,186   |
| Charges for services                          | 3,989,221        | 3,989,221     | 3,883,515         | (105,706)   |
| Fines and forfeitures                         | 180,400          | 755,400       | 824,699           | 69,299  |
| Investment earnings                           | 127,900          | 127,900       | 787,704           | 659,804   |
| Miscellaneous                                 | 2,100            | 2,100         | 34,831            | 32,731  |
| Total revenues                                | 24,195,921       | 24,963,921    | 28,570,855        | 3,606,934   |
| <b>EXPENDITURES</b>                           |                  |               |                   |   |
| Current:                                      |                  |               |                   |   |
| General government:                           |                  |               |                   |   |
| Mayor and Council                             | 57,398           | 60,398        | 60,183            | 215   |
| City Manager                                  | 1,098,089        | 1,098,089     | 1,009,776         | 88,313  |
| City Attorney                                 | 400,000          | 640,000       | 632,098           | 7,902   |
| City Clerk                                    | 259,303          | 259,303       | 251,990           | 7,313   |
| General Services                              | 3,412,391        | 3,457,391     | 3,340,545         | 116,846   |
| Building & Code Administration                | 3,799,258        | 4,374,258     | 3,736,254         | 638,004   |
| Development Services                          | 1,521,153        | 1,521,153     | 1,048,707         | 472,446   |
| Nondepartmental:                              | 1,252,388        | 764,388       | 404,649           | 359,739   |
| Total general government                      | 11,799,980       | 12,174,980    | 10,484,202        | 1,690,778   |
| Public safety                                 |                  |               |                   |   |
| Fire  | 4,131,474        | 4,524,474     | 4,509,853         | 14,621  |
| Law Enforcement                               | 1,905,500        | 1,905,500     | 1,762,831         | 142,669   |
| Total public safety                           | 6,036,974        | 6,429,974     | 6,272,684         | 157,290   |
| Transportation and physical environment:      |                  |               |                   |   |
| Public Works                                  | 6,797,959        | 6,797,959     | 4,887,693         | 1,910,266   |
| Engineering                                   | 548,971          | 548,971       | 342,392           | 206,579   |
| Capital Projects                              | 703,141          | 703,141       | 545,695           | 157,446   |
| Total transportation and physical environment | 8,050,071        | 8,050,071     | 5,775,780         | 2,274,291   |
| Culture and recreation                        | 2,202,074        | 2,202,074     | 1,986,396         | 215,678   |
| Total expenditures                            | 28,089,099       | 28,857,099    | 24,519,062        | 4,338,037   |
| Excess of revenues over (under) expenditures  | (3,893,178)      | (3,893,178)   | 4,051,793         | 7,944,971   |
| Other financing sources (uses):               |                  |               |                   |   |
| Transfers in                                  | 659,165          | 659,165       | 688,735           | 9,570   |
| Transfers out                                 | (2,225,334)      | (2,225,334)   | (1,673,682)       | 551,652   |
| Total other financing sources (uses)          | (1,566,169)      | (1,566,169)   | (1,004,947)       | 561,222   |
| Net change in fund balance                    | (5,459,347)      | (5,459,347)   | 3,046,846         | 8,506,193   |
| Fund balance - beginning - restated           | 11,629,004       | 11,629,004    | 11,629,004        | -   |
| Fund balance - ending                         | \$ 6,169,657     | \$ 6,169,657  | \$ 14,675,850     | \$ 8,506,193  |

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, 2006

|  | Budgeted Amounts |               | Actual Amounts | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|------------------|---------------|----------------|---|
|  | Original         | Final         |                |   |
| <b>REVENUES</b>                              |                  |               |                |   |
| Impact fees                                  | \$ 10,653,280    | \$ 10,653,280 | \$ 8,255,657   | \$ (2,397,623)  |
| Developer Contributions                      | -                | -             | 7,271,000      | 7,271,000   |
| Intergovernmental revenue                    | -                | -             | 25,658         | 25,658  |
| Investment earnings                          | 136,900          | 136,900       | 750,355        | 613,455   |
| Total revenues                               | 10,790,180       | 10,790,180    | 16,302,670     | 5,512,490   |
| <b>EXPENDITURES</b>                          |                  |               |                |   |
| Current:                                     |                  |               |                |   |
| Transportation and physical environment      | 126,546          | 126,546       | 124,338        | 2,208   |
| Capital outlay:                              |                  |               |                |   |
| Transportation and physical environment      | 21,513,034       | 21,513,034    | 4,251,761      | 17,261,273  |
| Total expenditures                           | 21,639,580       | 21,639,580    | 4,376,099      | 17,263,481  |
| Excess of revenues over (under) expenditures | (10,849,400)     | (10,849,400)  | 11,926,571     | 22,775,971  |
| Fund balance - beginning - restated          | 10,976,094       | 10,976,094    | 10,976,094     | -   |
| Fund balance - ending                        | \$ 126,694       | \$ 126,694    | \$ 22,902,665  | \$ 22,775,971   |

City of Palm Coast, Florida  
 Required Supplementary Information  
 Streets Improvement Special Revenue Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended September 30, 2006

|  | Budgeted Amounts |              | Actual Amounts | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|------------------|--------------|----------------|---|
|  | Original         | Final        |                |   |
| <b>REVENUES</b>                              |                  |              |                |   |
| Taxes  | \$ 3,731,000     | \$ 3,731,000 | \$ 4,297,798   | \$ 566,798  |
| Investment earnings                          | 1,400            | 1,400        | 87,178         | 85,778  |
| Miscellaneous                                | -                | -            | -              | -   |
| Total revenues                               | 3,732,400        | 3,732,400    | 4,384,976      | 652,576   |
| <b>EXPENDITURES</b>                          |                  |              |                |   |
| Capital outlay:                              |                  |              |                |   |
| Transportation and physical environment      | 5,859,200        | 5,859,200    | 3,946,811      | 1,912,389   |
| Total expenditures                           | 5,859,200        | 5,859,200    | 3,946,811      | 1,912,389   |
| Excess of revenues over (under) expenditures | (2,126,800)      | (2,126,800)  | 438,165        | 2,564,965   |
| Fund balance - beginning                     | 2,126,819        | 2,126,819    | 2,126,819      | -   |
| Fund balance - ending                        | \$ 19            | \$ 19        | \$ 2,564,984   | \$ 2,564,965  |

**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**

## 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.

***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.

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



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City of Palm Coast, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2006

|   | Special Revenue Funds |                      |                     |                     |                   | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|-----------------------|----------------------|---------------------|---------------------|-------------------|--|
|   | Police<br>Education   | Police<br>Automation | Park<br>Impact Fee  | Fire<br>Impact Fee  | SR100<br>CRA      |  |
| <b>ASSETS</b>                             |                       |                      |                     |                     |                   |  |
| Equity in pooled cash and investments     | \$ 28,569             | \$ 72,041            | \$ 5,208,205        | \$ 3,415,685        | \$ 525,402        | \$ 9,249,902                               |
| Due from other governments                | -                     | -                    | 20,000              | -                   | -                 | 20,000                                     |
| Prepaid items                             | -                     | -                    | -                   | -                   | 4,800             | 4,800                                      |
| <b>Total assets</b>                       | <b>\$ 28,569</b>      | <b>\$ 72,041</b>     | <b>\$ 5,228,205</b> | <b>\$ 3,415,685</b> | <b>\$ 530,202</b> | <b>\$ 9,274,702</b>                        |
| <b>LIABILITIES</b>                        |                       |                      |                     |                     |                   |  |
| Accounts payable                          | \$ -                  | \$ -                 | \$ 96,326           | \$ 1,052            | \$ 18,241         | \$ 115,619                                 |
| Accrued liabilities                       | -                     | -                    | -                   | -                   | -                 | -  |
| Deferred Revenue                          | -                     | -                    | -                   | -                   | -                 | -  |
| Due to other funds                        | -                     | -                    | -                   | -                   | 1,500,000         | 1,500,000                                  |
| <b>Total liabilities</b>                  | <b>-</b>              | <b>-</b>             | <b>96,326</b>       | <b>1,052</b>        | <b>1,518,241</b>  | <b>1,615,619</b>                           |
| <b>FUND BALANCES</b>                      |                       |                      |                     |                     |                   |  |
| Reserved for encumbrances                 | -                     | -                    | 24,528              | 995,567             | 40,488            | 1,060,583                                  |
| Unreserved/undesignated                   | 28,569                | 72,041               | 5,107,351           | 2,419,066           | (1,028,527)       | 6,598,500                                  |
| <b>Total fund balances</b>                | <b>28,569</b>         | <b>72,041</b>        | <b>5,131,879</b>    | <b>3,414,633</b>    | <b>(988,039)</b>  | <b>7,659,083</b>                           |
| <b>Total liabilities and fund balance</b> | <b>\$ 28,569</b>      | <b>\$ 72,041</b>     | <b>\$ 5,228,205</b> | <b>\$ 3,415,685</b> | <b>\$ 530,202</b> | <b>\$ 9,274,702</b>                        |

City of Palm Coast, Florida  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended September 30, 2006

|  | Special Revenue Funds |                      |                    |                    |              | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-----------------------|----------------------|--------------------|--------------------|--------------|--|
|  | Police<br>Education   | Police<br>Automation | Park<br>Impact Fee | Fire<br>Impact Fee | SR100<br>CRA |  |
| <b>REVENUES</b>  |                       |                      |                    |                    |              |  |
| Taxes  | \$ -                  | \$ -                 | \$ -               | \$ -               | \$ 88,457    | \$ 88,457                                  |
| Intergovernmental revenue                                    | -                     | -                    | -                  | -                  | 207,687      | 207,687                                    |
| Fines and forfeitures  | 8,657                 | 35,112               | -                  | -                  | -            | 43,769                                     |
| Impact fees  | -                     | -                    | 2,221,598          | 1,026,616          | -            | 3,248,214                                  |
| Investment earnings  | 1,076                 | 956                  | 232,203            | 127,952            | 35,125       | 397,312                                    |
| Total revenues   | 9,733                 | 36,068               | 2,453,801          | 1,154,568          | 331,269      | 3,985,439                                  |
| <b>EXPENDITURES</b>  |                       |                      |                    |                    |              |  |
| Current:   |                       |                      |                    |                    |              |  |
| Public safety  | -                     | -                    | -                  | 11,000             | -            | 11,000                                     |
| Transportation and physical environment                      | -                     | -                    | -                  | -                  | 131,900      | 131,900                                    |
| Capital outlay:  |                       |                      |                    |                    |              |  |
| Public safety  | 10,000                | -                    | -                  | 55,543             | -            | 65,543                                     |
| Transportation and physical environment                      | -                     | -                    | -                  | -                  | 1,147,108    | 1,147,108                                  |
| Culture and recreation                                       | -                     | -                    | 2,715,114          | -                  | -            | 2,715,114                                  |
| Total expenditures   | 10,000                | -                    | 2,715,114          | 66,543             | 1,279,008    | 4,070,665                                  |
| Excess (deficiency) of revenues<br>over (under) expenditures | (267)                 | 36,068               | (261,313)          | 1,088,025          | (947,739)    | (85,226)                                   |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                       |                      |                    |                    |              |  |
| Transfers in   | -                     | 35,973               | -                  | -                  | 62,189       | 98,162                                     |
| Total other financing sources (uses)                         | -                     | 35,973               | -                  | -                  | 62,189       | 98,162                                     |
| Net change in fund balances                                  | (267)                 | 72,041               | (261,313)          | 1,088,025          | (885,550)    | 12,936                                     |
| Fund balances - beginning                                    | 28,836                | -                    | 5,393,192          | 2,326,608          | (102,489)    | 7,646,147                                  |
| Fund balances - ending                                       | \$ 28,569             | \$ 72,041            | \$ 5,131,879       | \$ 3,414,633       | \$ (988,039) | \$ 7,659,083                               |

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, 2006

|  | Budgeted Amounts |              | Actual<br>Amounts | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|------------------|--------------|-------------------|---|
|  | Original         | Final        |                   |   |
| <b>REVENUES</b>                              |                  |              |                   |   |
| Taxes  | \$ 4,266,700     | \$ 4,266,700 | \$ 4,294,923      | \$ 28,223   |
| Intergovernmental revenue                    | -                | -            | 400,000           | 400,000   |
| Charges for services                         | 44,900           | 44,900       | 69,329            | 24,429  |
| Contributions                                | -                | -            | 125,000           | 125,000   |
| Investment earnings                          | 47,300           | 47,300       | 303,525           | 256,225   |
| Total revenues                               | 4,358,900        | 4,358,900    | 5,192,777         | 833,877   |
| <b>EXPENDITURES</b>                          |                  |              |                   |   |
| Current:                                     |                  |              |                   |   |
| General government                           | 41,000           | 41,000       | 38,229            | 2,771   |
| Capital outlay:                              |                  |              |                   |   |
| General government                           | 2,116,976        | 2,116,976    | 11,799            | 2,105,177   |
| Public safety                                | 511,777          | 511,777      | 10,655            | 501,122   |
| Transportation and physical environment      | 3,395,983        | 3,395,983    | 1,031,172         | 2,364,811   |
| Culture and recreation                       | 2,042,486        | 2,042,486    | 221,425           | 1,821,061   |
| Total expenditures                           | 8,108,222        | 8,108,222    | 1,313,280         | 6,794,942   |
| Excess of revenues over (under) expenditures | (3,749,322)      | (3,749,322)  | 3,879,497         | 7,628,819   |
| Other financing sources (uses):              |                  |              |                   |   |
| Transfers in                                 | 211,222          | 211,222      | 52,296            | (158,926)   |
| Total other financing sources (uses)         | 211,222          | 211,222      | 52,296            | (158,926)   |
| Net change in fund balance                   | (3,538,100)      | (3,538,100)  | 3,931,793         | 7,469,893   |
| Fund balance - beginning - restated          | 3,538,133        | 3,538,133    | 3,538,133         | -   |
| Fund balance - ending                        | \$ 33            | \$ 33        | \$ 7,469,926      | \$ 7,469,893  |

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, 2006

|  | <u>Budgeted Amounts</u> |               |                  | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|-------------------------|---------------|------------------|---|
|  | Original                | Final         | Actual Amounts   |   |
| <b>REVENUES</b>                              |                         |               |                  |   |
| Fines and forfeitures                        | \$ 5,800                | \$ 5,800      | \$ 8,657         | \$ 2,857  |
| Investment earnings                          | 100                     | 100           | 1,076            | 976   |
| Total revenues                               | <u>5,900</u>            | <u>5,900</u>  | <u>9,733</u>     | <u>3,833</u>  |
| <b>EXPENDITURES</b>                          |                         |               |                  |   |
| Current:                                     |                         |               |                  |   |
| Public safety                                | 34,700                  | 34,700        | 10,000           | 24,700  |
| Total expenditures                           | <u>34,700</u>           | <u>34,700</u> | <u>10,000</u>    | <u>24,700</u>   |
| Excess of revenues over (under) expenditures | (28,800)                | (28,800)      | (267)            | 28,533  |
| Fund balance - beginning                     | 28,836                  | 28,836        | 28,836           | -   |
| Fund balance - ending                        | <u>\$ 36</u>            | <u>\$ 36</u>  | <u>\$ 28,569</u> | <u>\$ 28,533</u>  |

City of Palm Coast, Florida  
 Police Automation Special Revenue Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended September 30, 2006

|  | <u>Budgeted Amounts</u> |               |                       | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|-------------------------|---------------|-----------------------|---|
|  | <u>Original</u>         | <u>Final</u>  | <u>Actual Amounts</u> |   |
| <b>REVENUES</b>                              |                         |               |                       |   |
| Fines and forfeitures                        | \$ 26,400               | \$ 26,400     | \$ 35,112             | \$ 8,712  |
| Investment earnings                          | 300                     | 300           | 956                   | 656   |
| Total revenues                               | <u>26,700</u>           | <u>26,700</u> | <u>36,068</u>         | <u>9,368</u>  |
| <b>EXPENDITURES</b>                          |                         |               |                       |   |
| Current:                                     |                         |               |                       |   |
| Public safety                                | 26,700                  | 26,700        | -                     | 26,700  |
| Total expenditures                           | <u>26,700</u>           | <u>26,700</u> | <u>-</u>              | <u>26,700</u>   |
| Excess of revenues over (under) expenditures | -                       | -             | 36,068                | 36,068  |
| Other financing sources (uses):              |                         |               |                       |   |
| Transfers in                                 | -                       | -             | 35,973                | 35,973  |
| Total other financing sources (uses)         | <u>-</u>                | <u>-</u>      | <u>35,973</u>         | <u>35,973</u>   |
| Net change in fund balance                   | -                       | -             | 72,041                | 72,041  |
| Fund balance - beginning                     | -                       | -             | -                     | -   |
| Fund balance - ending                        | <u>\$ -</u>             | <u>\$ -</u>   | <u>\$ 72,041</u>      | <u>\$ 72,041</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, 2006

|  | <u>Budgeted Amounts</u> |                  |                     | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|-------------------------|------------------|---------------------|---|
|  | Original                | Final            | Actual Amounts      |   |
| <b>REVENUES</b>                              |                         |                  |                     |   |
| Impact fees                                  | \$ 3,131,300            | \$ 3,131,300     | \$ 2,221,598        | \$ (909,702)  |
| Investment earnings                          | 38,000                  | 38,000           | 232,203             | 194,203   |
| Total revenues                               | <u>3,169,300</u>        | <u>3,169,300</u> | <u>2,453,801</u>    | <u>(715,499)</u>  |
| <b>EXPENDITURES</b>                          |                         |                  |                     |   |
| Capital outlay:                              |                         |                  |                     |   |
| Culture and recreation                       | 8,562,400               | 8,562,400        | 2,715,114           | 5,847,286   |
| Total expenditures                           | <u>8,562,400</u>        | <u>8,562,400</u> | <u>2,715,114</u>    | <u>5,847,286</u>  |
| Excess of revenues over (under) expenditures | (5,393,100)             | (5,393,100)      | (261,313)           | 5,131,787   |
| Fund balance - beginning                     | 5,393,192               | 5,393,192        | 5,393,192           | -   |
| Fund balance - ending                        | <u>\$ 92</u>            | <u>\$ 92</u>     | <u>\$ 5,131,879</u> | <u>\$ 5,131,787</u>                                       |

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, 2006

|  | <u>Budgeted Amounts</u> |                  |                       | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|-------------------------|------------------|-----------------------|---|
|  | <u>Original</u>         | <u>Final</u>     | <u>Actual Amounts</u> |   |
| <b>REVENUES</b>                              |                         |                  |                       |   |
| Impact fees                                  | \$ 581,500              | \$ 581,500       | \$ 1,026,616          | \$ 445,116  |
| Investment earnings                          | 18,700                  | 18,700           | 127,952               | 109,252   |
| Total revenues                               | <u>600,200</u>          | <u>600,200</u>   | <u>1,154,568</u>      | <u>554,368</u>  |
| <b>EXPENDITURES</b>                          |                         |                  |                       |   |
| Current:                                     |                         |                  |                       |   |
| Public safety                                | -                       | -                | 11,000                | (11,000)  |
| Capital outlay                               |                         |                  |                       |   |
| Public safety                                | 2,926,800               | 2,926,800        | 55,543                | 2,871,257   |
| Total expenditures                           | <u>2,926,800</u>        | <u>2,926,800</u> | <u>66,543</u>         | <u>2,860,257</u>  |
| Excess of revenues over (under) expenditures | (2,326,600)             | (2,326,600)      | 1,088,025             | 3,414,625   |
| Fund balance - beginning                     | 2,326,608               | 2,326,608        | 2,326,608             | -   |
| Fund balance - ending                        | <u>\$ 8</u>             | <u>\$ 8</u>      | <u>\$ 3,414,633</u>   | <u>\$ 3,414,625</u>                                       |

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, 2006

|  | <u>Budgeted Amounts</u> |                     |                     | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|-------------------------|---------------------|---------------------|---|
|  | Original                | Final               | Actual Amounts      |   |
| <b>REVENUES</b>                              |                         |                     |                     |   |
| Taxes  | \$ 99,100               | \$ 99,100           | \$ 88,457           | \$ (10,643)   |
| Intergovernmental revenue                    | -                       | -                   | 207,687             | 207,687   |
| Investment earnings                          | 4,800                   | 4,800               | 35,125              | 30,325  |
| Total revenues                               | <u>103,900</u>          | <u>103,900</u>      | <u>331,269</u>      | <u>227,369</u>  |
| <b>EXPENDITURES</b>                          |                         |                     |                     |   |
| Current:                                     |                         |                     |                     |   |
| Physical environment                         | 263,500                 | 263,500             | 131,900             | 131,600   |
| Capital outlay:                              |                         |                     |                     |   |
| Physical environment                         | 1,300,000               | 1,300,000           | 1,147,108           | 152,892   |
| Total expenditures                           | <u>1,563,500</u>        | <u>1,563,500</u>    | <u>1,279,008</u>    | <u>284,492</u>  |
| Excess of revenues over (under) expenditures | (1,459,600)             | (1,459,600)         | (947,739)           | 511,861   |
| Other financing sources (uses):              |                         |                     |                     |   |
| Transfers in                                 | 1,062,189               | 1,062,189           | 62,189              | (1,000,000)   |
| Total other financing sources (uses)         | <u>1,062,189</u>        | <u>1,062,189</u>    | <u>62,189</u>       | <u>(1,000,000)</u>  |
| Net change in fund balance                   | (397,411)               | (397,411)           | (885,550)           | (488,139)   |
| Fund balance - beginning                     | (102,489)               | (102,489)           | (102,489)           | -   |
| Fund balance - ending                        | <u>\$ (499,900)</u>     | <u>\$ (499,900)</u> | <u>\$ (988,039)</u> | <u>\$ (488,139)</u>                                       |



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## Statistical Section

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

| <b><u>Contents</u></b>   | <b><u>Page</u></b> |
|--|--------------------|
| <b>Financial Trends</b>  | <b>83</b>          |
| These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.  |                    |
| <b>Revenue Capacity</b>  | <b>88</b>          |
| These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property taxes.   |                    |
| <b>Debt Capacity</b>   | <b>92</b>          |
| These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.                                    |                    |
| <b>Demographic and Economic Information</b>  | <b>97</b>          |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments. |                    |
| <b>Operating Information</b>   | <b>100</b>         |
| These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.         |                    |

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented Statement 34 in 2000; schedules presenting government-wide information include information beginning in that year.



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Schedule 1

City of Palm Coast, Florida

Net Assets by Component,

Last Seven Fiscal Years

(accrual basis of accounting)

|  | Fiscal Year        |                     |                      |                      |                      |                      |                      |
|--|--------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | 2000               | 2001                | 2002                 | 2003                 | 2004 (1)             | 2005 (2)             | 2006                 |
| <b>Governmental activities</b>                   |                    |                     |                      |                      |                      |                      |                      |
| Invested in capital assets, net of related debt: | \$382,928          | \$4,763,505         | \$167,192,568        | \$171,361,402        | \$180,740,187        | \$188,058,574        | \$200,311,305        |
| Restricted                                       | 147,938            | 27,338              | 17,538               | 18,168               | 5,950,159            | 20,866,845           | 34,114,771           |
| Unrestricted                                     | 1,107,096          | 7,355,731           | 13,041,435           | 14,698,845           | 9,707,726            | 13,953,120           | 21,119,911           |
| <b>Total governmental activities net assets</b>  | <b>\$1,637,962</b> | <b>\$12,146,574</b> | <b>\$180,251,541</b> | <b>\$186,078,415</b> | <b>\$196,398,074</b> | <b>\$222,878,539</b> | <b>\$255,545,987</b> |
| <b>Business-type activities</b>                  |                    |                     |                      |                      |                      |                      |                      |
| Invested in capital assets, net of related debt: | -                  | -                   | -                    | -                    | \$1,704,059          | \$13,854,695         | \$20,030,915         |
| Restricted                                       | -                  | -                   | -                    | -                    | 5,288,252            | 7,733,922            | 2,688,888            |
| Unrestricted                                     | -                  | -                   | -                    | -                    | \$3,745,088          | \$9,345,746          | \$22,994,303         |
| <b>Total business-type activities net assets</b> | <b>-</b>           | <b>-</b>            | <b>-</b>             | <b>-</b>             | <b>\$10,737,399</b>  | <b>\$30,934,363</b>  | <b>\$45,694,107</b>  |
| <b>Primary government</b>                        |                    |                     |                      |                      |                      |                      |                      |
| Invested in capital assets, net of related debt: | \$382,928          | \$4,763,505         | \$167,192,568        | \$171,361,402        | \$182,444,246        | \$201,913,269        | \$220,342,221        |
| Restricted                                       | 147,938            | 27,338              | 17,538               | 18,168               | 11,238,411           | 28,600,767           | 36,783,659           |
| Unrestricted                                     | 1,107,096          | 7,355,731           | 13,041,435           | 14,698,845           | 13,452,816           | 23,298,866           | 44,114,214           |
| <b>Total primary government net assets</b>       | <b>\$1,637,962</b> | <b>\$12,146,574</b> | <b>\$180,251,541</b> | <b>\$186,078,415</b> | <b>\$207,135,473</b> | <b>\$253,812,902</b> | <b>\$301,240,094</b> |

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

(1): The city purchased the local water and wastewater utility on October 30, 2003, and established a solid waste enterprise fund during the fiscal year.

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

Schedule 2

City of Palm Coast, Florida

Changes in Net Assets,

Last Seven Fiscal Years

(accrual basis of accounting)

|  | Fiscal Year      |                    |                     |                     |                     |                     |                     |
|--|------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|  | 2000             | 2001               | 2002                | 2003                | 2004 (1)            | 2005 (2)            | 2006                |
| <b>Expenses</b>  |                  |                    |                     |                     |                     |                     |                     |
| Governmental activities:                               |                  |                    |                     |                     |                     |                     |                     |
| General government                                     | \$640,638        | \$4,003,411        | \$4,735,135         | \$6,105,902         | \$8,388,301         | \$6,821,382         | \$8,721,369         |
| Public safety  | 1,148            | 2,229,349          | 2,391,106           | 2,837,067           | 3,643,368           | 4,450,045           | 6,339,499           |
| Transportation and physical environment                | -                | 1,617,073          | 5,003,610           | 5,449,800           | 6,589,005           | 7,054,196           | 8,775,023           |
| Culture and recreation                                 | -                | 442,020            | 723,718             | 697,477             | 1,047,729           | 1,696,730           | 2,101,421           |
| Interest on long-term debt                             | 657              | 10,296             | 84,073              | 39,515              | 17,983              | 39,017              | 19,208              |
| <b>Total governmental activities expenses</b>          | <b>642,443</b>   | <b>8,302,149</b>   | <b>12,937,642</b>   | <b>15,119,761</b>   | <b>19,686,386</b>   | <b>20,061,370</b>   | <b>25,957,520</b>   |
| Business-type activities:                              |                  |                    |                     |                     |                     |                     |                     |
| Utility  | -                | -                  | -                   | -                   | 16,619,664          | 18,667,179          | 22,329,065          |
| Solid Waste  | -                | -                  | -                   | -                   | 1,490,093           | 3,733,373           | 4,359,944           |
| Stormwater   | -                | -                  | -                   | -                   | -                   | 1,270,065           | 3,680,413           |
| <b>Total business-type activities expenses</b>         | <b>-</b>         | <b>-</b>           | <b>-</b>            | <b>-</b>            | <b>\$17,109,757</b> | <b>\$23,670,617</b> | <b>\$30,369,422</b> |
| <b>Total primary government expenses</b>               | <b>\$642,443</b> | <b>\$8,302,149</b> | <b>\$12,937,642</b> | <b>\$15,119,761</b> | <b>\$36,796,143</b> | <b>\$43,731,987</b> | <b>\$56,326,942</b> |
| <b>Program Revenues</b>                                |                  |                    |                     |                     |                     |                     |                     |
| Governmental activities:                               |                  |                    |                     |                     |                     |                     |                     |
| Charges for services:                                  |                  |                    |                     |                     |                     |                     |                     |
| General government                                     | 30,330           | \$1,866,209        | \$3,197,287         | \$5,157,949         | \$6,960,846         | \$7,723,665         | \$8,477,215         |
| Public safety  | -                | 90,248             | 56,640              | 871,075             | 1,180,886           | 170,604             | 214,074             |
| Transportation and physical environment                | -                | 232,634            | 82,915              | 1,692,582           | 208,305             | 276,940             | 344,155             |
| Culture and recreation                                 | -                | 117,090            | 74,544              | 1,634,750           | 120,901             | 186,165             | 244,630             |
| Operating grants and contributions                     | 60,207           | 4,660              | 3,600               | 83,102              | 2,540,442           | 2,032,933           | 2,481,166           |
| Capital grants and contributions                       | -                | -                  | 5,032,608           | 151,000             | 4,911,700           | 16,970,920          | 19,533,215          |
| <b>Total governmental activities program revenues</b>  | <b>90,537</b>    | <b>2,310,841</b>   | <b>8,447,594</b>    | <b>9,590,458</b>    | <b>14,860,280</b>   | <b>27,361,427</b>   | <b>31,294,445</b>   |
| Business-type activities:                              |                  |                    |                     |                     |                     |                     |                     |
| Charges for services:                                  |                  |                    |                     |                     |                     |                     |                     |
| Utility  | -                | -                  | -                   | -                   | 16,005,064          | 21,204,366          | 25,503,330          |
| Solid Waste  | -                | -                  | -                   | -                   | 1,450,510           | 3,667,701           | 4,003,761           |
| Stormwater   | -                | -                  | -                   | -                   | -                   | 1,673,827           | 3,071,992           |
| Operating grants and contributions                     | -                | -                  | -                   | -                   | -                   | -                   | 2,673,226           |
| Capital grants and contributions                       | -                | -                  | -                   | -                   | 10,011,548          | 17,760,957          | 9,743,906           |
| <b>Total business-type activities program revenues</b> | <b>-</b>         | <b>-</b>           | <b>-</b>            | <b>-</b>            | <b>27,467,122</b>   | <b>44,306,850</b>   | <b>44,996,215</b>   |
| <b>Total primary government program revenues</b>       | <b>\$90,537</b>  | <b>\$2,310,841</b> | <b>\$8,447,594</b>  | <b>\$9,590,458</b>  | <b>\$42,327,402</b> | <b>\$71,668,277</b> | <b>\$76,290,660</b> |

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

(1) The city purchased the local water and wastewater utility on October 30, 2003 and established a solid waste enterprise fund during the fiscal year.

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

|   | Fiscal Year |               |               |               |               |              |              |
|---|-------------|---------------|---------------|---------------|---------------|--------------|--------------|
|   | 2000        | 2001          | 2002          | 2003          | 2004 (1)      | 2005 (2)     | 2006         |
| <b>Net (Expense)/Revenue</b>                              |             |               |               |               |               |              |              |
| Governmental activities                                   | (\$551,906) | (\$5,991,308) | (\$4,490,048) | (\$5,529,303) | (\$4,826,106) | \$7,300,057  | \$5,336,925  |
| Business-Type activities                                  | -           | -             | -             | -             | 10,357,365    | 20,636,233   | 14,626,793   |
| Total primary government net expense                      | (\$551,906) | (\$5,991,308) | (\$4,490,048) | (\$5,529,303) | \$5,531,259   | \$27,936,290 | \$19,963,718 |
| <b>General Revenues and Other Changes in Net Assets</b>   |             |               |               |               |               |              |              |
| Governmental activities:                                  |             |               |               |               |               |              |              |
| Taxes   |             |               |               |               |               |              |              |
| Property taxes  | -           | \$4,882,939   | \$5,981,826   | \$6,539,567   | \$7,855,523   | \$10,218,772 | \$14,720,753 |
| Sales and use taxes                                       | -           | -             | 4,066,291     | 2,202,280     | 1,878,066     | 2,649,771    | 2,817,198    |
| Telecommunication services tax                            | -           | -             | 1,107,968     | 1,531,099     | 1,634,060     | 1,980,363    | 2,430,169    |
| Franchise Fees  | -           | 174,310       | 203,115       | 103,024       | 79,730        | 9,651        | -            |
| Intergovernmental revenue                                 | 1,872,119   | 8,869,143     | 3,319,553     | 2,016,034     | 2,128,690     | 2,730,825    | 3,310,749    |
| Unrestricted investment earnings                          | 3,096       | 236,059       | 176,256       | 186,128       | 197,427       | 750,053      | 2,358,173    |
| Miscellaneous   | 75          | 321,961       | 1,346,908     | 131,716       | 6,006         | 24,443       | 35,711       |
| Gain (Loss) on sale of capital assets                     | -           | -             | -             | (20,803)      | 8,895         | 93,575       | 25,115       |
| Capital contributions not restricted to specific programs | 304,578     | 2,015,508     | 156,393,098   | -             | -             | -            | 832,047      |
| Transfers   | -           | -             | -             | -             | 24,500        | 722,955      | 956,761      |
| Total governmental activities                             | 2,189,868   | 16,499,920    | 172,595,015   | 12,689,045    | 13,912,897    | 19,180,408   | 27,256,676   |
| Business-type activities                                  |             |               |               |               |               |              |              |
| Unrestricted investment earnings                          | -           | -             | -             | -             | 148,549       | 539,671      | 1,089,712    |
| Transfers   | -           | -             | -             | -             | (24,500)      | (722,955)    | (956,761)    |
| Total business-type activities                            | -           | -             | -             | -             | 124,049       | (183,284)    | 132,951      |
| Total primary government                                  | \$2,189,868 | \$16,499,920  | \$172,595,015 | \$12,689,045  | \$13,936,946  | \$18,997,124 | \$27,389,627 |
| <b>Change in Net Assets</b>                               |             |               |               |               |               |              |              |
| Governmental activities                                   | \$1,637,962 | \$10,508,612  | \$168,104,967 | \$7,159,742   | \$8,986,791   | \$26,480,465 | \$32,593,601 |
| Business-Type activities                                  | -           | -             | -             | -             | 10,481,414    | 20,452,949   | 14,759,744   |
| Total primary government                                  | \$1,637,962 | \$10,508,612  | \$168,104,967 | \$7,159,742   | \$19,468,205  | \$46,933,414 | \$47,353,345 |

**Note:** Capital contributions not restricted to specific programs totaling \$156,393,098 in fiscal year 2002 represents land and infrastructure contributed to the city by Flagler County

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

|                                    | Fiscal Year:       |                    |                    |                     |                     |                     |                     |
|------------------------------------|--------------------|--------------------|--------------------|---------------------|---------------------|---------------------|---------------------|
|                                    | 2000               | 2001               | 2002               | 2003                | 2004                | 2005                | 2006                |
| General Fund                       |                    |                    |                    |                     |                     |                     |                     |
| Reserved                           | -                  | \$288,747          | \$847,267          | \$820,575           | \$605,668           | \$1,443,695         | \$1,103,293         |
| Unreserved                         | 1,242,949          | 2,681,069          | 2,763,569          | 3,714,792           | 5,849,129           | 9,168,444           | 13,572,557          |
| Total general fund                 | <u>\$1,242,949</u> | <u>\$2,949,816</u> | <u>\$3,610,836</u> | <u>\$4,535,367</u>  | <u>\$6,454,797</u>  | <u>\$10,612,139</u> | <u>\$14,675,850</u> |
| All Other Governmental Funds       |                    |                    |                    |                     |                     |                     |                     |
| Reserved                           | -                  | -                  | 908,544            | 1,204,184           | \$2,158,702         | \$7,009,041         | \$4,896,572         |
| Unreserved reported in:            |                    |                    |                    |                     |                     |                     |                     |
| Capital projects funds             | -                  | 4,246,865          | 6,871,420          | 4,746,588           | 2,633,691           | 2,656,158           | 6,313,502           |
| Special revenue funds              | 12,085             | 337,578            | 1,949,095          | 4,840,163           | 5,693,586           | 15,638,859          | 29,286,584          |
| Total all other governmental funds | <u>\$12,085</u>    | <u>\$4,584,443</u> | <u>\$9,729,059</u> | <u>\$10,790,935</u> | <u>\$10,485,979</u> | <u>\$25,304,058</u> | <u>\$40,596,658</u> |

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

**Schedule 4**

**City of Palm Coast, Florida**

**Changes in Fund Balances, Governmental Funds,**

**Last Five Fiscal Years**

*(modified accrual basis of accounting)*

|   | Fiscal Year        |                    |                   |                     |                     |
|---|--------------------|--------------------|-------------------|---------------------|---------------------|
|   | 2002               | 2003               | 2004              | 2005                | 2006                |
| <b>Revenues</b>   |                    |                    |                   |                     |                     |
| Taxes   | \$11,359,200       | \$11,571,061       | \$12,941,610      | \$16,174,220        | \$21,670,939        |
| Licenses and permits                                    | 2,790,824          | 4,209,977          | 5,910,993         | 6,525,597           | 6,161,259           |
| Intergovernmental revenues                              | 8,355,761          | 2,140,974          | 3,374,899         | 5,004,586           | 4,522,431           |
| Charges for services                                    | 478,571            | 846,087            | 1,574,693         | 2,667,712           | 3,952,844           |
| Fines and forfeitures                                   | 90,795             | 159,381            | 129,910           | 227,706             | 868,468             |
| Impact fees   | -                  | 2,313,325          | 4,002,575         | 15,220,838          | 11,503,871          |
| Contributions   | -                  | -                  | -                 | 146,100             | 7,396,000           |
| Investment Earnings                                     | 173,786            | 186,128            | 197,186           | 741,840             | 2,326,074           |
| Miscellaneous   | 1,316,955          | 247,616            | 6,006             | 14,968              | 34,831              |
| <b>Total revenues</b>                                   | <b>24,565,892</b>  | <b>21,674,549</b>  | <b>28,137,872</b> | <b>46,723,567</b>   | <b>58,436,717</b>   |
| <b>Expenditures</b>                                     |                    |                    |                   |                     |                     |
| Current:  |                    |                    |                   |                     |                     |
| General government                                      | 4,711,537          | 6,841,677          | 8,455,664         | 7,673,946           | 10,130,835          |
| Public safety   | 2,288,508          | 2,681,225          | 3,549,167         | 4,280,179           | 6,189,208           |
| Transportation and physical environment                 | 4,869,617          | 3,365,153          | 4,476,099         | 4,357,076           | 5,657,983           |
| Culture and recreation                                  | 712,316            | 602,408            | 1,002,543         | 1,536,105           | 1,773,901           |
| Capital outlay  | 6,840,516          | 3,548,620          | 11,260,891        | 9,431,598           | 14,409,198          |
| Debt Service:   |                    |                    |                   |                     |                     |
| Principal   | 64,999             | 2,598,933          | 77,510            | 138,301             | 55,158              |
| Interest and Other                                      | 84,073             | 33,037             | 17,983            | 23,109              | 9,634               |
| <b>Total expenditures</b>                               | <b>19,571,566</b>  | <b>19,671,053</b>  | <b>28,839,857</b> | <b>27,440,314</b>   | <b>38,225,917</b>   |
| <b>Excess of revenues over (under) expenditures</b>     | <b>4,994,326</b>   | <b>2,003,496</b>   | <b>(701,985)</b>  | <b>19,283,253</b>   | <b>20,210,800</b>   |
| <b>Other Financing Sources (Uses)</b>                   |                    |                    |                   |                     |                     |
| Sale of capital assets                                  | -                  | -                  | 905,280           | -                   | -                   |
| Loan and capital lease proceeds                         | 954,279            | 98,811             | 53,811            | -                   | -                   |
| Transfers In  | 900,216            | 980,622            | 904,436           | 973,133             | 819,193             |
| Transfers Out   | (1,043,185)        | (1,096,522)        | (879,936)         | (1,280,965)         | (1,673,682)         |
| <b>Total other financing sources (uses)</b>             | <b>811,310</b>     | <b>(17,089)</b>    | <b>983,591</b>    | <b>(307,832)</b>    | <b>(854,489)</b>    |
| <b>Net change in fund balances</b>                      | <b>\$5,805,636</b> | <b>\$1,986,407</b> | <b>\$281,606</b>  | <b>\$18,975,421</b> | <b>\$19,356,311</b> |
| <br>  |                    |                    |                   |                     |                     |
| Debt Service as a percentage of noncapital expenditures | 1.18%              | 19.51%             | 0.55%             | 0.90%               | 0.27%               |

**Note:** The City of Palm Coast was incorporated on December 31, 1999. Information regarding Capital Outlay is not available for fiscal years 2000 and 2001.

Schedule 5  
 City of Palm Coast, Florida  
 Assessed Value and Actual Value of Taxable Property,  
 Last Four Fiscal Years

| Fiscal Year Ended<br>September 30. | Residential     | Commercial    | Industrial   | Agricultural | Institutional | Governmental  | Other         | Less:                      |                       | Less:                  | Less:           | Total Taxable<br>Assessed<br>Value | Total<br>Direct Tax<br>Rate |
|------------------------------------|-----------------|---------------|--------------|--------------|---------------|---------------|---------------|----------------------------|-----------------------|------------------------|-----------------|------------------------------------|-----------------------------|
|                                    | Property        | Property      | Property     | Property     | Property      | Property      | Property      | Homestead<br>Exemption (1) | Save our<br>Homes (2) | Tax-Exempt<br>Property |                 |                                    |                             |
| 2003                               | \$2,051,254,318 | \$194,862,777 | \$26,365,838 | \$5,798,060  | \$39,438,049  | \$100,525,175 | \$196,993,077 | \$321,753,366              | \$92,574,202          | \$217,199,078          | \$1,983,740,628 | \$3.40                             |                             |
| 2004                               | 2,528,271,398   | 232,047,340   | 31,357,801   | 7,760,475    | 42,679,835    | 139,464,416   | 214,309,963   | 354,573,215                | 165,002,148           | 270,418,934            | \$2,405,886,931 | \$3.40                             |                             |
| 2005                               | 3,454,001,811   | 254,715,262   | 30,507,106   | 8,346,686    | 26,661,862    | 180,732,585   | 259,118,979   | 393,810,094                | 347,134,776           | 378,735,156            | \$3,094,404,215 | \$3.40                             |                             |
| 2006                               | 5,138,381,560   | 300,963,171   | 34,861,566   | 8,501,550    | 36,578,109    | 189,285,651   | 277,949,484   | 441,240,549                | 692,335,627           | 408,149,787            | \$4,444,854,928 | \$3.40                             |                             |

**Source:** Flagler County Property Appraiser, based on preliminary values provided by July 1 of each year for 2003-2005. Fiscal year 2006 is based on final taxable values provided in October of each year. Detailed breakdown of final taxable values for 2003-2005 is not available.

**Note:** The City of Palm Coast was incorporated on December 31, 1999. Detailed information is not readily available for fiscal years 2000 to 2002. Property in the city is reassessed each year, and visited at least once every three years. Property is assessed at actual value, therefore the assessed values are equal to actual value. Tax rates are per \$1,000 of assessed value.

- (1) Every person who has legal or equitable title to real property in the State of Florida, who resides on the property and makes it their permanent home is entitled to a \$25,000 exemption
- (2) The Florida Constitution has been amended effective January 1, 1995 to limit any annual increase in the assessed value of residential property with a Homestead Exemption to 3 percent or the Consumer Price Index percent change, whichever is lower. This limitation does not include any change, addition or improvement to a homestead

Schedule 6

City of Palm Coast, Florida

Direct and Overlapping Property Tax Rates,

Last Seven Fiscal Years

(rate per \$1,000 of assessed value)

| Fiscal Year | City Direct Rate (1) | Overlapping Rates (2) |                |  |  |                                    |
|-------------|----------------------|-----------------------|----------------|--|--|------------------------------------|
|             |                      | School District       | Flagler County | East Flagler Mosquito Control District | St Johns River Water Management District | Florida Inland Navigation District |
| 2000        | -                    | \$9.5870              | \$5.5167       | \$0.3420                               | \$0.4820                                 | \$0.0440                           |
| 2001        | 3.15000              | 9.46900               | 5.10910        | 0.33300                                | 0.47200                                  | 0.04100                            |
| 2002        | 3.50000              | 9.11900               | 5.29120        | 0.31500                                | 0.46200                                  | 0.03850                            |
| 2003        | 3.40000              | 9.04900               | 5.26700        | 0.29100                                | 0.46200                                  | 0.03850                            |
| 2004        | 3.40000              | 8.81700               | 5.39380        | 0.25200                                | 0.46200                                  | 0.03850                            |
| 2005        | 3.40000              | 8.61200               | 5.39380        | 0.23500                                | 0.46200                                  | 0.03850                            |
| 2006        | 3.40000              | 8.33600               | 4.98380        | 0.18600                                | 0.46200                                  | 0.03850                            |

Source: Flagler County Tax Collector

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

(1) The city's basic and direct tax rates are the same. The basic tax rate is limited to \$10.00 per thousand by the State of Florida. Any additional amount requires a majority vote of the city's residents.

(2) Overlapping rates are those local and county governments that apply to property owners within the City of Palm Coast.

Schedule 7

City of Palm Coast, Florida  
Principal Property Tax Payers,  
Current Year and Last Year

| Taxpayer                     | 2006                |      |   | 2005                |      |   |
|------------------------------|---------------------|------|---|---------------------|------|---|
|                              | Taxable Assessed    | Rank | Percentage of Total City Taxable Assessed | Taxable Assessed    | Rank | Percentage of Total City Taxable Assessed |
|                              | Value               |      | Value                                     | Value               |      | Value                                     |
| HARBOR CLUB OWNERS ASSN. INC | \$16,579,324        | 1    | 0.373%                                    | \$16,579,324        | 1    | 0.536%                                    |
| CENTEX HOMES                 | 15,128,103          | 2    | 0.340%                                    | -                   | -    | -   |
| SEAGATE HOMES INC            | 13,825,902          | 3    | 0.311%                                    | -                   | -    | -   |
| PALM COAST HOLDINGS INC      | 12,436,965          | 4    | 0.280%                                    | 8,473,479           | 7    | 0.274%                                    |
| GRAND CLUB LLC THE           | 10,669,977          | 5    | 0.240%                                    | -                   | -    | -   |
| MCW-RC-FL-PALM HARBOR LLC    | 10,557,227          | 6    | 0.238%                                    | -                   | -    | -   |
| WAL-MART STORES INC          | 9,731,253           | 7    | 0.219%                                    | 9,089,406           | 5    | 0.294%                                    |
| HOLIDAY BUILDERS INC         | 9,224,089           | 8    | 0.208%                                    | -                   | -    | -   |
| CRESCENT RESOURCES INC       | 7,875,169           | 9    | 0.177%                                    | 6,781,812           | 6    | 0.254%                                    |
| AMARAL CUSTOM HOMES INC      | 6,734,879           | 10   | 0.152%                                    | -                   | -    | -   |
| COMMONWEALTH PALM COAST CORP | -                   | -    | -   | 13,087,141          | 2    | 0.423%                                    |
| GRAND CLUB LLC THE           | -                   | -    | -   | 11,241,803          | 3    | 0.363%                                    |
| WACHOVIA TRUST COMPANY       | -                   | -    | -   | 9,117,934           | 4    | 0.285%                                    |
| INTERVEST CONSTRUCTION INC   | -                   | -    | -   | 7,361,708           | 8    | 0.238%                                    |
| LONGVIEW VILLAGE             | -                   | -    | -   | 6,940,340           | 9    | 0.224%                                    |
| HOME DEPOT USA INC           | -                   | -    | -   | 6,201,085           | 10   | 0.200%                                    |
|                              | <u>\$12,762,888</u> |      | <u>2.537%</u>                             | <u>\$96,874,032</u> |      | <u>3.131%</u>                             |

Source: Flagler County Tax Collector

Note: The City of Palm Coast was incorporated on December 31, 1995. Information from prior years is not available.

Schedule 8  
City of Palm Coast, Florida  
Property Tax Levies and Collections,  
Last Six Fiscal Years

| Fiscal Year Ended<br>September 30, | Taxes Levied<br>for the<br>Fiscal Year | Collected Within the<br>Fiscal Year of the Levy |                           | Collections<br>in Subsequent<br>Years (2) | Total Collections to Date |                       |
|------------------------------------|--|---|---------------------------|---|---------------------------|-----------------------|
|                                    |  | Amount  | Percentage<br>of Levy (1) |   | Amount                    | Percentage<br>of Levy |
| 2001                               | \$ 5,021,775                           | \$ 4,882,939                                    | 97.24%                    | -   | \$ 4,882,939              | 97.24%                |
| 2002                               | 6,206,826                              | 5,981,826                                       | 96.37%                    | 24,958                                    | 6,006,784                 | 96.78%                |
| 2003                               | 6,744,718                              | 6,514,609                                       | 96.59%                    | -   | 6,514,609                 | 96.59%                |
| 2004                               | 8,174,413                              | 7,855,523                                       | 96.10%                    | 6,946                                     | 7,862,469                 | 96.18%                |
| 2005                               | 10,565,776                             | 10,211,826                                      | 96.65%                    | 29,558                                    | 10,241,384                | 96.93%                |
| 2006                               | 15,112,507                             | 14,602,739                                      | 96.63%                    | -   | 14,602,739                | 96.63%                |

Source: Flagler County Property Appraiser

Note: The City of Palm Coast was incorporated on December 31, 1999. No taxes were levied in fiscal year 2000.

(1) Taxes are levied on November 1 of each year. Taxes are due by March 31 of the following year. Taxes paid prior to March 31 receive discounts of up to 4%. See note 1 of the financial statements for more details.

(2) Details relating to collections in subsequent years is unavailable. Subsequent collections have been applied to fiscal years based on an estimate of collections.

Schedule 9  
 City of Palm Coast, Florida  
 Ratios of Outstanding Debt by Type,  
 Last Seven Fiscal Years

| Fiscal Year | Governmental Activities |                              |           |          |                |                           |                      |                         |                          |                                    | Business-type Activities                      |                      |          |  | Per Capita |
|-------------|-------------------------|------------------------------|-----------|----------|----------------|---------------------------|----------------------|-------------------------|--------------------------|------------------------------------|---|----------------------|----------|--|------------|
|             | Capital Leases          | Local Government Pooled Loan | CDGB Loan | SRF Loan | Equipment Loan | Utility Revenue Bonds (a) | Utility SRF Loan (b) | Stormwater SRF Loan (b) | Total Primary Government | Taxable Assessed Value of Property | Percentage Taxable Assessed Value of Property | Estimated Population |          |  |            |
| 2000        | \$ 86,467               | \$ -                         | \$ -      | \$ -     | \$ -           | \$ -                      | \$ -                 | \$ -                    | \$ 86,467                | \$ -                               | -   | 30,767               | \$ 2.81  |  |            |
| 2001        | 76,444                  | 1,605,000                    | 318,310   | -        | -              | -                         | -                    | -                       | 1,989,754                | 1,594,214,203                      | 0.1254%                                       | 32,732               | 61.09    |  |            |
| 2002        | 77,967                  | 2,520,000                    | 291,067   | -        | -              | -                         | -                    | -                       | 2,889,034                | 1,773,378,865                      | 0.1629%                                       | 35,443               | 81.51    |  |            |
| 2003        | 53,612                  | -                            | 260,300   | 75,000   | 156,230        | 96,650,000                | -                    | -                       | 386,912                  | 1,983,740,628                      | 0.0196%                                       | 38,348               | 10.14    |  |            |
| 2004        | 59,520                  | -                            | 230,693   | 75,000   | 92,801         | 96,650,000                | -                    | -                       | 97,171,443               | 2,405,896,931                      | 4.0389%                                       | 42,850               | 2,267.71 |  |            |
| 2005        | 27,033                  | -                            | 199,880   | -        | 228,072        | 94,805,000                | 8,415,152            | -                       | 105,384,886              | 3,094,404,215                      | 3.4057%                                       | 50,484               | 2,087.49 |  |            |
| 2006        | 3,944                   | -                            | 167,812   | -        | -              | 94,805,000                | 16,074,494           | 2,766,785               | 114,049,107              | 4,444,854,928                      | 2.5659%                                       | 58,216               | 1,959.07 |  |            |

Note: The City of Palm Coast was incorporated on December 31, 1999. No taxes were levied in fiscal year 2000. Details regarding the city's outstanding debt can be found in the notes to the financial statements. Population for calendar year 2000 from the U.S. Census Bureau. Population estimates for calendar year 2001-2006 by the Bureau of Economic and Business Research, University of Florida.

(a) The city purchased the local water and wastewater utility on October 30, 2003, issuing revenue bonds to fund the purchase.  
 (b) The city obtained an SRF loan to fund the expansion of the wastewater treatment plant and associated infrastructure and stormwater system improvements.

Schedule 10

City of Palm Coast, Florida

Ratios of General Bonded Debt Outstanding,

Last Seven Fiscal Years

| <u>General Bonded Debt Outstanding</u> |                                  |           |           |                                    |   |                      |            |       |
|--|----------------------------------|-----------|-----------|------------------------------------|---|----------------------|------------|-------|
| Fiscal Year                            | Local Government Pooled Loan (a) |           | Total     | Taxable Assessed Value of Property | Percentage Taxable Assessed Value of Property | Estimated Population | Per Capita |       |
| 2000                                   | \$                               | -         | \$ -      | \$ -                               | -   | 30,767               | \$         | -     |
| 2001                                   |                                  | 1,605,000 | 1,605,000 | 1,594,214,203                      | 0.10%   | 32,732               |            | 49.03 |
| 2002                                   |                                  | 2,520,000 | 2,520,000 | 1,773,378,865                      | 0.14%   | 35,443               |            | 71.10 |
| 2003                                   |                                  | -         | -         | 1,983,740,628                      | -   | 38,348               |            | -     |
| 2004                                   |                                  | -         | -         | 2,405,896,931                      | -   | 42,850               |            | -     |
| 2005                                   |                                  | -         | -         | 3,094,404,215                      | -   | 50,484               |            | -     |
| 2006                                   |                                  | -         | -         | 4,444,854,928                      | -   | 58,216               |            | -     |

**Note:** The City of Palm Coast was incorporated on December 31, 1999. No taxes were levied in fiscal year 2000. Details regarding the city's outstanding debt can be found in the notes to the financial statements. Population for calendar year 2000 from the U.S. Census Bureau. Population estimates for calendar year 2001-2006 by the Bureau of Economic and Business Research, University of Florida.

(a) FY 2001 and 2002 amounts are a loan from the Florida Association of Counties loan pool.

Schedule 11

City of Palm Coast, Florida

Direct and Overlapping Governmental Activities Debt

As of September 30, 2006

| Governmental Unit  | Debt<br>Outstanding | Estimated<br>Percentage<br>Applicable (a) | Estimated<br>Share of<br>Overlapping<br>Debt |
|--|---------------------|---|--|
| <b>Debt repaid with property taxes</b>                                       |                     |   |  |
| Flagler County School Board District Refunding Bonds                         | \$1,855,000         | 56.03%                                    | \$1,039,368                                  |
| Flagler County General Obligation Bonds, Series 2005                         | 32,495,000          | 56.35%                                    | 18,312,349                                   |
| Flagler County General Obligation and Refunding Bonds, Series 1998           | 1,640,000           | 56.35%                                    | 924,211                                      |
| Flagler County Limited General Obligation Bonds, Series 2005                 | 6,060,000           | 56.35%                                    | 3,415,074                                    |
| <b>Other debt</b>  |                     |   |  |
| Flagler County School Board District Certificates of Participation           | 84,195,000          | 56.03%                                    | 47,174,968                                   |
| Flagler County School Board District Special Public Education Outlay Advance | 12,497,234          | 56.03%                                    | 7,002,276                                    |
| Flagler County School Board District State School Bonds                      | 2,810,000           | 56.03%                                    | 1,574,460                                    |
| Flagler County School Board District Sales Tax Revenue Bonds                 | 12,690,000          | 56.03%                                    | 7,110,284                                    |
| Flagler County School Board District Revenue Bonds                           | 2,550,000           | 56.03%                                    | 1,428,780                                    |
| Flagler County Capital Improvement Revenue Bonds, Series 2005                | 34,105,000          | 56.35%                                    | 19,219,654                                   |
| Flagler County Notes Payable   | 18,463,032          | 56.35%                                    | 10,404,723                                   |
| Flagler County Special Assessment Note, Series 2002                          | 2,480,000           | 56.35%                                    | 1,397,588                                    |
| Flagler County - Other Debt  | 979,998             | 56.35%                                    | 552,272                                      |
| Subtotal, overlapping debt   |                     |   | 119,556,007                                  |
| City Direct Debt   |                     |   | 399,828                                      |
| <b>Total Direct and overlapping debt</b>                                     |                     |   | <b>\$119,955,835</b>                         |

**Sources:** Assessed value data used to estimate applicable percentages provided by the Flagler County Property Appraiser.

Debt outstanding data provided by each governmental unit.

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

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

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

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

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

| Fiscal<br>Year | Utility Revenue Bonds             |                                    |   |                             |              |           |          |  |
|----------------|-----------------------------------|------------------------------------|---|-----------------------------|--------------|-----------|----------|--|
|                | Utility<br>Service<br>Charges (1) | Less:<br>Operating<br>Expenses (2) | Rate<br>Stabilization<br>Transfers<br>To/(From) (3) | Net<br>Available<br>Revenue | Debt Service |           | Coverage |  |
|                |                                   |                                    |   |                             | Principal    | Interest  |          |  |
| 2000           | \$ -                              | \$ -                               | \$ -  | \$ -                        | \$ -         | \$ -      | -        |  |
| 2001           | -                                 | -                                  | -   | -                           | -            | -         | -        |  |
| 2002           | -                                 | -                                  | -   | -                           | -            | -         | -        |  |
| 2003           | -                                 | -                                  | -   | -                           | -            | -         | -        |  |
| 2004           | 18,044,561                        | 9,149,504                          | 1,900,000   | 4,995,057                   | -            | 4,442,773 | 1.12     |  |
| 2005           | 21,744,036                        | 11,451,648                         | 3,300,000   | 6,992,388                   | -            | 4,442,773 | 1.57     |  |
| 2006           | 26,593,042                        | 17,933,309                         | -   | 8,659,733                   | 1,845,000    | 4,405,873 | 1.39     |  |

**Note:** The City of Palm Coast was incorporated on December 31, 1999. Details regarding the city's outstanding debt can be found in the notes to the financial statements. The city purchased the local water and wastewater utility on October 30, 2003, issuing revenue bonds to fund the purchase.

(1) Gross revenues include operating revenue of the system and interest earnings. Interest earnings from construction funds are excluded.

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

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

Schedule 14

City of Palm Coast, Florida

Demographic and Economic Statistics,

Last Six Calendar Years

| Calendar<br>Year | Population | Personal<br>Income<br>(thousands<br>of dollars) | Per<br>Capita<br>Personal<br>Income | School<br>Enrollment | Unemployment<br>Rate |
|------------------|------------|---|-------------------------------------|----------------------|----------------------|
| 2000             | 30,767     | \$1,194,237                                     | \$38,816                            | 6,160                | 3.6%                 |
| 2001             | 32,732     | 1,282,887                                       | 39,194                              | 6,607                | 4.6%                 |
| 2002             | 35,443     | 1,391,448                                       | 39,259                              | 7,054                | 5.4%                 |
| 2003             | 38,348     | 1,548,551                                       | 40,382                              | 7,596                | 5.0%                 |
| 2004             | 42,850     | 1,732,909                                       | 40,441                              | 8,464                | 4.4%                 |
| 2005             | 50,484     | -   | -                                   | 9,554                | 3.5%                 |

**Sources:** Population for calendar year 2000 from the U.S. Census Bureau. Population estimates for calendar year 2001-2005 by the Bureau of Economic and Business Research, University of Florida. Personal income data per the U.S. Bureau of Economic Analysis. 2005 data not available as of the financial statement date. School enrollment from the Flagler County School Board. Unemployment rates are from the Florida Agency for Workforce Innovation.

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

Schedule 15  
City of Palm Coast, Florida  
Principal Employers,  
Last Year and Three Years Ago

| Employer                                | 2005         |      |   | 2003         |      |   |
|---|--------------|------|---|--------------|------|---|
|   | Employees    | Rank | Percentage of Total County Employment (a) | Employees    | Rank | Percentage of Total County Employment (a) |
| Flagler County Schools                  | 1,500        | 1    | 5.42%                                     | 1,200        | 1    | 5.53%                                     |
| Palm Coast Data                         | 900          | 2    | 3.25%                                     | 1,032        | 2    | 4.75%                                     |
| Wal Mart Stores                         | 600          | 3    | 2.17%                                     | 350          | 3    | 1.61%                                     |
| Florida Hospital-Flagler                | 532          | 4    | 1.92%                                     | 340          | 4    | 1.57%                                     |
| City of Palm Coast                      | 310          | 5    | 1.12%                                     | 133          | 9    | 0.61%                                     |
| Publix Supermarket                      | 175          | 6    | 0.63%                                     | 190          | 5    | 0.88%                                     |
| Albertson's                             | 165          | 7    | 0.60%                                     | -            | -    | -   |
| Winn-Dixie Stores                       | 160          | 8    | 0.58%                                     | 170          | 6    | 0.78%                                     |
| Grand Oaks Health & Rehabilitation      | 120          | 9    | 0.43%                                     | -            | -    | -   |
| FAA - Center for Management Development | 115          | 10   | 0.42%                                     | -            | -    | -   |
| American Radiologic Company, Inc        | -            | -    | -   | 137          | 7    | 0.63%                                     |
| Beverly Health & Rehabilitation         | -            | -    | -   | 135          | 8    | 0.62%                                     |
| Ascom Energy Systems, Inc               | -            | -    | -   | 131          | 10   | 0.60%                                     |
| <b>Total</b>                            | <b>4,577</b> |      | <b>16.52%</b>                             | <b>3,818</b> |      | <b>17.59%</b>                             |

Source: Enterprise Flagler, Flagler County Chamber of Commerce

Note: Information for 2006, 2004 and years prior to 2003 is unavailable.

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

Schedule 16

City of Palm Coast, Florida

Full-time-Equivalent City Government Employees by Function/Program,  
Last Seven Fiscal Years

| Function/Program                  | Full-time-Equivalent Employees as of September 30 |           |               |               |               |               |               |
|-----------------------------------|---|-----------|---------------|---------------|---------------|---------------|---------------|
|                                   | 2000  | 2001      | 2002          | 2003          | 2004          | 2005          | 2006          |
| General Government                |   |           |               |               |               |               |               |
| City Manager                      | -   | -         | 2             | 2             | 3.5           | 3.5           | 3.5           |
| Community Relations               | -   | -         | -             | -             | -             | 3             | 4             |
| City Clerk                        | -   | -         | 1             | 1             | 1             | 3             | 4             |
| General Services                  | 15  | 9         | 9.75          | 9             | 10            | 15            | 15            |
| Information Tech & Communications | -   | -         | -             | 1             | 2             | 7             | 12            |
| Community Development             | -   | 13        | 29.15         | 22.95         | 16            | 14            | 17            |
| Building and Code Enforcement     | -   | -         | -             | 4             | 20.8          | 54.5          | 53.5          |
| Fire                              | -   | 25        | 30            | 33            | 36            | 37            | 44            |
| Law Enforcement                   | -   | -         | -             | -             | -             | -             | 1             |
| Public Works                      | -   | 25        | 36            | 34            | 34            | 57            | 55            |
| Engineering                       | -   | -         | -             | -             | -             | -             | 6             |
| Recreation and Parks              | -   | 3         | 10.3          | 15.13         | 17.13         | 23.03         | 31.63         |
| Capital Projects                  | -   | -         | -             | 8.6           | 15.6          | 10            | 7             |
| Water and Wastewater Utility (1)  | -   | -         | -             | -             | 67            | 81            | 101           |
| Solid Waste                       | -   | -         | -             | -             | -             | 2             | 2             |
| Stormwater Management (2)         | -   | -         | -             | -             | -             | 16            | 17            |
| Fleet Management                  | -   | -         | -             | 2             | 4             | 4             | 5             |
| <b>Total</b>                      | <b>15</b>   | <b>75</b> | <b>118.03</b> | <b>132.68</b> | <b>227.03</b> | <b>310.03</b> | <b>378.63</b> |

Source: City Budget

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

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

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

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

Schedule 17

City of Palm Coast, Florida

Operating Indicators by Function/Program,  
Last Five Fiscal Years

| Function/Program  | Fiscal Year |          |          |          |          |
|---|-------------|----------|----------|----------|----------|
|   | 2002        | 2003     | 2004     | 2005     | 2006     |
| <b>General Government</b>                               |             |          |          |          |          |
| Building Permits Issued                                 |             |          |          |          |          |
| Residential   | -           | 2,816    | 4,347    | 3,299    | 2,187    |
| Commercial  | -           | 77       | 97       | 130      | 56       |
| Other   | -           | 3,309    | 4,652    | 6,259    | 6,906    |
| Total   | 5,363       | 6,202    | 9,096    | 9,688    | 9,149    |
| Building Inspections                                    | -           | 67,776   | 39,873   | 69,047   | 42,493   |
| Code Violations   |             |          |          |          |          |
| Total Code Violations                                   | 3,934       | 9,395    | 10,897   | 14,528   | 15,743   |
| Code Violations Cleared                                 | 2,271       | 3,594    | 2,791    | 7,756    | 9,820    |
| Expenditures per Cleared Violation                      | -           | \$126    | \$206    | \$111    | \$119    |
| <b>Fire and Rescue</b>                                  |             |          |          |          |          |
| Total Fire Calls  | 143         | 185      | 238      | 159      | 192      |
| Total EMS Calls   | 1,559       | 1,866    | 2,592    | 3,050    | 2,419    |
| % Responses under 5 Minutes                             | 51.00%      | 50.00%   | 44.00%   | 52.00%   | 52.00%   |
| <b>Public Works</b>                                     |             |          |          |          |          |
| Refuse Collection (Annual Tons)                         | 15,682      | 20,625   | 26,362   | 33,601   | 37,515   |
| Recycle Collection (Annual Tons)                        | 2,602       | 2,990    | 2,101    | 2,836    | 2,959    |
| Street Rehabilitation (Expenditures per capita)         | \$78        | \$89     | \$40     | \$57     | \$63     |
| Potholes Repaired                                       | 397         | 695      | 454      | 404      | 790      |
| <b>Parks and Recreation</b>                             |             |          |          |          |          |
| Developed Park Acres/1,000 population                   | 1.61        | 0.97     | 4.29     | 3.43     | 4.02     |
| Recreation Program Expenditures/1000 population         | \$14,099    | \$14,058 | \$20,168 | \$12,906 | \$16,635 |
| Total Recreation Revenues/1000 population               | \$2,280     | \$2,380  | \$2,420  | \$3,380  | \$3,725  |
| <b>Engineering and Stormwater (1)</b>                   |             |          |          |          |          |
| Freshwater Canal Maintenance -                          |             |          |          |          |          |
| 100% Annual Service Required                            | -           | -        | -        | -        | 60.20%   |
| Existing Swale Service -                                |             |          |          |          |          |
| 2% of Existing Swales Regraced Annually                 | -           | -        | -        | -        | 2.80%    |
| Hazardous Drainage Conditions Resolved -                |             |          |          |          |          |
| 100% Repaired in 24 Hours                               | -           | -        | -        | -        | 85.70%   |
| <b>Water (2)</b>  |             |          |          |          |          |
| New Connections   | -           | -        | 3,745    | 3,751    | 1,603    |
| Peak Daily Water Demand (Million gallons per day)       | -           | -        | 10.08    | 8.73     | 11.33    |
| <b>Wastewater (2)</b>                                   |             |          |          |          |          |
| Peak Daily Wastewater Treated (Million gallons per day) | -           | -        | 7.07     | 7.63     | 6.38     |

Sources: Various City departments

Notes: The City of Palm Coast was incorporated on December 31, 1999. Certain operating indicators for and prior to fiscal year 2002 are unavailable.

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

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

| Function/Program                                 | Fiscal Year |       |       |       |       |
|--|-------------|-------|-------|-------|-------|
|  | 2002        | 2003  | 2004  | 2005  | 2006  |
| Fire and Rescue                                  |             |       |       |       |       |
| Stations   | 2           | 2     | 3     | 3     | 3     |
| Apparatus  | 11          | 14    | 9     | 12    | 12    |
| Public Works                                     |             |       |       |       |       |
| Streets (miles)                                  | 1.032       | 1.032 | 1.077 | 1.078 | 1.222 |
| Traffic Signals                                  | -           | 26    | 26    | 29    | 36    |
| Fleet Size                                       | 49          | 91    | 113   | 153   | 238   |
| Parks and Recreation                             |             |       |       |       |       |
| Acreage  | 481         | 481   | 602   | 602   | 647   |
| Playgrounds                                      | 3           | 3     | 4     | 4     | 6     |
| Athletic Fields                                  | 4           | 4     | 14    | 14    | 14    |
| Community Centers                                | 1           | 1     | 1     | 1     | 1     |
| Stormwater (1)                                   |             |       |       |       |       |
| Swales (miles)                                   | -           | -     | -     | 1.000 | 1.000 |
| Drainage ditches (miles)                         | -           | -     | -     | 150   | 150   |
| Canals (miles)                                   | -           | -     | -     | 80    | 80    |
| Water control structures                         | -           | -     | -     | 19    | 19    |
| Water (2)  |             |       |       |       |       |
| Water Mains (miles)                              | -           | -     | 623   | 623   | 648   |
| Fire Hydrants                                    | -           | -     | 3.058 | 3.058 | 3.455 |
| Capacity (millions of gallons per day)           | -           | -     | 12.38 | 12.38 | 12.38 |
| Wastewater (2)                                   |             |       |       |       |       |
| Sewers (miles)                                   | -           | -     | 475   | 475   | 560   |
| Treatment Capacity (millions of gallons per day) | -           | -     | 4.55  | 4.55  | 6.83  |

Sources: Various City departments

Notes: The City of Palm Coast was incorporated on December 31, 1999. Certain operating indicators for and prior to fiscal year 2002 are unavailable. No capital asset indicators are available for the general government function.

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

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



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# OTHER REPORTS



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# JAMES MOORE & CO., P.L.L.C.

10000 W. U.S. 90, Suite 200  
Daytona Beach, Florida 32114  
Tel: 386-253-1000

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Palm Coast, Florida (the City), as of and for the year ended September 30, 2006, which collectively comprise City of Palm Coast, Florida's basic financial statements and have issued our report thereon dated December 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

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

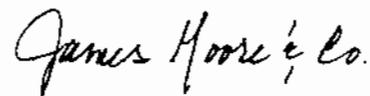
### **Compliance and Other Matters**

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

However, we noted certain matters that we reported to management of City of Palm Coast, Florida, in a separate letter dated December 13, 2006.

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

Daytona Beach, Florida  
December 13, 2006



**CITY OF PALM COAST, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| Federal Agency<br>Pass-Through Entity<br>Federal Program  | CFDA<br>Number | Contract/ Grant Number | Program Award<br>Amount | Program<br>Expenditures |
|---|----------------|------------------------|-------------------------|-------------------------|
| <b>FEDERAL AGENCY</b>   |                |                        |                         |                         |
| <b>Department of Homeland Security</b>  |                |                        |                         |                         |
| Assistance to Firefighters Grant  | 97.044         | ENW-2005-FG-17089      | \$ 124,291              | \$ 49,115               |
| Passed Through Florida Department of Community Affairs:<br>Public Assistance Disaster Grant-Hurricane Charley                 | 97.036         | FEMA 1539-DR-FL        | 13,954                  | 13,954                  |
| <b>Environmental Protection Agency</b>  |                |                        |                         |                         |
| Passed Through Florida Department of Environmental Protection:<br>Capitalization Grants for Clean Water State Revolving Funds | 66.458         | CS120001-040 WW90302S  | 2,657,848               | 578,944                 |
| Capitalization Grants for Clean Water State Revolving Funds   | 66.458         | CS120001-040 WW90303S  | 14,115,081              | 7,194,946               |
| Capitalization Grants for Clean Water State Revolving Funds   | 66.458         | CS120001-050 SW903040  | 4,200,000               | 2,769,785               |
| <b>Federal Highway Administration</b>   |                |                        |                         |                         |
| Passed Through Florida Department of Transportation:<br>Highway Planning and Construction -<br>Pine Lakes Parkway Sidewalks   | 20.205         | AO 159                 | 400,000                 | 400,000                 |
| Design of Graham Swamp Trail  | 20.205         | AOC 01 AO 857          | 198,400                 | -                       |
| PD&E Study for Palm Coast Parkway   | 20.205         | AOC 68                 | 175,000                 | 25,658                  |
| <b>Department of Housing and Urban Development</b>  |                |                        |                         |                         |
| Community Development Block Grants State's Program  | 14.228         | 07DB-3K-07-38-02-F-12  | 475,000                 | -                       |
| <b>Total Expenditures of Federal Awards</b>   |                |                        | <u>\$ 11,032,400</u>    |                         |

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

(1) **Basis of Presentation:**

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

(2) **Loans payable:**

The accompanying Schedule of Expenditures of Federal Awards includes expenditures from three Federal loans the City has through the Florida Department of Environmental Protection (FDEP) under CFDA 66.458. The loans will be repaid over forty semiannual payments, which started on June 15, 2006. As of September 30, 2006, the City owed FDEP \$2,730,413, \$13,344,081 and \$2,769,785, respectively.

**CITY OF PALM COAST, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

**Financial Statements:**

- Type of audit report issued on the basic financial statements: Unqualified.
- There were no reportable conditions related to internal control over financial reporting disclosed by the audit of the basic financial statements.
- The audit did not disclose any noncompliance, which was material to the basic financial statements.

**Federal Awards:**

- There were no reportable conditions related to internal control over major programs disclosed by the audit.
- Type of report issued on compliance for each major program: Unqualified.
- The audit did not disclose any audit findings, which are required to be reported under OMB Circular A-133 and Chapter 10.550, Rules of the Florida Auditor General
- Major program identification:  
CFDA Number 66.458 - Environmental Protection Agency, Capitalization Grants for Clean Water State Revolving Funds.  
  
CFDA Number 20.205 - Federal Highway Administration, Highway Planning and Construction
- Dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- The auditee did not qualify as a low-risk auditee.

**B. Financial Statement Findings:** None

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

**D. Prior Audit Findings:** No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs.

**E. Corrective Action Plan:** There was no corrective action plan necessary for the year ended September 30, 2006, since there were no audit findings related to federal programs in the auditors' report for the fiscal year.

# JAMES MOORE & CO., P.L.L.C.

ATTORNEYS AT LAW

1000 N. W. 10th Street  
Fort Lauderdale, Florida 33304  
Phone: 754.366.1000  
Fax: 754.366.1001

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

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

### **Compliance**

We have audited the compliance of City of Palm Coast, Florida, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Palm Coast, Florida complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

### **Internal Control Over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in

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

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

*James Moore & Co.*

Daytona Beach, Florida  
December 13, 2006

# JAMES MOORE & CO., P.L.L.C.

10000 W. BOULEVARD, SUITE 1000  
DADE CITY, FLORIDA 34608  
(813) 841-1100

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

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

We have audited the basic financial statements of City of Palm Coast, Florida (the City), as of and for the fiscal year ended September 30, 2006, and have issued our report thereon dated December 13, 2006.

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

We have issued our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, Chapter 10.550 Rules of The Auditor General and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedules, which are dated December 13, 2006, should be considered in conjunction with this management letter.

Those rules (Section 10.554(1)(h) 1.) require that we address in the management letter, if not already addressed in the auditors' report on internal control and on compliance and other matters, whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The City has properly corrected all the findings and recommendations made in the preceding annual financial audit report.

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

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

accounting procedures (e.g., the omission of required disclosures from the annual financial statements); failures to properly record financial transactions; and other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that came to the attention of, the auditor. Our audit disclosed the following comments and recommendations made to assist the City Council and management in administering future operations:

#### **Accounts Payable Vendors**

We noted in the year under audit several duplicate vendors used by the City. We recommend an employee at the City periodically review vendor lists for any unusual patterns, such as names that may be similar, but not identical to the names of approved vendors and vendors that have multiple addresses. In addition, the person periodically should inspect files of unpaid invoices and vendor statements to look for invoices that appear different from the norm; consecutive vendor invoice numbers; preprinted and not customized forms; different delivery addresses; different telephone numbers, purchase order numbers, item descriptions, prices, or other unusual patterns; old or unusual vendors who recently had an address change; or current activity on an old or outdated vendor. Such a review can detect possible fraud involving accounts payable. If the validity of a vendor is questioned, an appropriate person should take steps to verify the vendor's existence.

#### **Grant Administration**

We noted the City does not have its grant compliance monitoring, reporting and accounting duties centralized. These duties are currently shared between several individuals. We also noted lack of communication between departments that applied and were awarded grants and the accounting department, which has led to delays in accounting for grants. We recommend the City put an employee in charge of monitoring compliance with grants, maintaining all grant agreements and CFDA or CSFA numbers, ensuring all reporting is done timely, and ensuring accounting for those grants is accurately done. This employee could also research new grants the City may be eligible for and fill out the applications.

#### **Month-End Closing and Upper Level Accounting Personnel Monthly Duties**

We noted the City does not have a set of written procedures that are performed on a regular basis by upper level accounting personnel. In order to ensure that all accounting and review procedures are documented and performed on a timely basis, we recommend that a comprehensive checklist be prepared to be used by both the accounting and servicing departments to ensure all duties involved in closing the books on a monthly basis and performing all required reporting are done. The checklist should cover all procedures that the City determines need to be performed on a periodic basis including, but not limited to, month end procedures such as bank reconciliations, and general ledger account analysis. The checklist should also include the procedures performed by the Chief Accountant, Director of General Services and City Manager during month-end closing, and it should also include a list of reports submitted by the upper accounting personnel to other governmental entities on a regular basis or annual basis for compliance purposes. Implementation of such procedures will improve efficiency, reduce the risk of procedures not being performed timely, and provide an easy transition for new accounting staff in case of turnover.

#### **Password Policy and MUNIS Administrative Access**

We noted the City does not have written policies over computer password uses. The City requires passwords to be at least 8 characters long and the system requires employees to change their passwords every 90 days. However, that requirement is not documented in the City's policies and procedures. We recommend these policies be documented in writing and we recommend passwords

be at least six characters, preferably including a combination of letters, numbers, and a symbol (such as a \$ or #). This will reduce the risk of unauthorized access into the City's computer network. We also recommend the IT personnel who have access to all employees' network passwords not be given administrative access into MUNIS. This gives them access to all MUNIS user passwords and therefore unlimited access to MUNIS.

#### **Florida Building Code Statute 553.80**

Florida Statute 553.80 (Florida building code enforcement), which restricts revenues and expenditures related to Florida building code enforcement was not closely monitored during the fiscal year by the City. This statute requires revenues and expenditures related to enforcement of the Florida Building Code be monitored and any excess revenues over expenditures either be refunded or be carried over to the next fiscal year as restricted. We recommend the City closely monitor revenues and costs related to this function going forward and implement a policy regarding any unspent revenues. We noted in fiscal year 2006, all revenues were spent in accordance with the statute.

#### **New Accounting Pronouncement**

In August 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for the City's fiscal year beginning October 1, 2008. Statement No. 45 requires accrual-based measurement, recognition and disclosure of other postemployment benefits (OPEB) expense, such as retiree medical and dental costs, over the employees' years of service, along with the related liability, net of any plan assets. The City does not pay for health insurance for retirees, but has a potential implicit rate subsidy due to Florida Statute Section 112.0801 which states "Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees". In health insurance plans where a government's retirees and current employees are insured together as a group, the premiums paid by the retirees may be lower than they would have been if the retirees were insured separately - this is called an *implicit rate subsidy*. We recommend the City develop a plan to accumulate the necessary information to implement this plan, which may include engaging an actuary.

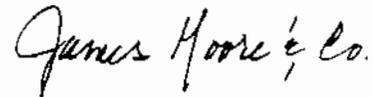
The Rules of the Auditor General (Section 10.554(1)(h) 5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. City of Palm Coast, Florida, was incorporated on December 31, 1999 under Chapter 99-448, Laws of the State of Florida. There are no component units related to City of Palm Coast, Florida as of September 30, 2006.

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

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

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

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

A handwritten signature in black ink that reads "James Moore & Co." The signature is written in a cursive, flowing style.

Daytona Beach, Florida  
December 13, 2006



## GENERAL SERVICES DEPARTMENT

### RESPONSE TO MANAGEMENT COMMENTS

Honorable Mayor and City Council Members:

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

#### **1. Accounts Payable Vendors**

During fiscal year 2006, we started a project to identify outdated and incomplete vendor records. By September 30, 2006, we had completed approximately 70% of our work. An Accounting Technician who is independent of the accounts payable process currently is responsible for updating and reviewing the vendor file. This person will also be responsible for reviewing the vendor file for duplicate vendors or unusual patterns. We will also be exploring the purchase of data extraction software to assist in the analysis of vendor activity.

#### **2. Grant Administration**

Currently, the Chief Accountant monitors and performs the grant accounting and reporting duties. Individual departments are responsible for the application, compliance, and monitoring of their own grants. The Chief Accountant and other designated staff will work to design a more comprehensive system of grant monitoring and compliance. In addition, as part of the annual budgeting process, the possibility of a centralized grants administration position will be explored.

#### **3. Month-End Closing and Upper Level Accounting Personnel Monthly Duties**

The month-end closing process, though informally documented, has not previously been set to formal written procedures. However, all the regular monthly procedures and reports have been performed and prepared on a timely basis. The Chief Accountant will prepare a set of procedures and instructions, including monthly checklists, that will be distributed throughout the accounting and servicing departments. In addition, procedures and checklists for external compliance reporting will also be prepared and distributed.

4. **Password Policy and Munis Administrative Access**

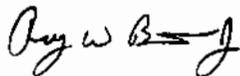
The policies that have been established by the City related to computer passwords will be documented and distributed to the appropriate personnel by the Information Technology and Communications department. Additional restrictions will be enacted for IT personnel who have access to network passwords so that they do not have unlimited access to Munis.

5. **Florida Building Code Statute 553.80**

Florida Statute 553.80 was enacted during fiscal year 2006, and a formal policy regarding excess revenues over expenditures related to Florida building code enforcement will need to be developed. The General Services Director and the Chief Accountant will develop and document a monitoring system for revenues and expenditures, as well as implement a formal policy for unspent revenues.

6. **New Accounting Pronouncements**

During fiscal year 2006, both the General Services Director and Chief Accountant have attended several seminars relating to GASB Statement No. 45 on post-employment benefits. We are currently evaluating the best method to analyze and accumulate the information needed to comply with these provisions.



Ray W. Britt, Jr.  
General Services Director

December 15, 2006