

# INTRODUCTORY SECTION

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- . 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, 2007

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## **LETTER OF TRANSMITTAL**



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February 1, 2008

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Palm Coast:

This report consists of management representations concerning the finances of the City of Palm Coast. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Palm Coast's financial statements have been audited by James Moore & Co., P.L., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Palm Coast for the fiscal year ended September 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of the report.

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

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

## **Profile of the Government**

Palm Coast is situated in the eastern portion of Flagler County, mostly east of U.S. Route 1 and north of State Road 100. The community straddles Interstate Highway 95 and extends to the Intercoastal Waterway on the eastern side of the City.

Developed by ITT Corporation, in 1969, the original development plan encompassed 48,000 home sites on approximately 42,000 acres (65.62 square miles) of the 68,000 acres owned by ITT. Paved street and central water and sewer serve all lots developed within the City. An extensive water management system was designed to replenish the area's water table, which includes 26 miles of freshwater canals and 23 miles of saltwater canals.

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

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

The City of Palm Coast currently has a population of 70,376 residents and covers an area of approximately 65 square miles. For fiscal year 2008, property within the City has a taxable value of \$7,009,877,421, an increase of over 12 percent from 2007. The City's property tax rate for fiscal year 2008 is \$2.96234 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 experienced a decrease in the number of single-family building permits over the past two years. However, some of that decrease has been offset by increases in the amount of commercial construction occurring in the city. There were 130 site plan related development orders issued in fiscal year 2007 which is more than twice as many as were issued in 2006. In fiscal year 2007, the City issued 396 single-family building permits compared to 1,692 during fiscal year 2006. It is projected that our portion of the State will begin to see improvement in the housing market sooner than other places. Numbers in the 400 to 500 range for single-family building permits is considered to be a sustainable number and it is expected that the City will see that level of growth for the foreseeable future. There are currently over 19,000 platted, undeveloped, single-family residential lots within the city.

Several retail stores are under construction in the "Town Center" development and are scheduled to open in July 2008. A medical facility is also nearing completion and other projects are in various stages of development. The City has completed phase one of a tennis center near "Town Center" and ground was recently broken for a new fire station next to the tennis facility. When completed "Town Center" will cover approximately 1,500 acres and will include a downtown commercial area, industrial sites, and multi-family residential housing.

Cobblestone Village recently opened to the public with a home improvement center and several



retail stores. Additional retail stores and restaurants are planned for the development. The project is located close to I-95 and Palm Coast Parkway and will be adding much needed and desired shopping and dining opportunities for Palm Coast residents and visitors to our City.

Water plant #3 is nearing completion in the northwest area of the City. It will provide service to Palm Coast Park, a Development of Regional Impact and help to provide improved water service to the western and northern portions of the City. 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 slowing economy has affected the pace of development for Palm Coast Park, but some preliminary infrastructure construction is underway. This development should move forward as the economy begins to recover.

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.

### **Future Programs**

Within the next two years the City will have completed construction of a fiber optic backbone along the major right-of-ways in the City. This network will improve the ability to provide City services and the excess capacity will be available for lease to other entities such as the School Board or private companies. Access to a fiber network should provide a boost to the City's economic development program.

As mentioned earlier, construction has begun on one new fire station. Two more stations will be under construction in 2008. One will replace one of the City's three stations that are currently in operation. The site of the old station will be used for commercial development with the developer paying the cost of constructing the new station. When the stations are completed the City will have five fire stations in operation.

Two major road construction projects are scheduled to begin in 2008. The four-laning of North Belle Terre Parkway should begin around the middle of the year and is expected to take a little less than two years to complete. South Old Kings Road will also be under construction in 2008 and will take approximately two years to complete. This road is also being four-laned to make way for commercial development and some residential development. Most of the cost for Old Kings Road will be paid for by the property owners that will benefit from the improvements.

Construction will begin soon on Ralph Carter Neighborhood Park which is located next to a new school on Rymfire Drive. This will be a shared facility with the school. The site of Palm Harbor Golf Course has been contributed to the City by the developer. Design is underway and renovations should begin later this year on the course that will become the City's municipal course.

The construction on water plant #3 is nearing completion. Wastewater treatment plant #2 is scheduled for design in 2008 with construction to begin in 2009. It will be located on the same site as water plant #3 and is intended to add capacity and improve service to the northwest portion of the City. By locating both plants at the same site there will be a shared administrative facility which will help reduce costs.

## **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, 2006. This is the sixth 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 2007 budget document. This is the fourth 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,

Jim Landon  
City Manager

Ray W. Britt, Jr.  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Palm Coast  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2006

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.



*Oliver S. Cox*

President

*Jeffrey R. Egan*

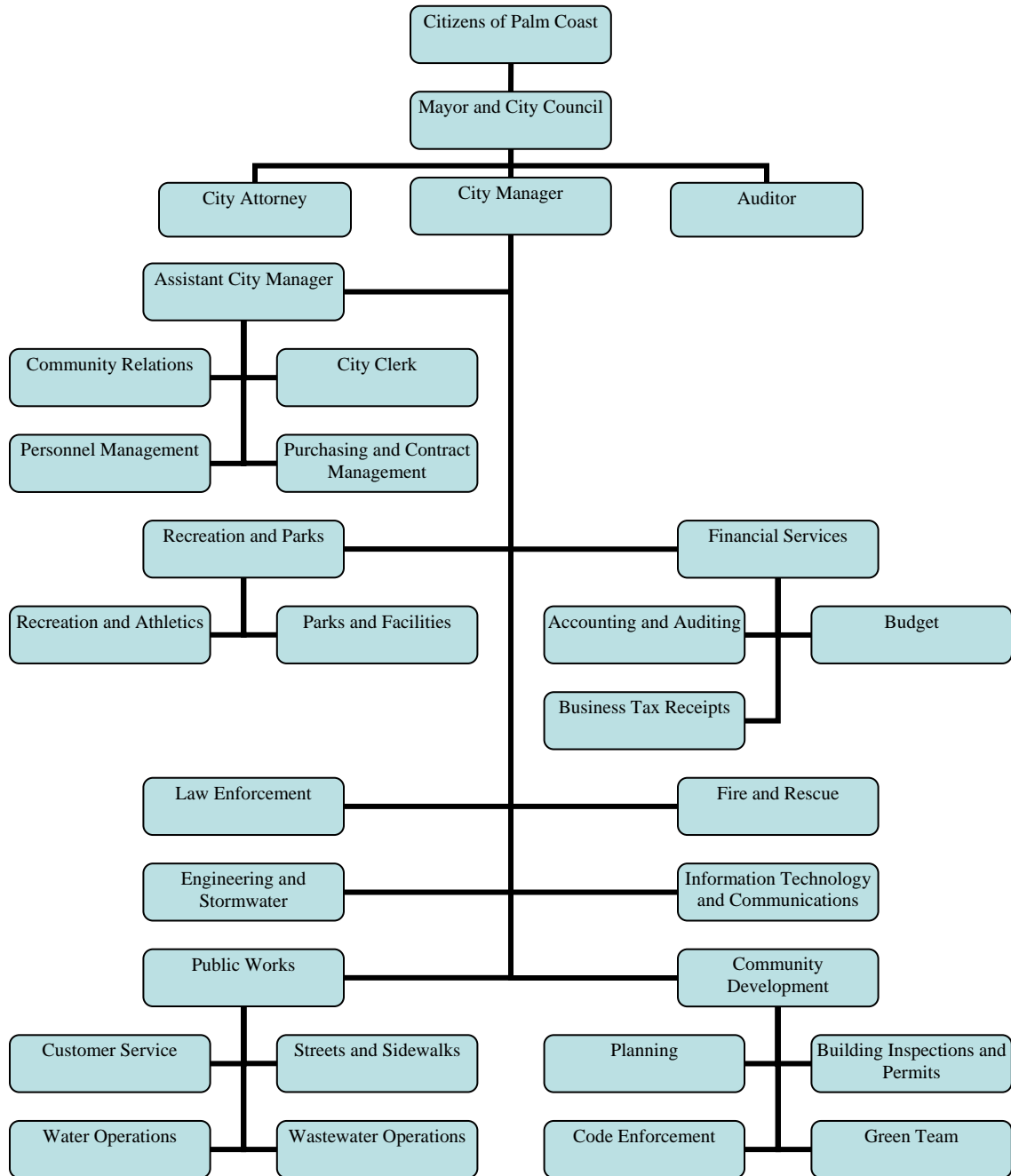
Executive Director



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# City of Palm Coast, Florida

## Organizational Chart



## **LIST OF PRINCIPAL OFFICIALS**

**September 30, 2007**

### **ELECTED OFFICIALS**

Mayor

Honorable Jim Canfield

City Council Members:

Bill Venne  
Jon Netts  
Mary DiStefano  
Alan Peterson

### **CITY OFFICIALS**

City Manager

James S. Landon

City Attorney

Lonnie N. Groot

City Auditor

James Moore & Co., P.L.

Finance Director

Ray W. Britt, Jr.