

FINANCIAL SECTION

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- . Independent Auditors' Report
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- . Basic Financial Statements
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- . Combining and Individual Fund Statements and Schedules



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INDEPENDENT AUDITORS' REPORT



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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, 2008, 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 the 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.

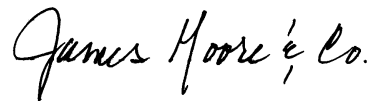
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Palm Coast, Florida, as of September 30, 2008, 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.

As discussed in Note 16 to the financial statements, the fiscal year ended September 30, 2007 financial statements have been restated to correct the City's application of its revenue recognition policy for intergovernmental revenues in its governmental funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2009 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, budgetary comparison schedules 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, State Financial Assistance and State Matching 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 Section 215.97, Florida Statutes, *Florida Single Audit Act*, 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, budgetary comparison schedules, and Schedule of Expenditures of Federal Awards, State Financial Assistance and State Matching 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.

A handwritten signature in cursive script that reads "James Moore & Co." The signature is written in black ink and is positioned to the right of the date and location text.

Daytona Beach, Florida
January 30, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS



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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Palm Coast, we offer readers of the City of Palm Coast's financial statements this narrative overview and analysis of the financial activities of the City of Palm Coast for the fiscal year ended September 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vii - ix of this report.

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 2008 by \$380,220,795. Of this amount, \$28,557,749 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$40,397,575. Approximately 87% of this increase was attributable to one-time resources such as impact fees and developer contributions.
- As of the close of fiscal year 2008, the City's governmental funds reported combined ending fund balances of \$37,101,044, a decrease of \$11,238,034 over the prior year. Approximately, 89% of this total amount or \$32,911,388 is reported as unreserved and undesignated fund balance.
- At the end of fiscal year 2008, unreserved/undesignated fund balance in the general fund was \$10,940,819, or 38% of total general fund expenditures.
- The City of Palm Coast's total debt increased by \$3,083,488 during the current fiscal year. The City obtained a State Revolving Fund (SRF) loan to expand and improve the reclaimed water system that serves the City. There was also an increase in compensated absences for the year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Palm Coast's basic financial statements. The City of Palm Coast's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Palm Coast's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Palm Coast's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Palm Coast is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Palm Coast that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Palm Coast include general government, public safety, transportation and physical environment, and culture and recreation. The business-type activities of the City of Palm Coast include a water and sewer utility, solid waste collection, stormwater management, tennis center, and a golf course.

The government-wide financial statements can be found on pages 23-25 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Palm Coast, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Palm Coast can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Palm Coast maintains nine individual governmental funds. Four of the governmental funds are classified as nonmajor 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 SR100 CRA fund, which are considered to be major funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for nonmajor 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, SR100 CRA and nonmajor governmental funds. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 26-29 of this report.

Proprietary funds. The City of Palm Coast maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Palm Coast uses enterprise funds to account for its water and sewer utility, solid waste collection, stormwater management, tennis center, and golf course. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Palm Coast's various functions. The City of Palm Coast uses an internal service fund to account for its fleet of vehicles. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

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 for the water and sewer utility, solid waste collection, stormwater management, and golf course major funds, as well as the tennis center nonmajor fund. The internal service fund is also presented in the proprietary fund financial statements, but not included in the totals for proprietary funds.

The basic proprietary fund financial statements can be found on pages 30-35 of this report.

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.

The basic fiduciary fund financial statements can be found on pages 36-37 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41-70 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This includes budget and actual comparisons for the general fund and major special revenue funds with adopted budgets. This also includes the City of Palm Coast's progress in funding its obligation to provide pension benefits to the volunteer firefighters. Required supplementary information can be found on pages 72-77 of this report.

The effects of a prior period adjustment described on page 69 of this report have been retrospectively applied to the 2007 amounts presented in the various tables of this analysis.

Government-wide Financial Analysis

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 \$380,220,795 at the close of the most recent fiscal year.

Of the net assets, 7.5% falls in the unrestricted category. These may be used to meet ongoing obligations to citizens and creditors. Approximately 9.1% of net assets represent resources that are subject to external restrictions. By far the largest portion of the City of Palm Coast's net assets (83.4%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. 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.

At the end of the current fiscal year, the City of Palm Coast is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Table I
City of Palm Coast's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 48,486,899	\$ 54,813,814	\$ 58,781,444	\$ 77,975,992	\$ 107,268,343	\$ 132,789,806
Capital assets	267,361,577	228,522,837	198,448,113	170,570,986	465,809,690	399,093,823
Total assets	315,848,476	283,336,651	257,229,557	248,546,978	573,078,033	531,883,629
Long-term liabilities	1,588,301	1,457,713	173,488,694	170,535,794	175,076,995	171,993,507
Other liabilities	8,609,029	5,303,647	9,171,214	14,646,256	17,780,243	19,949,903
Total liabilities	10,197,330	6,761,360	182,659,908	185,182,050	192,857,238	191,943,410
Net assets:						
Invested in capital assets, net						
of related debt	267,361,577	228,330,146	49,857,685	36,693,625	317,219,262	265,023,771
Restricted	21,477,931	32,324,411	12,965,853	15,436,579	34,443,784	47,760,990
Unrestricted	16,811,638	15,803,735	11,746,111	11,234,724	28,557,749	27,038,459
Total net assets	\$ 305,651,146	\$ 276,458,292	\$ 74,569,649	\$ 63,364,928	\$ 380,220,795	\$ 339,823,220

Governmental Activities

Governmental activities increased the City of Palm Coast's net assets by \$29,192,854 during the current fiscal year. This represents 72% of the total growth in net assets for the City. Developer infrastructure contributions are responsible for over \$16 million of the increase. Various governmental construction projects in process are the primary factor for the balance of

the increase in net assets. Restricted net assets decreased by \$10,846,480 during the fiscal year. This change is primarily due to decreased impact fee collections from depressed demand for residential building permits, and ongoing construction of infrastructure. Capital grants and contributions increased over \$16 million primarily due to developer infrastructure contributions.

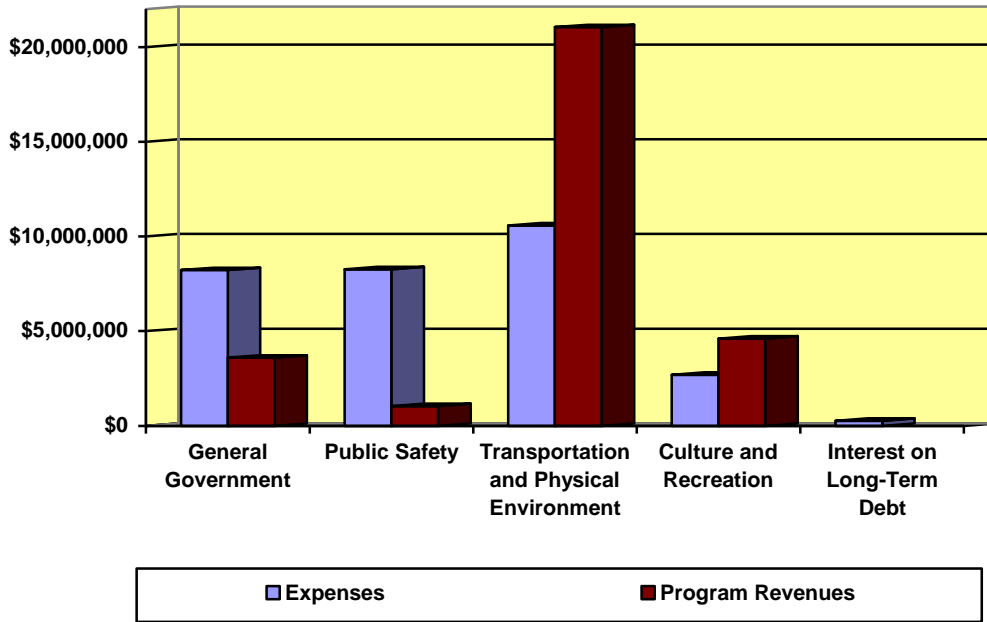
Business-type Activities

Business-type activities increased the City of Palm Coast's net assets by \$11,204,721 or 28% of the total growth in net assets. The increase in net assets was primarily attributable to capital grants and contributions. Restricted net assets decreased by \$2,470,726 during the fiscal year. Decreased impact fee collections due to the residential housing slump are the primary factor for the decrease.

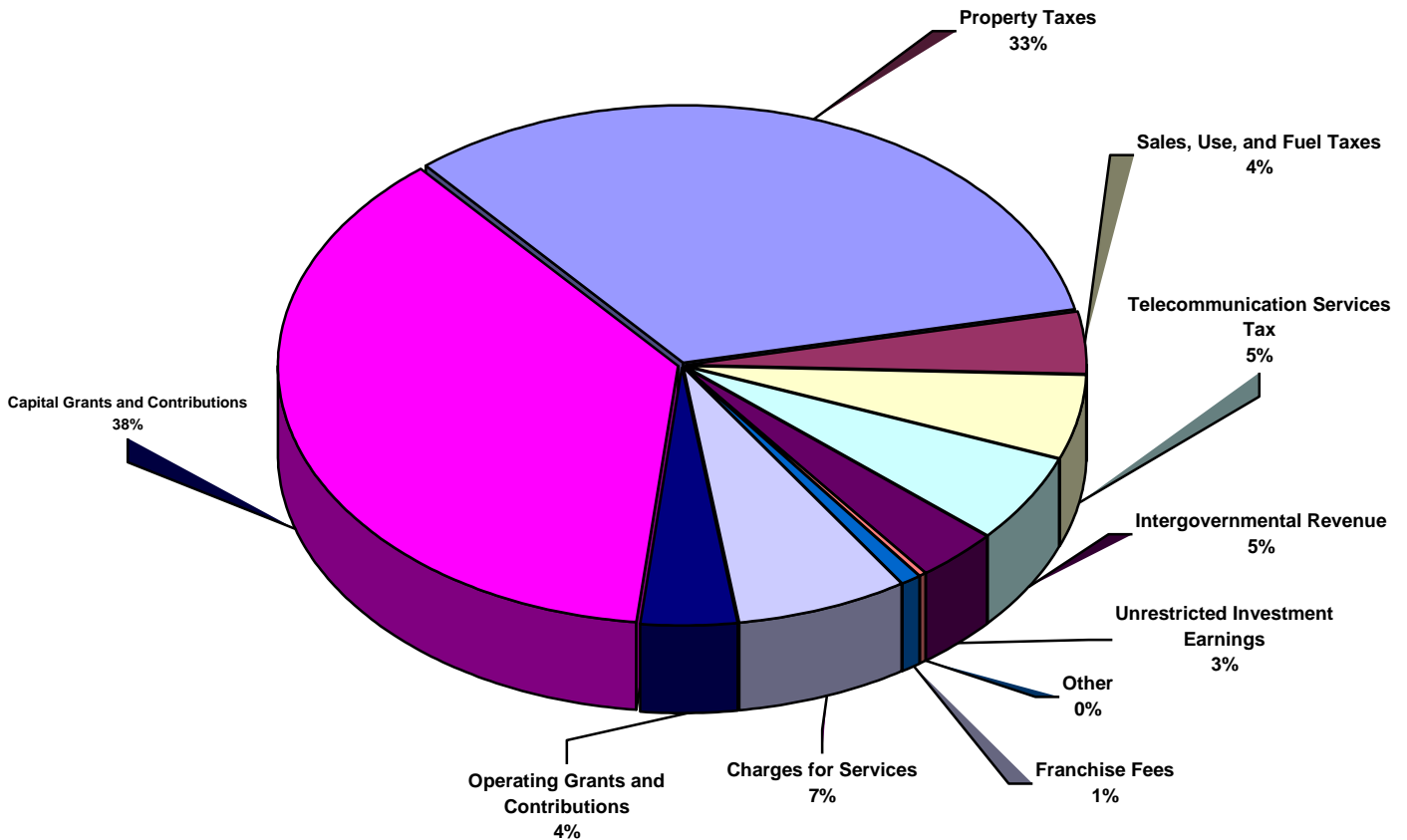
Table II
City of Palm Coast's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 4,407,563	\$ 4,339,016	\$ 35,475,292	\$ 36,783,233	\$ 39,882,855	\$ 41,122,249
Operating grants and contributions	2,482,829	2,227,021	-	-	2,482,829	2,227,021
Capital grants and contributions	23,416,000	9,809,343	9,175,206	15,174,755	32,591,206	24,984,098
General revenues:						
Property taxes	20,620,265	19,902,970	-	-	20,620,265	19,902,970
Other taxes	6,461,603	5,050,504	-	-	6,461,603	5,050,504
Intergovernmental	3,364,679	3,095,179	-	-	3,364,679	3,095,179
Other	2,275,606	3,884,438	912,152	1,430,419	3,187,758	5,314,857
Total revenues	63,028,545	48,308,471	45,562,650	53,388,407	108,591,195	101,696,878
Expenses:						
General government	8,222,494	8,358,244	-	-	8,222,494	8,358,244
Public safety	8,270,787	7,749,060	-	-	8,270,787	7,749,060
Transportation and physical environment	10,580,806	9,535,259	-	-	10,580,806	9,535,259
Culture & recreation	2,692,254	2,535,047	-	-	2,692,254	2,535,047
Utility	-	-	27,047,807	24,748,547	27,047,807	24,748,547
Solid Waste	-	-	7,436,948	6,352,603	7,436,948	6,352,603
Stormwater	-	-	3,419,649	3,469,901	3,419,649	3,469,901
Golf Course	-	-	31,989	-	31,989	-
Tennis Center	-	-	226,646	-	226,646	-
Interest on long-term debt	264,240	291,244	-	-	264,240	291,244
Total expenses	30,030,581	28,468,854	38,163,039	34,571,051	68,193,620	63,039,905
Increase in net assets before transfers	32,997,964	19,839,617	7,399,611	18,817,356	40,397,575	38,656,973
Transfers	(3,805,110)	1,146,535	3,805,110	(1,146,535)	-	-
Increase in net assets	29,192,854	20,986,152	11,204,721	17,670,821	40,397,575	38,656,973
Net assets - beginning	276,458,292	255,472,140	63,364,928	45,694,107	339,823,220	301,166,247
Net assets - ending	\$ 305,651,146	\$ 276,458,292	\$ 74,569,649	\$ 63,364,928	\$ 380,220,795	\$ 339,823,220

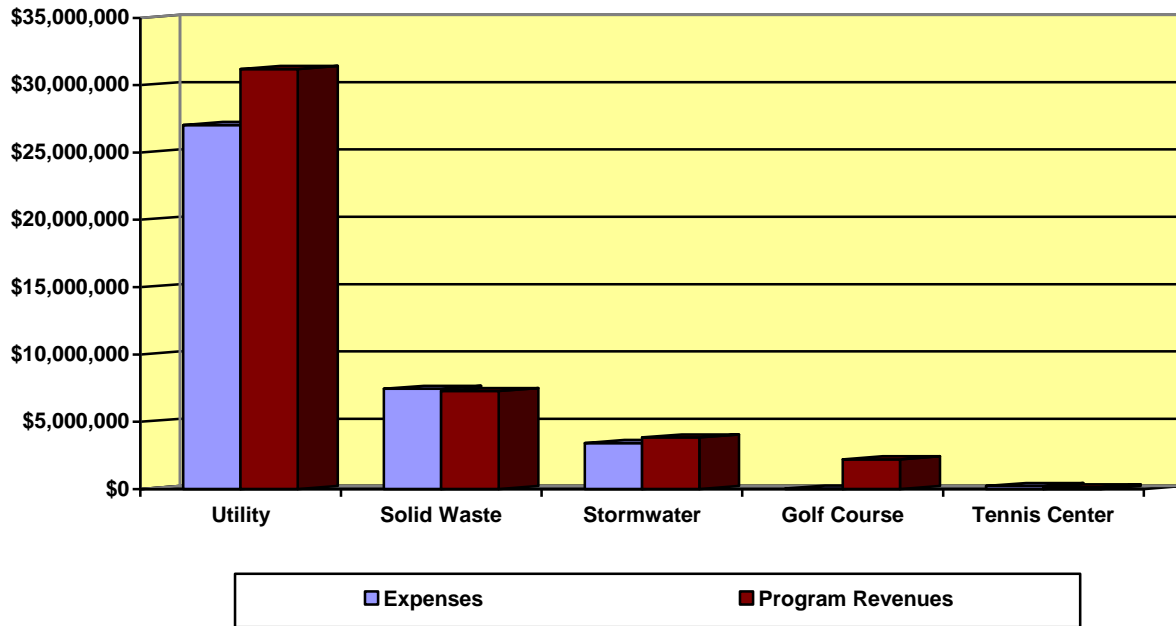
Expenses and Program Revenues - Governmental Activities



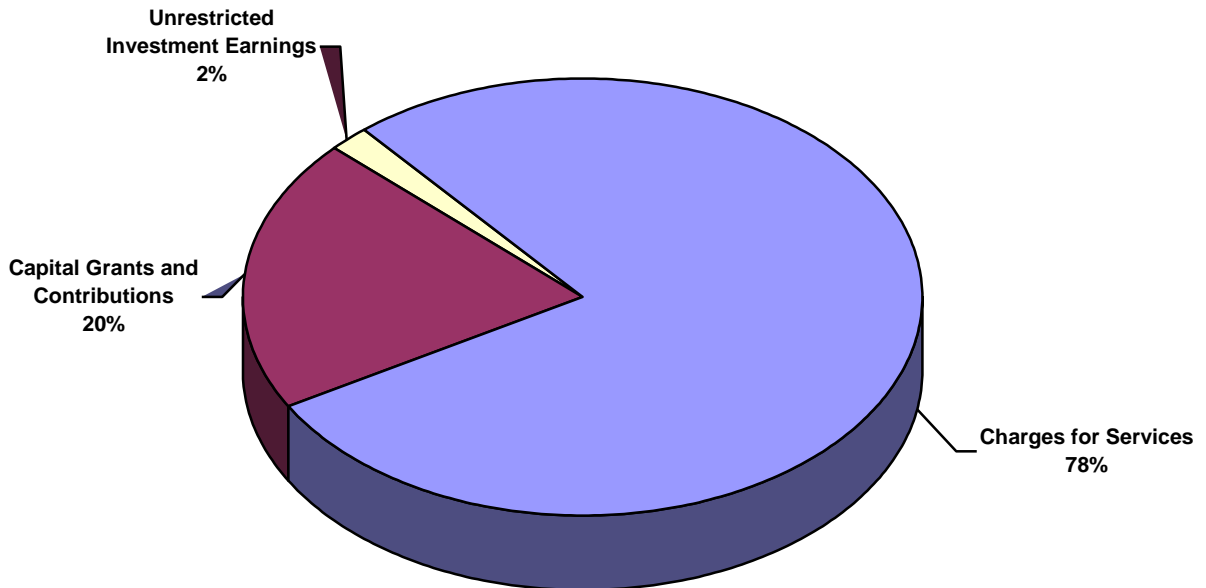
Revenues by Source - Governmental Activities



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 \$10,940,819, with an additional \$2,082,957 designated as a disaster reserve. The total fund balance stood at \$15,130,475. 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/undesignated fund balance represents approximately 38% of total general fund expenditures versus 28% for fiscal year 2007. Total fund balance represents 53% of the total general fund expenditures versus 43% for fiscal year 2007.

The fund balance of the City of Palm Coast's general fund increased by \$1,987,018 during the current fiscal year. Key factors in this increase are as follows:

- Overall general fund revenues were consistent with 2007, but expenses were nearly \$2 million less. This is primarily due to a decrease in capital outlay from 2007 of \$3.2 million offset by an increase in current expenditures of \$1.2 million.

The capital projects fund has a total fund balance of \$7,899,230, a decrease of \$2,630,246. A portion of the total property tax revenue is allocated to this fund to cover capital expenditures. Tax collections decreased nearly \$1.4 million due to a budgeted decrease in the amount of tax revenue allocated to this fund. The transportation impact fee fund balance was \$11,761,761, a decrease of \$7,884,107. This decrease is primarily reflective of decreased impact fees due to a low number of new residential building permits, as well as increased infrastructure construction. The streets improvement fund balance was \$4,046,995, representing an increase of \$52,276. The SR100 CRA fund balance was (\$5,367,232), a decrease of \$293,160. Purchases of land for redevelopment in advance of tax increment revenues are the primary factor for the decrease.

The other governmental funds have a total fund balance \$3,629,815. This was a decrease of \$2,469,815 during the current fiscal year, primarily due to decreased impact fee collections in the park and fire impact fee funds, coupled with increased capital project expenditures.

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 \$10,453,614 at the end of the year, with the total fund balance at \$62,788,816. The unrestricted net assets decreased \$1,345,125 for the year. Decreased income from operations due to rising operating costs was the primary factor for the change.

Unrestricted net assets of the solid waste fund were \$(133,250), which represents a decrease of \$158,590. Decreased operating income from increased operating costs during the fiscal year is the primary factor for the change.

Unrestricted net assets of the stormwater fund were \$(3,418,240), which represents a decrease of \$2,146,285. This decrease is primarily due to increased investment in stormwater infrastructure.

Unrestricted net assets in the golf course fund were \$4,191,088. This fund was established during the current fiscal year and received a contribution of land and a transfer of construction funds.

Unrestricted net assets in the tennis center fund were \$(25,398), which represents a decrease of \$1,696. This decrease is primarily due to operating expenses in excess of operating revenues.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget totaled \$440,750. The change was due to an increase in the public safety budget of \$380,750. There were minor changes in expenditures in other departments throughout the year. During the year, final amended expenditures exceeded the revenues budget by \$1,265,637. This was the result of budgeted utilization of accumulated fund balance. Actual expenditures were less than the final amended budget by \$3,081,584. Vacancies in Community Development, Fire, Engineering and an overall cost savings program are the primary reasons for this difference.

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Capital Asset and Debt Administration

Capital assets. The City of Palm Coast's investment in capital assets as of September 30, 2008, amounts to \$465,809,690 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment. This is an increase of \$66,715,869 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, land purchases, contributed developer infrastructure, and construction of parks and recreation facilities.

Table III
City of Palm Coast's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 87,559,115	\$ 80,881,058	\$ 15,473,907	\$ 13,139,191	\$ 103,033,022	\$ 94,020,249
Buildings and improvements						
other than buildings	16,126,448	14,357,011	66,862,057	44,308,251	82,988,505	58,665,262
Infrastructure	132,628,717	111,592,549	90,722,073	79,348,143	223,350,790	190,940,692
Equipment	8,035,615	8,361,213	1,018,151	1,087,717	9,053,766	9,448,930
Construction in progress	23,011,682	13,331,004	24,371,925	32,687,684	47,383,607	46,018,688
Total	\$ 267,361,577	\$ 228,522,835	\$ 198,448,113	\$ 170,570,986	\$ 465,809,690	\$ 399,093,821

Additional information on the City of Palm Coast's capital assets can be found in Note 6 on pages 53-54 of this report.

Long-term debt. The City of Palm Coast owes \$140,845,000 in revenue bonds used for the purchase and expansion of the utility system. There is a CDBG loan with a balance of \$99,702 and State Revolving Fund loans of \$31,858,843 for utility and stormwater improvements. The remainder of the long-term debt is made up of compensated absences. The total long-term debt of the City is \$175,076,995.

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Loans from other governments	\$ 99,702	\$ 134,437	\$ 31,858,843	\$ 27,122,347	\$ 31,958,545	\$ 27,256,784
Loans from financial institutions	-	37,846	-	-	-	37,846
Revenue bonds	-	-	140,845,000	142,765,000	140,845,000	142,765,000
Compensated absences	1,488,599	1,285,430	784,851	648,447	2,273,450	1,933,877
Total	\$ 1,588,301	\$ 1,457,713	\$ 173,488,694	\$ 170,535,794	\$ 175,076,995	\$ 171,993,507

Additional information on the City of Palm Coast's long-term debt can be found in Note 9 beginning on pages 56-63 of this report.

Next Year's Budget and Rates

During the current fiscal year, unreserved/undesignated fund balance in the General Fund increased to \$10,940,819. The City of Palm Coast has appropriated \$1,255,919 of the unreserved fund balance for spending in the 2009 fiscal year budget. The available fund balance, as a percentage of prior year expenditures and transfers out is 33%.

The City Council approved a millage rate of 2.9623 mills for fiscal year 2009. The City Council has designated .35 mills for capital projects.

On January 29, 2008, the Florida electorate approved an amendment (referred to as Amendment 1) to the Florida Constitution relative to property taxation. With respect to homestead property, Amendment 1 increases the current \$25,000 homestead exemption by another \$25,000 (by exempting the assessed property values from \$50,000 - \$75,000), except for school district taxes. Since the new \$25,000 homestead exemption does not apply to school district taxes, this effectively amounts to a \$15,000 increase to the existing homestead exemption, resulting in an estimated annual savings of \$240 for an average homeowner. Amendment 1 also allows property owners to transfer (make portable) up to \$500,000 of their Save Our Homes benefits to their next homestead when they move. Save Our Homes became effective in 1995 and limits (caps) the annual increase in assessed value for homestead property to three percent (3%) or the percentage change in the Consumer Price Index, whichever is less. With respect to non-homestead property, Amendment 1 limits (caps) the annual increase in assessed value for non-homestead property (businesses, industrial property, rental property, second homes, etc.) to ten percent (10%), except for school district taxes. The Amendment also provides a \$25,000 exemption for tangible personal property. Amendment 1 became effective on October 1, 2008, with the exception of the ten percent (10%) assessment cap on non-homestead property which becomes effective on January 1, 2009. Declining market values contributed to an overall decrease in taxable property value of 15.5%. However, market values only accounted for about 4.5% of the decrease. Amendment 1 and the Save Our Homes portability, was responsible for 11% of the total decrease. New construction added a little over 3% to the taxable value, so the City had a 12.3% reduction in taxable property value for the year.

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
160 Cypress Point Parkway, Suite B-106
Palm Coast, FL 32164

Or

Telephone (386) 986-3725 Fax (386) 986-3773
E-mail rbritt@ci.palm-coast.fl.us



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BASIC FINANCIAL STATEMENTS



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City of Palm Coast, Florida
Statement of Net Assets
September 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Equity in pooled cash and investments	\$ 42,154,125	\$ 10,741,434	\$ 52,895,559
Receivables - net	889,223	5,711,990	6,601,213
Due from other governments	5,378,034	-	5,378,034
Prepaid items	3,787	-	3,787
Inventories	61,730	329,849	391,579
Unamortized bond premium	-	(1,529,491)	(1,529,491)
Unamortized debt issuance costs	-	4,422,325	4,422,325
Other Assets	-	-	-
Restricted assets:			
Equity in pooled cash and investments	-	35,259,812	35,259,812
Due from other governments	-	3,845,525	3,845,525
Prepaid Items	-	-	-
Capital assets (net of accumulated depreciation):			
Land	87,559,115	15,473,907	103,033,022
Buildings and improvements other than buildings	16,126,448	66,862,057	82,988,505
Infrastructure	132,628,717	90,722,073	223,350,790
Equipment	8,035,615	1,018,151	9,053,766
Construction in progress	23,011,682	24,371,925	47,383,607
Total assets	315,848,476	257,229,557	573,078,033
LIABILITIES			
Accounts payable and other current liabilities	7,166,100	1,788,813	8,954,913
Due to other governments	387,624	-	387,624
Internal balances	678,297	(678,297)	-
Customer deposits	377,008	3,314,461	3,691,469
Unearned revenue	-	27,286	27,286
Payable from restricted assets:			
Accrued bond interest payable	-	3,245,064	3,245,064
Accounts payable	-	1,084,271	1,084,271
Contract payable	-	389,616	389,616
Noncurrent liabilities:			
Due within one year	661,213	3,671,734	4,332,947
Due in more than one year	927,088	169,816,960	170,744,048
Total liabilities	10,197,330	182,659,908	192,857,238
NET ASSETS			
Invested in capital assets, net of related debt	267,361,577	49,857,685	317,219,262
Restricted for:			
Construction	19,206,699	10,050,301	29,257,000
Debt service	-	2,915,552	2,915,552
Public safety	231,872	-	231,872
Enabling legislation	2,039,360	-	2,039,360
Unrestricted	16,811,638	11,746,111	28,557,749
Total net assets	\$ 305,651,146	\$ 74,569,649	\$ 380,220,795

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, 2008

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 8,222,494	\$ 3,575,723	\$ 25,940	\$ -
Public safety	8,270,787	468,618	460,319	116,269
Transportation and physical environment	10,580,806	123,281	1,996,570	18,934,646
Culture and recreation	2,692,254	239,941	-	4,365,085
Interest on long-term debt	264,240	-	-	-
Total governmental activities	<u>30,030,581</u>	<u>4,407,563</u>	<u>2,482,829</u>	<u>23,416,000</u>
Business-type activities:				
Utility	27,047,807	24,401,358	-	6,799,797
Solid Waste	7,436,948	7,278,358	-	-
Stormwater	3,419,649	3,685,785	-	153,014
Golf Course	31,989	-	-	2,207,763
Tennis Center	226,646	109,791	-	14,632
Total business-type activities	<u>38,163,039</u>	<u>35,475,292</u>	<u>-</u>	<u>9,175,206</u>
Total primary government	<u>\$ 68,193,620</u>	<u>\$ 39,882,855</u>	<u>\$ 2,482,829</u>	<u>\$ 32,591,206</u>

General revenues:

- Property taxes
- Sales and use taxes
- Telecommunication services tax
- Franchise fees
- Intergovernmental revenue, non-program
- 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, - restated

Net assets - ending

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

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

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (4,620,831)	\$ -	\$ (4,620,831)
(7,225,581)	-	(7,225,581)
10,473,691	-	10,473,691
1,912,772	-	1,912,772
(264,240)	-	(264,240)
275,811	-	275,811
-	4,153,348	4,153,348
-	(158,590)	(158,590)
-	419,150	419,150
-	2,175,774	2,175,774
-	(102,223)	(102,223)
-	6,487,459	6,487,459
275,811	6,487,459	6,763,270
20,620,265	-	20,620,265
2,458,212	-	2,458,212
3,431,800	-	3,431,800
571,591	-	571,591
3,364,679	-	3,364,679
-	-	-
2,132,333	912,152	3,044,485
128,620	-	128,620
14,653	-	14,653
(3,805,110)	3,805,110	-
28,917,043	4,717,262	33,634,305
29,192,854	11,204,721	40,397,575
276,458,292	63,364,928	339,823,220
\$ 305,651,146	\$ 74,569,649	\$ 380,220,795

City of Palm Coast, Florida
Balance Sheet
Governmental Funds
September 30, 2008

ASSETS	General	Capital Projects	Transportation Impact Fee Fund	Streets Improvement Fund	SR100 CRA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Equity in pooled cash and investments	\$ 10,036,999	\$ 6,141,522	\$ 14,418,618	\$ 4,694,383	\$ 56,327	\$ 4,493,285	\$ 39,841,134
Accounts receivable - net	753,000	-	-	-	-	-	753,000
Prepaid items	3,787	-	-	-	-	-	3,787
Notes receivable - current	36,150	-	-	-	-	-	36,150
Due from other governments	2,025,152	2,259,991	94,850	611,719	200,000	186,322	5,378,034
Notes receivable - noncurrent	63,552	-	-	-	-	-	63,552
Advances to other funds	5,520,222	-	-	-	-	-	5,520,222
Total assets	\$ 18,438,862	\$ 8,401,513	\$ 14,513,468	\$ 5,306,102	\$ 256,327	\$ 4,679,607	\$ 51,595,879

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 676,586	\$ 457,868	\$ 2,435,456	\$ 1,259,107	\$ 103,337	\$ 951,098	\$ 5,883,452
Accrued liabilities	459,156	44,415	316,251	-	-	98,694	918,516
Due to other governments	387,624	-	-	-	-	-	387,624
Deferred revenue	1,408,013	-	-	-	-	-	1,408,013
Customer deposits	377,008	-	-	-	-	-	377,008
Advances from other funds	-	-	-	-	5,520,222	-	5,520,222
Total liabilities	3,308,387	502,283	2,751,707	1,259,107	5,623,559	1,049,792	14,494,835

Fund balances:

Reserved for:

Encumbrances	-	-	-	-	-	-	-
Enabling legislation	2,039,360	-	-	-	-	-	2,039,360
Notes receivable - noncurrent	63,552	-	-	-	-	-	63,552
Prepaid items	3,787	-	-	-	-	-	3,787

Unreserved:

Designated for:

Disaster reserve	2,082,957	-	-	-	-	-	2,082,957
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Undesignated, reported in:

General fund	10,940,819	-	-	-	-	-	10,940,819
Special revenue funds	-	-	11,761,761	4,046,995	(5,367,232)	3,629,815	14,071,339
Capital projects funds	-	7,899,230	-	-	-	-	7,899,230

Total fund balances	15,130,475	7,899,230	11,761,761	4,046,995	(5,367,232)	3,629,815	37,101,044
Total liabilities and fund balances	\$ 18,438,862	\$ 8,401,513	\$ 14,513,468	\$ 5,306,102	\$ 256,327	\$ 4,679,607	\$ 51,595,879

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, 2008

Fund balances - total governmental funds	\$ 37,101,044
<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.	262,926,832
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds.	1,408,013
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.	5,797,110
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,581,853)</u>
Net assets of governmental activities	<u><u>\$ 305,651,146</u></u>

City of Palm Coast, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2008

	General	Capital Projects	Transportation Impact Fee Fund	Streets Improvement Fund	SR100 CRA Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 18,775,909	\$ 5,089,249	\$ -	\$ 2,458,212	\$ 435,925	\$ -	\$ 26,759,295
Licenses and permits	2,572,951	-	-	-	-	-	2,572,951
Intergovernmental revenue	2,531,495	3,624,991	-	2,978,871	200,000	177,413	9,512,770
Charges for services	5,160,501	135,378	-	-	-	-	5,295,879
Fines and forfeitures	513,371	-	-	241,042	-	50,633	805,046
Impact fees	-	-	2,587,028	-	-	683,869	3,270,897
Contributions	12,719	-	-	-	-	-	12,719
Investment earnings	695,707	364,982	661,785	141,493	9,455	202,188	2,075,610
Miscellaneous	118,446	-	-	-	495	-	118,941
Total revenues	30,381,099	9,214,600	3,248,813	5,819,618	645,875	1,114,103	50,424,108
EXPENDITURES							
Current:							
General government	12,052,632	21,612	-	-	-	-	12,074,244
Public safety	8,003,618	-	-	-	-	-	8,003,618
Transportation and physical environment	6,299,645	-	1,800	79,400	149,318	-	6,530,163
Culture and recreation	1,995,438	-	-	-	-	102,386	2,097,824
Capital outlay:							
General government	244,111	151,233	-	-	-	-	395,344
Public safety	39,958	1,511,097	-	-	-	1,874,831	3,425,886
Transportation and physical environment	58,053	542,540	11,131,120	5,687,942	847,409	-	18,267,064
Culture and recreation	9,198	5,119,059	-	-	-	1,581,175	6,709,432
Debt service:							
Principal	34,735	-	-	-	-	-	34,735
Interest and Other	4,745	-	-	-	259,495	-	264,240
Total expenditures	28,742,133	7,345,541	11,132,920	5,767,342	1,256,222	3,558,392	57,802,550
Excess (deficiency) of revenues over (under) expenditures	1,638,966	1,869,059	(7,884,107)	52,276	(610,347)	(2,444,289)	(7,378,442)
OTHER FINANCING SOURCES AND (USES)							
Transfers in	713,890	81,000	-	-	317,187	-	1,112,077
Transfers out	(365,838)	(4,580,305)	-	-	-	(25,526)	(4,971,669)
Total other financing sources (uses)	348,052	(4,499,305)	-	-	317,187	(25,526)	(3,859,592)
Net change in fund balances	1,987,018	(2,630,246)	(7,884,107)	52,276	(293,160)	(2,469,815)	(11,238,034)
Fund balances - beginning - restated	13,143,457	10,529,476	19,645,868	3,994,719	(5,074,072)	6,099,630	48,339,078
Fund balances - ending	\$ 15,130,475	\$ 7,899,230	\$ 11,761,761	\$ 4,046,995	\$ (5,367,232)	\$ 3,629,815	\$ 37,101,044

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, 2008

Net change in fund balances - total governmental funds \$ (11,238,034)

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	28,797,726	
Less current year depreciation	<u>(5,047,990)</u>	23,749,736

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

Contributed capital assets	16,086,364
Revenue collections expected after 60 days	1,044,016

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

(400,520)

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. This amount is the net effect of these differences in the treatment of long-term debt and related items.

34,735

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	(204,210)
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities.

120,767

Change in net assets of governmental activities.

\$ 29,192,854

City of Palm Coast, Florida
Statement of Net Assets
Proprietary Fund
September 30, 2008

	Business-type Activities-Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Utility	Solid Waste	Storm Water	Golf Course	(Nonmajor) Tennis Center		
ASSETS							
Current assets:							
Equity in pooled cash and investments	\$ 6,518,091	\$ -	\$ -	\$ 4,206,818	\$ 16,525	\$ 10,741,434	\$ 2,312,991
Accounts receivable - net	3,427,398	1,252,527	1,032,065	-	-	5,711,990	36,521
Inventories	329,849	-	-	-	-	329,849	61,730
Restricted current assets:						-	
Cash with fiscal agent	5,200,064	-	-	-	-	5,200,064	-
Due from other governments	3,824,235	-	21,290	-	-	3,845,525	-
Total current assets	19,299,637	1,252,527	1,053,355	4,206,818	16,525	25,828,862	2,411,242
Noncurrent assets:							
Restricted assets:							
Equity in pooled cash and investments:							
Debt Service	916,798	-	243,706	-	-	1,160,504	-
Impact Fees	10,050,301	-	-	-	-	10,050,301	-
Bond proceeds	18,848,943	-	-	-	-	18,848,943	-
Total restricted assets	29,816,042	-	243,706	-	-	30,059,748	-
Capital assets:							
Land	12,845,761	-	413,519	2,214,627	-	15,473,907	-
Building and improvements other than buildings	75,752,135	-	105,249	-	-	75,857,384	-
Infrastructure	91,067,528	-	11,129,058	-	-	102,196,586	-
Equipment	837,640	-	680,564	-	26,881	1,545,085	7,991,830
	180,503,064	-	12,328,390	2,214,627	26,881	195,072,962	7,991,830
Less accumulated depreciation	(19,862,149)	-	(1,132,023)	-	(2,602)	(20,996,774)	(3,559,407)
	160,640,915	-	11,196,367	2,214,627	24,279	174,076,188	4,432,423
Construction in progress	23,729,008	-	333,068	309,849	-	24,371,925	2,322
Total capital assets (net of accumulated depreciation)	184,369,923	-	11,529,435	2,524,476	24,279	198,448,113	4,434,745
Due from other funds	4,742,457	-	-	-	-	4,742,457	-
Loan acquisition costs	532,949	-	76,666	-	-	609,615	-
Unamortized bond premium	(1,529,491)	-	-	-	-	(1,529,491)	-
Unamortized debt issuance costs	3,812,710	-	-	-	-	3,812,710	-
Total noncurrent assets	221,744,590	-	11,849,807	2,524,476	24,279	236,143,152	4,434,745
Total assets	\$ 241,044,227	\$ 1,252,527	\$ 12,903,162	\$ 6,731,294	\$ 40,804	\$ 261,972,014	\$ 6,845,987

City of Palm Coast, Florida
Statement of Net Assets (continued)
Proprietary Fund
September 30, 2008

	Business-type Activities-Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Utility	Solid Waste	Storm Water	Golf Course	(Nonmajor) Tennis Center		
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 407,584	\$ 581,884	\$ 402,805	\$ 13,971	\$ 4,652	\$ 1,410,896	\$ 361,638
Loans payable	1,217,574	-	198,831	-	-	1,416,405	-
Compensated absences	257,630	-	40,151	-	2,548	300,329	2,419
Accrued liabilities	151,155	-	21,639	1,759	3,412	177,965	2,494
Customer deposits	3,314,461	-	-	-	-	3,314,461	-
Deferred Revenue	-	-	-	-	27,286	27,286	-
Accrued interest payable	187,705	-	12,247	-	-	199,952	-
Current liabilities payable from restricted assets:							
Current maturities of bonds payable	1,955,000	-	-	-	-	1,955,000	-
Accrued bond interest payable	3,245,064	-	-	-	-	3,245,064	-
Accounts payable	1,084,271	-	-	-	-	1,084,271	-
Contract payable	389,616	-	-	-	-	389,616	-
Total current liabilities	12,210,060	581,884	675,673	15,730	37,898	13,521,245	366,551
Noncurrent liabilities:							
Compensated absences	433,351	-	47,146	-	4,025	484,522	4,029
Bonds payable	138,890,000	-	-	-	-	138,890,000	-
Loans payable	26,722,000	-	3,720,438	-	-	30,442,438	-
Due to other funds	-	803,893	3,938,564	-	-	4,742,457	-
Total noncurrent liabilities	166,045,351	803,893	7,706,148	-	4,025	174,559,417	4,029
Total liabilities	178,255,411	1,385,777	8,381,821	15,730	41,923	188,080,662	370,580
NET ASSETS							
Invested in capital assets, net of related debt							
	39,600,808	-	7,708,122	2,524,476	24,279	49,857,685	4,434,745
Restricted for construction	10,050,301	-	-	-	-	10,050,301	-
Restricted for debt service	2,684,093	-	231,459	-	-	2,915,552	-
Unrestricted	10,453,614	(133,250)	(3,418,240)	4,191,088	(25,398)	11,067,814	2,040,662
Total net assets	\$ 62,788,816	\$ (133,250)	\$ 4,521,341	\$ 6,715,564	\$ (1,119)	\$ 73,891,352	\$ 6,475,407
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						678,297	
						<u>\$ 74,569,649</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, 2008

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Utility	Solid Waste	Storm Water	Golf Course	(Nonmajor) Tennis Center	Totals	
Operating revenues:							
Charges for services:							
Water sales	\$ 14,708,946	\$ -	\$ -	\$ -	\$ -	\$ 14,708,946	\$ -
Sewer charges	8,692,534	-	-	-	-	8,692,534	-
Garbage charges	-	7,278,358	-	-	-	7,278,358	-
Stormwater charges	-	-	3,685,785	-	-	3,685,785	-
Tennis program charges	-	-	-	-	109,791	109,791	-
Miscellaneous	999,878	-	-	-	-	999,878	3,028,200
Total operating revenues	24,401,358	7,278,358	3,685,785	-	109,791	35,475,292	3,028,200
Operating expenses:							
Administrative	4,875,744	-	-	-	-	4,875,744	1,922,847
Water system	6,643,820	-	-	-	-	6,643,820	-
Sewer system	4,977,124	-	-	-	-	4,977,124	-
Solid waste system	-	7,413,209	-	-	-	7,413,209	-
Stormwater system	-	-	2,580,880	-	-	2,580,880	-
Golf Course	-	-	-	31,989	-	31,989	-
Tennis Center	-	-	-	-	224,044	224,044	-
Depreciation	5,585,358	-	649,355	-	2,602	6,237,315	1,114,170
Total operating expenses	22,082,046	7,413,209	3,230,235	31,989	226,646	32,984,125	3,037,017
Operating income (loss)	2,319,312	(134,851)	455,550	(31,989)	(116,855)	2,491,167	(8,817)
Nonoperating income (expenses):							
Investment revenue	871,835	-	-	39,790	527	912,152	56,723
Interest/amortization expense	(4,962,704)	(23,739)	(188,745)	-	-	(5,175,188)	-
Other	-	-	-	-	-	-	14,653
Total nonoperating revenues (expenses)	(4,090,869)	(23,739)	(188,745)	39,790	527	(4,263,036)	71,376
Income (loss) before capital contributions and transfers	(1,771,557)	(158,590)	266,805	7,801	(116,328)	(1,771,869)	62,559
Capital grants and contributions	6,799,797	-	153,014	2,207,763	14,632	9,175,206	-
Transfers in	-	-	-	4,500,000	100,000	4,600,000	54,482
Transfers out	(794,890)	-	-	-	-	(794,890)	-
Change in net assets	4,233,350	(158,590)	419,819	6,715,564	(1,696)	11,208,447	117,041
Total net assets - beginning - restated	58,555,466	25,340	4,101,522	-	577		6,358,366
Total net assets - ending	\$ 62,788,816	\$ (133,250)	\$ 4,521,341	\$ 6,715,564	\$ (1,119)		\$ 6,475,407
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						(3,726)	
						\$ 11,204,721	

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, 2008

	Business-type Activities - Enterprise Funds					Totals	Governmental Activities - Internal Service Funds
	Utility	Solid Waste	Storm Water	Golf Course	(Nonmajor) Tennis Center		
Cash flows from operating activities							
Cash received from customers	\$ 25,309,558	\$ 7,280,149	\$ 3,771,405	\$ -	\$ 70,422	\$ 36,431,534	\$ 3,009,361
Cash paid to suppliers	(9,527,821)	(7,380,173)	(1,275,987)	(1,871)	(77,414)	(18,263,266)	(1,939,418)
Cash paid to employees	(6,680,375)	-	(965,487)	(28,359)	(129,104)	(7,803,325)	(1,053)
Net cash provided by (used in) operating activities	9,101,362	(100,024)	1,529,931	(30,230)	(136,096)	10,364,943	1,068,890
Cash flow from noncapital financing activities							
Transfers in from other funds	-	-	-	4,500,000	100,000	4,600,000	54,482
Transfers out to other funds	(794,890)	-	-	-	-	(794,890)	-
Advances to other funds	(1,845,022)	-	-	-	-	(1,845,022)	-
Advances from other funds	-	123,763	1,721,259	-	-	1,845,022	-
Net cash provided by (used in) noncapital financing activities	(2,639,912)	123,763	1,721,259	4,500,000	100,000	3,805,110	54,482
Cash flow from capital and related financing activities							
Proceeds from issuance of long-term debt	4,661,940	-	271,210	-	-	4,933,150	-
Loan Principal Payments	(2,553,082)	-	(212,826)	-	-	(2,765,908)	(37,846)
Interest paid	(6,900,599)	(23,739)	(182,531)	-	-	(7,106,869)	-
Acquisition and construction of property, plant and equipment	(29,493,346)	-	(3,174,099)	(302,742)	(26,881)	(32,997,068)	(517,331)
Proceeds from the sale of capital assets	-	-	-	-	-	-	14,653
Impact fees and contributions	3,720,524	-	153,014	-	14,632	3,888,170	-
Net cash provided by (used in) capital and related financing activities	(30,564,563)	(23,739)	(3,145,232)	(302,742)	(12,249)	(34,048,525)	(540,524)
Cash flow from investing activities							
Interest on investments	871,835	-	-	39,790	527	912,152	56,723
Net cash provided by (used in) investing activities	871,835	-	-	39,790	527	912,152	56,723
Net increase (decrease) in cash and cash equivalents	(23,231,278)	-	105,958	4,206,818	(47,818)	(18,966,320)	639,571
Beginning cash and cash equivalents	64,765,475	-	137,748	-	64,343	64,967,566	1,673,420
Ending cash and cash equivalents	\$ 41,534,197	\$ -	\$ 243,706	\$ 4,206,818	\$ 16,525	\$ 46,001,246	\$ 2,312,991

(continued)

City of Palm Coast, Florida
Statement of Cash Flows (continued)
Proprietary Funds
For the Year Ended September 30, 2008

	Business-type Activities - Enterprise Funds					Totals	Governmental Activities - Internal Service Funds
	Utility	Solid Waste	Storm Water	Golf Course	(Nonmajor) Tennis Center		
Reconciliation of operating income to net cash provided by operating activities							
Operating income (loss)	\$ 2,319,312	\$ (134,851)	\$ 455,550	\$ (31,989)	\$ (116,855)	\$ 2,491,167	\$ (8,817)
Adjustment to reconcile operating income to net cash provided by operating activities							
Depreciation and amortization	5,585,358	-	649,355	-	2,602	6,237,315	1,114,170
Change in assets and liabilities:							
Accounts receivable	737,922	1,791	85,620	-	-	825,333	(18,839)
Inventories	89,273	-	-	-	-	89,273	(28,801)
Prepays	-	-	-	-	4,516	4,516	-
Accounts payable	(61,315)	33,036	322,202	-	3,025	296,948	12,230
Accrued liabilities	140,903	-	7,004	1,759	(35,957)	113,709	(11)
Customer deposits	170,278	-	-	-	-	170,278	-
Compensated absences	119,631	-	10,200	-	6,573	136,404	(1,042)
 Net cash provided by (used in) operating activities	 \$ 9,101,362	 \$ (100,024)	 \$ 1,529,931	 \$ (30,230)	 \$ (136,096)	 \$ 10,364,943	 \$ 1,068,890
	0						
Cash and cash equivalents classified as:							
Equity in pooled cash and investments in current assets	\$ 6,518,091	\$ -	\$ -	\$ 4,206,818	\$ 16,525	\$ 10,741,434	\$ 2,312,991
Restricted equity in pooled cash and investments							
Cash with fiscal agent	5,200,064	-	-	-	-	5,200,064	-
Debt service	916,798	-	243,706	-	-	1,160,504	-
Impact fees	10,050,301	-	-	-	-	10,050,301	-
Bond proceeds	18,848,943	-	-	-	-	18,848,943	-
Total restricted equity in pooled cash and investments	35,016,106	-	243,706	-	-	35,259,812	-
Total cash and cash equivalents	\$ 41,534,197	\$ -	\$ 243,706	\$ 4,206,818	\$ 16,525	\$ 46,001,246	\$ 2,312,991
 Noncash capital and related financing activities:							
Developer contributions of capital assets	3,079,273	-	-	2,207,763	-		-

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, 2008

	Volunteer Firefighter Pension Fund
ASSETS	
Cash and investments	\$ 935,401
Due from other governments	-
Total assets	935,401
LIABILITIES	
Tax withholding payable	405
Accounts payable	1,089
Total liabilities	1,494
NET ASSETS	
Held in Trust for Pension Benefits and Other Purposes	\$ 933,907

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, 2008

	Volunteer Firefighter Pension Fund
ADDITIONS	
Contributions:	
State contributions	\$ 380,757
Total contributions	380,757
Investment earnings:	
Interest	12,349
Total investment earnings	12,349
Total additions	393,106
DEDUCTIONS	
Administrative Expenses	9,357
Benefit Distributions	8,190
Total deductions	17,547
Net Increase (Decrease)	375,559
Net assets - beginning	558,348
Net assets - ending	\$ 933,907

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



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NOTES TO FINANCIAL STATEMENTS

September 30, 2008



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**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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, 2008

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, sales 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, state revenue sharing, and a local option gas tax that is being used for road maintenance and improvements as well as to resurface city streets.

The SR100 CRA special revenue fund accounts for the tax increment financing and related expenditures of the State Road 100 community redevelopment area.

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.

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2008**

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

The golf course enterprise fund accounts for the revenues and expenditures related to the operations of a municipal golf course.

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

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

Note 1 – Summary of Significant Accounting Policies (Continued)

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

depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Deposits and Investments

The City's cash and cash equivalents are 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 24%, 21% and 37%, 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, 2008**

Note 1 – Summary of Significant Accounting Policies (Continued)

Receivables and payables (Continued)

The property tax calendar is as follows:

Valuation Date January 1, 2007

Property Appraiser prepares the assessment roll with values as of January 1, 2007, submits this preliminary roll for approval by the State and notifies each taxing authority of their respective valuations. July 1, 2007

City Council holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year. September 2007

Property Appraiser certifies the assessment roll and all real and tangible personal property taxes are due and payable (Levy date). November 1, 2007

A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November 2007 through March 2008, with the following applicable discounts:

<u>Month Paid</u>	<u>Discount</u>	
November	4%	
December	3	November 1, 2007 through March 31, 2008
January	2	
February	1	
March	0	

All unpaid taxes on real and tangible personal property become delinquent. April 1, 2008

A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised. April and May 2008

Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien date). June 1, 2008

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, 2008

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

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.

Restricted Assets

Certain proceeds of the Utility enterprise fund revenue bonds are classified as restricted assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Other enterprise fund restricted assets include accumulated impact fees, intergovernmental receivables and debt service requirements; their use is limited by state statute and various regulatory authorities.

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, 2008**

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, and proprietary fund types in the fund financial statements, long-term debt and other long term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. 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 \$262,926,832 difference are as follows:

Capital assets	\$ 261,334,335
Less: Accumulated Depreciation	(21,416,863)
Construction in progress	23,009,360
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$ 262,926,832

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

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 \$1,581,853 difference are as follows:

Loans payable	\$ 99,702
Compensated absences	1,482,151
	1,581,853
Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ 1,581,853

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 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 \$ 34,735 difference are as follows:

Debt repayments:	
Loan	\$ 34,735
	34,735
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 34,735

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2008**

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 \$5,367,232 as of September 30, 2008. This fund incurred redevelopment expenditures in advance of future anticipated property tax revenues. The Solid Waste and Tennis Center proprietary funds had deficit funds balances of \$133,250 and \$1,119 respectively. These funds incurred expenses in excess of current revenues and transfers.

Excess of Expenditures over Appropriations

For the year ended September 30, 2008, no departments exceeded appropriations.

Budgetary Information

The City follows these procedures in adopting the budget:

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

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

Note 4 – Deposits and Investments

Deposits

At year-end, the carrying amount of the City's deposits was \$1,631,053 and the bank balance was \$3,558,543. 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 \$22,494 in petty cash. In addition, the City has a money market cash balance of \$213,273 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, 2008, the City has the following investments:

Investment Type	Fair Value	Percentage of Total	Average Maturities
Florida SBA LGIP Fund A	\$ 29,829,695	36.78%	8.5 Days
Florida SBA LGIP Fund B	1,886,070	2.33%	9.36 Years
U.S. Government Agencies	24,087,299	29.70%	1-3 Years
Commercial Paper	14,426,498	17.79%	90-180 Days
U.S. Treasuries	7,295,032	8.99%	1-2 Years
Corporate Notes	<u>3,586,387</u>	4.42%	1-2 Years
	<u>\$ 81,110,981</u>		

The City's investments in the Florida Local Government Surplus Funds Trust Fund Investment Pool (LGIP), a Securities and Exchange Commission rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Local Government Surplus Funds Trust Fund Investment Pool is administered by the State Board of Administration (SBA) pursuant to section 218.405 of the Florida Statutes. On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Pool coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008

Note 4 – Deposits and Investments (Continued)

reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate funds. Fund A consisted of all money market appropriate assets, which was approximately 86% of Pool assets. Fund B consisted of assets that defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately 14% of Pool assets. At the time of the restructuring, all current Pool participants had their existing balances proportionately allocated into Fund A and Fund B.

As of September 30, 2008, Fund A participants may withdraw 65% of their balance or \$12 million, whichever is greater, without penalty. Withdrawals from Fund A in excess of the above limit are subject to a 2% redemption fee. New investments in Fund A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Fund A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Fund. As a Securities and Exchange Commission rule 2a7-like external investment pool, the account balance of this fund is considered to be the fair value of this investment. As of September 30, 2008, Standard and Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Fund A.

Currently, Fund B participants are prohibited from withdrawing any amount from the Fund. Fund B is accounted for as a fluctuating NAV pool. The fair value factor of Fund B as of September 30, 2008 was .798385. Fund B is not rated by any nationally recognized statistical rating agency.

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 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. The City's investment policy allows investment in high grade corporate notes and government sponsored agencies with a minimum AA rating by Standard and Poor's. Commercial paper is required to have a rating of A-1 by Standard and Poor's. As of September 30, 2008, 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.

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

Note 4 – Deposits and Investments (Continued)

Concentrations of Credit Risk. The City's investment policy allows a maximum of seventy-five (75) percent of available funds to be invested in U.S. Government Agencies. As of September 30, 2008, the City's largest agency investment is in the Federal National Mortgage Association (FNMA). These securities represent 10.9 percent of the City's total investments.

Cash with fiscal agent as of September 30, 2008 totaled \$5,200,064. 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, 2008:

	General Fund	Utility Fund	Solid Waste Fund	Storm Water Fund	Fleet Management Fund	Totals
Accounts receivable	\$ 753,000	\$ 4,515,395	\$ 1,593,388	\$ 1,637,662	\$ 36,521	\$ 8,535,966
Notes receivable - current	36,150	-	-	-	-	36,150
Notes receivable - noncurrent	63,552	-	-	-	-	63,552
Less allowance for doubtful accounts	-	(1,087,997)	(340,861)	(605,597)	-	(2,034,455)
	<u>\$ 852,702</u>	<u>\$ 3,427,398</u>	<u>\$ 1,252,527</u>	<u>\$ 1,032,065</u>	<u>\$ 36,521</u>	<u>\$ 6,601,213</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, 2008

Note 6 – Capital Assets

Capital asset activity for the year ended September 30, 2008 was as follows:

	Balance 09/30/07	Increases	Decreases	Balance 09/30/08
A. Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 80,881,058	\$ 6,678,057	\$ -	\$ 87,559,115
Construction in progress	13,331,004	23,077,480	(13,396,802)	23,011,682
Total capital assets, not being depreciated	94,212,062	29,755,537	(13,396,802)	110,570,797
Capital assets, being depreciated				
Buildings and improvements other than buildings	15,917,726	2,531,097	-	18,448,823
Infrastructure	124,003,147	24,566,574	-	148,569,721
Equipment	13,254,988	1,554,965	(61,448)	14,748,505
Total capital assets, being depreciated	153,175,861	28,652,636	(61,448)	181,767,049
Less accumulated depreciated for:				
Buildings and improvements other than buildings	(1,560,715)	(761,660)	-	(2,322,375)
Infrastructure	(12,410,598)	(3,530,406)	-	(15,941,004)
Equipment	(4,893,775)	(1,870,094)	50,979	(6,712,890)
Total accumulated depreciation	(18,865,088)	(6,162,160)	50,979	(24,976,269)
Total capital assets, being depreciated, net	134,310,773	22,490,476	(10,469)	156,790,780
Governmental activities capital assets, net	\$ 228,522,835	\$ 52,246,013	\$ (13,407,271)	\$ 267,361,577
	Balance 09/30/07	Increases	Decreases	Balance 09/30/08
B. Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 13,139,191	\$ 2,334,716	\$ -	\$ 15,473,907
Construction in progress	32,687,684	28,482,122	(36,797,881)	24,371,925
Total capital assets, not being depreciated	45,826,875	30,816,838	(36,797,881)	39,845,832
Capital assets, being depreciated				
Buildings and improvements other than buildings	50,860,700	24,996,685	-	75,857,385
Infrastructure	87,251,679	14,944,906	-	102,196,585
Equipment	1,391,192	153,893	-	1,545,085
Total capital assets, being depreciated	139,503,571	40,095,484	-	179,599,055
Less accumulated depreciated for:				
Buildings and improvements other than buildings	(6,552,448)	(2,442,880)	-	(8,995,328)
Infrastructure	(7,903,537)	(3,570,975)	-	(11,474,512)
Equipment	(303,475)	(223,459)	-	(526,934)
Total accumulated depreciation	(14,759,460)	(6,237,314)	-	(20,996,774)
Total capital assets, being depreciated, net	124,744,111	33,858,170	-	158,602,281
Business-type activities capital assets, net	\$ 170,570,986	\$ 64,675,008	\$ (36,797,881)	\$ 198,448,113

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2008**

Note 6 – Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 638,833
Public safety		209,897
Transportation and Physical Environment		3,620,055
Culture and recreation		579,204
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		<u>1,114,170</u>
Total depreciation expense - governmental activities		<u><u>\$ 6,162,160</u></u>
Business activities:		
Utility		\$ 5,585,357
Stormwater		649,355
Tennis Center		<u>2,602</u>
Total depreciation expense - business activities		<u><u>\$ 6,237,314</u></u>

Note 7 – Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2008, is as follows:

Advances from/to other funds:

Receivable Fund	Payable Fund	Purpose	Amount
General Fund	SR100 CRA Fund	Purchase and redevelopment of land	\$ 5,520,222
Utility Fund	Solid Waste Fund	Supplement operating cash flow	803,893
Utility Fund	Stormwater Fund	Supplement operating cash flow	3,938,564
		Total	<u><u>\$ 10,262,679</u></u>

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2008**

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 to the CRA Fund represent base property tax collections within the redevelopment area. The transfer to the Golf Course Fund is for the renovation of the course. 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	SR 100 CRA Fund	Tennis Center	Golf Course	Internal Service	
General Fund	\$ -	\$ -	\$ 236,882	\$ 100,000	\$ -	\$ 28,956	\$ 365,838
Utility Fund	713,890	81,000	-	-	-	-	794,890
Capital Projects Fund	-	-	80,305	-	4,500,000	-	4,580,305
Nonmajor Governmental	-	-	-	-	-	25,526	25,526
Total transfers out	\$ 713,890	\$ 81,000	\$ 317,187	\$ 100,000	\$ 4,500,000	\$ 54,482	\$ 5,766,559

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 2008 the total cost was \$2,165,619 and provided 21.5 additional personnel.

During the fiscal year ended September 30, 2008, the City entered into an interlocal agreement with Flagler County for the purchase of environmental sensitive land in order to obtain water recharge areas, parks, and recreation areas. Under the agreement, Flagler County contributed \$1,365,000 towards the purchase of various parcels known as Longs Landing.

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2008**

Note 9 – Long-Term Debt

A. Governmental Activities

CDBG Loan

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

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

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

Year Ending <u>September 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 36,150	\$ 3,330
2010	37,623	1,857
2011	25,929	391
	<u>\$ 99,702</u>	<u>\$ 5,578</u>

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**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2008**

Note 9 – Long-Term Debt (Continued)

B. Business Activities

Utility

Utility System Revenue Bonds, Series 2003

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. The interest rate on these bonds ranges from 2.0 - 5.25%. This debt will be paid over 30 years from water and wastewater revenues.

Disposition of Revenue in order of Priority

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

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

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

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

Deposits are made into a utility capital projects account for renewal, replacement and improvement, in an amount at least equal to one-twelfth of 5% of gross revenues received during the immediately preceding Fiscal Year.

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

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2008**

Note 9 – Long-Term Debt (Continued)

Early Redemption

A. Optional Redemption

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

Debt Service

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

Year Ending <u>September 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,955,000	\$ 4,284,908
2010	2,000,000	4,230,908
2011	2,055,000	4,167,203
2012	2,120,000	4,097,243
2013	2,190,000	4,018,403
2014-2018	12,415,000	18,428,000
2019-2023	15,915,000	14,689,775
2024-2028	20,410,000	10,005,813
2029-2033	25,955,000	4,203,647
2034-2038	5,990,000	-
	<u>\$ 91,005,000</u>	<u>\$ 68,125,900</u>

Utility System Revenue Bonds, Series 2007

On January 25, 2007 the City issued debt to finance the construction of a water treatment plant and associated infrastructure. Construction proceeds, capitalized interest, and issuance costs were included in the bond issue and brought the total debt issued to \$49,840,000. The interest rate on these bonds ranges from 3.625 - 5.0%. 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.

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2008**

Note 9 – Long-Term Debt (Continued)

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

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

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

Deposits are made into a utility capital projects account 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 2007 bonds maturing on or after October 1, 2017 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 April 1, 2017, at the redemption prices equal to the principal amount of the Series 2007 Bonds to be redeemed plus interest accrued to the date of redemption.

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2008**

Note 9 – Long-Term Debt (Continued)

Debt Service

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

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ -	\$ 2,160,256
2010	970,000	2,121,456
2011	1,005,000	2,081,256
2012	1,050,000	2,039,256
2013	1,090,000	2,001,106
2014-2018	6,105,000	9,291,906
2019-2023	7,480,000	7,851,506
2024-2028	9,325,000	5,894,706
2029-2033	11,565,000	3,563,256
2034-2038	11,250,000	764,534
	<u>\$ 49,840,000</u>	<u>\$ 37,769,238</u>

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 loan principal of \$2,734,789 is payable semi-annually in the amount of \$88,586 at an interest rate 2.71% through December 15, 2025.

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

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 111,345	\$ 65,827
2010	114,383	62,789
2011	117,504	59,669
2012	120,709	56,463
2013	124,003	53,169
2014-2018	672,647	213,214
2019-2023	769,554	116,307
2024-2028	426,558	17,526
	<u>\$ 2,456,703</u>	<u>\$ 644,964</u>

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2008

Note 9 – Long-Term Debt (Continued)

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 \$13,281,775 is payable semi-annually in the amount of \$424,354 at an interest rate 2.60% through June 15, 2026.

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

Year Ending September 30	Principal	Interest
2009	\$ 536,577	\$ 312,131
2010	550,619	298,089
2011	565,028	283,680
2012	579,814	268,894
2013	594,987	253,721
2014-2018	3,216,801	1,026,741
2019-2023	3,660,317	583,225
2024-2028	2,434,179	111,947
	<u>\$ 12,138,322</u>	<u>\$ 3,138,428</u>

During the year ended September 30, 2006, the City executed an agreement with the Florida Department of Environmental Protection to borrow up to \$4,285,694 at an interest rate of 2.55% through the State Revolving Fund loan program, for the purpose of stormwater drainage improvements and swale rehabilitation. On August 10, 2007, the loan amount was amended to \$4,847,060 with the additional principal bearing an interest rate of 2.43%. As of September 30, 2008 the total amount of funding received on this loan was \$4,331,451. The total expended on this project, including capitalized interest, was \$4,262,921 with \$21,290 in funding pending as of year end.

Description	Interest Rate	Disbursable Amount	Amount Funded	Repayment Date	Semi-Annual Payment	Term (Years)
Stormwater system improvements	2.55%	\$4,285,694	\$4,285,694	2/13/2007	\$137,748	20
	2.43%	561,366	45,757	2/13/2007	17,498	20

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2008**

Note 9 – Long-Term Debt (Continued)

During the year ended September 30, 2007, the City executed an agreement with the Florida Department of Environmental Protection to borrow up to \$14,607,514 through the State Revolving Fund loan program, for the purpose of biosolids, reclaimed water and aerobic digestion improvements. On January 30, 2008, the loan principal was amended to \$7,668,560. The loan principal is payable semi-annually in the amount of \$244,838 at an interest rate 2.54% through June 15, 2028.

Year Ending September 30	Principal	Interest
2009	\$ 298,510	\$ 192,898
2010	306,140	185,268
2011	313,965	177,442
2012	321,991	169,417
2013	330,221	161,186
2014-2018	1,782,118	674,920
2019-2023	2,021,830	435,208
2024-2028	2,293,785	163,253
	<u>\$ 7,668,560</u>	<u>\$ 2,159,592</u>

During the year ended September 30, 2007, the City executed an agreement with the Florida Department of Environmental Protection to borrow up to \$2,411,474 at an interest rate of 2.42% through the State Revolving Fund loan program, for the purpose of design for the expansion of the existing wastewater treatment plant and for a new wastewater treatment plant. On August 1, 2008, the loan amount was amended to extend the loan funding period to June 15, 2009. As of September 30, 2008 no funding has been received on this loan.

Description	Interest Rate	Disbursable Amount	Amount Funded	Repayment Date	Semi-Annual Payment	Term (Years)
Waterwater Treatment Plant Design	2.42%	\$2,411,474	\$0	7/15/2010	\$76,406	20

**CITY OF PALM COAST, FL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

Note 9 – Long-Term Debt (Continued)

During the year ended September 30, 2008, the City executed an agreement with the Florida Department of Environmental Protection to borrow up to \$6,965,490 at an interest rate of 2.54% through the State Revolving Fund loan program, for the purpose of construction of water reuse facilities. As of September 30, 2008 the total amount of funding received on this loan was \$2,568,215. The total expended on this project, including capitalized interest, was \$5,564,995 with \$2,981,411 in funding pending as of year end.

Description	Interest Rate	Disbursable Amount	Amount Funded	Repayment Date	Semi-Annual Payment	Term (Years)
Water Reuse Facilities	2.54%	\$6,965,490	\$2,568,215	12/15/2008	\$223,177	20

Changes in long-term debt

During the year ended September 30, 2008, the following changes in long-term debt occurred:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
CDBG Loan	\$ 134,437	\$ -	\$ (34,735)	\$ 99,702	\$ 36,150
Equipment Loan	37,846	-	(37,846)	-	-
Compensated Absences	1,285,430	1,026,044	(822,875)	1,488,599	625,063
Long-term debt	<u>\$ 1,457,713</u>	<u>\$ 1,026,044</u>	<u>\$ (895,456)</u>	<u>\$ 1,588,301</u>	<u>\$ 661,213</u>
Business Type Activities:					
Utility Revenue Bonds	\$ 142,765,000	\$ -	\$ (1,920,000)	\$ 140,845,000	\$ 1,955,000
State Revolving Fund Loans	27,122,347	5,836,996	(1,100,500)	31,858,843	1,416,405
Compensated Absences	648,447	542,741	(406,337)	784,851	300,329
Long-term debt	<u>\$ 170,535,794</u>	<u>\$ 6,379,737</u>	<u>\$ (3,426,837)</u>	<u>\$ 173,488,694</u>	<u>\$ 3,671,734</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, \$6,448 of internal service fund compensated absences is 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, 2008

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, 2008, general employees received a 10% contribution, with department heads receiving 13% and special risk employees receiving 17.5%. 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, 2008, contributions to this plan totaled \$1,611,093.

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, 2008**

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>10/1/2007 - 09/30/2008</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 Contribution</u>	<u>% Contributed</u>
09/30/2006	\$232,212	100%
09/30/2007	278,471	100%
09/30/2008	298,771	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

Plan Description and Summary of Benefits

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.

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2008**

Note 10 – Retirement Plans (Continued)

Volunteer Firefighters' Pension Plan (Continued)

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.

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).

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, 2008 was \$380,757. Administrative costs are paid from plan assets. A separate, audited GAAP-basis pension plan report is not available for the plan. Currently, three members are receiving retirement benefits. There are 45 active participants, with seven being eligible for normal retirement.

An actuarial valuation, utilizing the entry age normal method (level dollar), has been completed as of October 1, 2007. Plan assets are reported at fair value. The actuarial assumption included an 8.0 percent investment rate of return, and 3.0 percent inflation rate. The amortization period is no more than 30 years and is closed.

Basis of Accounting

The Volunteer Firefighter Pension Plan financial statements are prepared using the accrual basis of accounting. City contributions, if any, are required when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2008**

Note 10 – Retirement Plans (Continued)

Volunteer Firefighters’ Pension Plan (Continued)

Cash and Investments

Cash required for current operating needs is invested in a money market account. The remaining plan assets are invested in the Local Government Surplus Trust Fund administered by the Florida State Board of Administration (SBA) and are reported at fair value. See Note 4 for a further disclosures relating to the SBA. The total invested with the SBA in Fund A and Fund B as of September 30, 2008 was \$534,555 and \$19,615 respectively.

Funding Policy

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.

Three Year Trend Information			
Fiscal Year Ending	Actuarially Required Contribution (ARC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2007	\$0	100%	\$0
9/30/2006	0	100%	0
9/30/2005	0	100%	0

Note 11 – 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, 2008, the amount of prepaid impact fees is estimated to be \$20,836,000.

Note 12 – 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, 2008**

Note 13 – 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, 2008, the fund received \$200,000 in grant revenue, \$435,925 in property tax revenue, \$9,455 in investment earnings, and \$495 in miscellaneous revenue. Expenditures for the fiscal year of \$1,256,222 are for the purchases of land, related redevelopment costs and interest expense.

Note 14 – Reserved for Enabling Legislation

As per chapter 553.80 of the Florida Statutes, Building Construction Standards Enforcement, local governments can establish fees for the enforcement of the Florida Building Code. Such fees shall be used solely for carrying out the City’s responsibility for this enforcement function. The requirement of this enabling legislation represents \$2,039,360 reserved in the General Fund.

Note 15 – Construction Commitments

The City has active construction projects as of December 31, 2008. The projects include widening and construction of existing streets, including upgrades to underground utilities and stormwater drainage.

Project	Spent-to-Date	Remaining Commitment
Residential Street Widening and related infrastructure	\$9,440,000.00	\$18,901,000.00

The street widening portion of this project is being funded by existing resources in the Transportation Impact Fee Special Revenue Fund. The Utility portion is being funded by existing resources in the Utility enterprise fund.

**CITY OF PALM COAST, FL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

Note 16 – Prior Years Restatements

Fund balance/net assets in one of the proprietary funds and governmental funds were restated for the year ended September 30, 2007. The restatements resulted in an increase to the fund balances/net assets. The contribution of certain developer infrastructure was not recorded from previous years. Also, state revenue sharing for the year ended September 30, 2007 was overstated.

	Utility Fund	Business-Type Activities
Fund Balance/Net Assets - September 30, 2007	\$ 48,822,509	\$ 53,631,971
Previous years contribution of developer infrastructure	9,732,957	9,732,957
Restated fund balance/net assets	<u>\$ 58,555,466</u>	<u>\$ 63,364,928</u>

	Streets Improvement Fund	Governmental Activities
Fund Balance/Net Assets - September 30, 2007	\$ 4,111,716	\$ 273,828,619
Previous years contribution of developer infrastructure	-	2,746,670
Fiscal year 2007 revenue overstatement	(116,997)	(116,997)
Restated fund balance/net assets	<u>\$ 3,994,719</u>	<u>\$ 276,458,292</u>

Note 17 – Other Post Employment Benefits (OPEB)

The City of Palm Coast does not offer a postemployment benefit plan to its employees. However, Florida Statute 112.0801 requires that public employers offer health insurance benefits at the current group rates to retirees (at their own expense) from the date of retirement. This requirement creates an implicit rate subsidy that falls under the requirements of GASB 43 and 45. The City of Palm Coast is a phase 3 government as defined by GASB 43, and as such is required to implement this statement for periods beginning after December 15, 2007 (fiscal year 2009). In anticipation of this requirement, the City of Palm Coast contracted for an actuarial valuation of the potential annual liability related to the retiree health insurance continuation requirement. The valuation estimated that the annual required contribution for the City for the period ended September 30, 2009 to be \$117,000, and the Net OPEB obligation to be \$112,000. There were no retirees participating in the health insurance plan as of September 30, 2008.

**CITY OF PALM COAST, FL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2008**

Note 18 – Subsequent Events

Local Government Surplus Funds Trust Fund Investment Pool

As discussed in Note 4 and 10, at September 30, 2008, the City had \$1,886,070 and the Volunteer Firefight Pension Plan had \$19,615 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool Fund B. As of the financial statement date, \$153,919 and \$1,601 respectively were released from restriction. Also, on December 23, 2008, all withdrawal restrictions were removed from Fund A.

Property Swap and Contribution

In November 2008, the City completed a real estate swap with a developer for land and a fire station. An existing fire station and parcel was exchanged for a newly constructed fire station and parcel with an approximate fair value of \$2,500,000.

Lease of City Building

In November 2008, the City leased its administrative building to an outside party as part of an economic development incentive package. The lease begins on November 1, 2008 and ends on October 31, 2011 for the amount of \$20,000 monthly. The tenant was also granted an option to buy the property at any time during the lease period for \$3,000,000. The City simultaneously also executed a lease for new administrative office space for the same term at \$20,000 monthly with another outside entity.

Stormwater Revenue Note

In December 2008, the City executed a note not to exceed \$9,000,000 for the renovation and construction of stormwater infrastructure. The note will initially bear interest from the date of the note until December 15, 2011 at a variable rate of interest equal to 70% of the one-month LIBOR rate plus 212 basis points, adjusted monthly. From December 16, 2011 to maturity, the note will bear interest at a fixed rate to be agreed upon by the City and the bank.

Interlocal Agreement

The interlocal agreement outlined in Note 8 between Flagler County and the City provided for an additional funding related to the Longs Landing environmentally sensitive land purchase. The funding was contingent on a voter referendum, which was passed during the November 2008 elections. This obligated Flagler County to contribute an additional \$1,365,000 to the City towards the purchase of the Longs Landing property.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF PALM COAST, FL
REQUIRED SUPPLEMENTARY INFORMATION
VOLUNTEER FIREFIGHTERS PENSION PLAN
SEPTEMBER 30, 2008**

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2007	\$558,348	\$529,961	(\$28,387)	105.36%	0	N/A
10/1/2006	305,039	440,413	135,374	69.26%	0	N/A
10/1/2005	108,758	356,671	247,913	30.49%	0	N/A

Information relating to periods prior to October 1, 2005 is not available. The October 1, 2005 valuation was prepared using the aggregate actuarial cost method.

Schedule of Employer and Other Contributing Entities				
Year Ended September 30	Annual Required Contribution	City Contribution	State Contribution *	Percentage Contributed
2007	\$85,357	0	\$112,408	100%
2006	0	0	112,408	100%
2005	0	0	96,546	100%
2004	0	0	62,130	100%

* The 2006 - 2007 State contribution is "frozen" pursuant to Chapter 175, Florida Statutes, as amended. Prior to the adoption of Ordinance 2005-08, which was adopted February 15, 2005, the Plan was considered a "Chapter" plan, and therefore the City was able to use all State contributions to offset their costs. Beginning with the fiscal year ended September 30, 2006, excess State contributions over the initial "frozen" amount of \$112,408 must be used for additional benefits. The \$112,408 represents the annual cost of the initial benefit improvement when changing to a "local law" plan. As of September 30, 2008 \$146,231 of accumulated state contributions are reserved for future benefit improvements.

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 18,195,700	\$ 18,576,450	\$ 18,775,909	\$ 199,459
Licenses and permits	3,018,100	3,018,100	2,572,951	(445,149)
Intergovernmental	2,094,000	2,154,000	2,531,495	377,495
Charges for services	4,394,429	4,394,429	5,160,501	766,072
Fines and forfeitures	1,449,400	1,449,400	513,371	(936,029)
Contributions	-	-	12,719	12,719
Investment earnings	890,700	890,700	695,707	(194,993)
Miscellaneous	75,000	75,000	118,446	43,446
Total revenues	30,117,329	30,558,079	30,381,099	(176,980)
EXPENDITURES				
Current:				
General government:				
Mayor and Council	85,834	85,834	76,429	9,405
City Administration	2,768,561	2,568,561	2,457,992	110,569
City Attorney	243,293	563,293	553,936	9,357
Financial Services	804,395	804,395	784,924	19,471
Information Technology and C	2,798,414	2,798,414	2,657,785	140,629
Community Development	6,520,827	6,400,827	5,247,996	1,152,831
Nondepartmental	1,008,000	1,008,000	557,161	450,839
Total general government	14,229,324	14,229,324	12,336,223	1,893,101
Public safety:				
Fire	5,660,357	6,012,151	5,747,561	264,590
Law Enforcement	2,300,266	2,300,266	2,296,015	4,251
Total public safety	7,960,623	8,312,417	8,043,576	268,841
Transportation and physical environment:				
Streets and Drainage	5,345,917	5,345,917	5,256,233	89,684
Engineering	1,519,818	1,519,818	1,101,464	418,354
Capital Projects	-	-	-	-
Total transportation and physical	6,865,735	6,865,735	6,357,697	508,038
Culture and recreation	2,416,240	2,416,240	2,004,636	411,604
Total expenditures	31,471,922	31,823,716	28,742,132	3,081,584
Excess (deficiency) of revenues over (under) expenditures	(1,354,593)	(1,265,637)	1,638,967	2,904,604
Other financing sources (uses):				
Transfers in	713,890	713,890	713,890	-
Transfers out	(411,882)	(440,838)	(365,838)	75,000
Loan and capital lease proceeds	-	-	-	-
Total other financing sources (uses)	302,008	273,052	348,052	75,000
Net change in fund balance	(1,052,585)	(992,585)	1,987,019	2,979,604
Fund balance - beginning	13,143,457	13,143,457	13,143,457	-
Fund balance - ending	\$ 12,090,872	\$ 12,150,872	\$ 15,130,476	\$ 2,979,604

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, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Impact fees	\$ 6,553,610	\$ 6,553,610	\$ 2,587,028	\$ (3,966,582)
Special Assessments	-	-	-	-
Developer Contributions	-	-	-	-
Intergovernmental revenue	-	-	-	-
Investment earnings	683,600	683,600	661,785	(21,815)
Total revenues	<u>7,237,210</u>	<u>7,237,210</u>	<u>3,248,813</u>	<u>(3,988,397)</u>
EXPENDITURES				
Current:				
Transportation and physical environment	-	5,000	1,800	3,200
Capital outlay:				
Transportation and physical environment	62,106,303	62,101,303	11,131,120	50,970,183
Total expenditures	<u>62,106,303</u>	<u>62,106,303</u>	<u>11,132,920</u>	<u>50,973,383</u>
Excess (deficiency) of revenues over (under) expenditures	(54,869,093)	(54,869,093)	(7,884,107)	46,984,986
Other financing sources (uses):				
Issuance of long term debt	54,000,000	54,000,000	-	(54,000,000)
Total other financing sources (uses)	<u>54,000,000</u>	<u>54,000,000</u>	<u>-</u>	<u>(54,000,000)</u>
Net change in fund balance	(869,093)	(869,093)	(7,884,107)	(7,015,014)
Fund balance - beginning	19,645,868	19,645,868	19,645,868	-
Fund balance - ending	<u>\$ 18,776,775</u>	<u>\$ 18,776,775</u>	<u>\$ 11,761,761</u>	<u>\$ (7,015,014)</u>

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, 2008

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 2,589,100	\$ 2,589,100	\$ 2,458,212	\$ (130,888)
Intergovernmental revenue	3,245,500	3,245,500	2,978,871	(266,629)
Fines and forfeitures	-	-	241,042	241,042
Investment earnings	97,500	97,500	141,493	43,993
Miscellaneous	-	-	-	-
Total revenues	5,932,100	5,932,100	5,819,618	(112,482)
EXPENDITURES				
Current:				
Transportation and physical environment	-	-	79,400	(79,400)
Capital outlay:				
Transportation and physical environment	8,575,000	8,575,000	5,687,942	2,887,058
Total expenditures	8,575,000	8,575,000	5,767,342	2,807,658
Excess (deficiency) of revenues over (under) expenditures	(2,642,900)	(2,642,900)	52,276	2,695,176
Fund balance - beginning - restated	3,994,719	3,994,719	3,994,719	-
Fund balance - ending	\$ 1,351,819	\$ 1,351,819	\$ 4,046,995	\$ 2,695,176

City of Palm Coast, Florida
 SR100 Community Redevelopment Area Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2008

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 435,900	\$ 435,900	\$ 435,925	\$ 25
Intergovernmental revenue	-	200,000	200,000	-
Investment earnings	40,800	40,800	9,455	(31,345)
Miscellaneous	-	-	495	495
Total revenues	476,700	676,700	645,875	(30,825)
EXPENDITURES				
Current:				
Physical environment	100,000	100,000	149,318	(49,318)
Capital outlay:				
Physical environment	714,200	914,200	847,409	66,791
Debt Service:				
Principal	-	-	-	-
Interest and Other	-	260,000	259,495	505
Total expenditures	814,200	1,274,200	1,256,222	17,978
Excess (deficiency) of revenues over (under) expenditures	(337,500)	(597,500)	(610,347)	(12,847)
Other financing sources (uses):				
Transfers in	317,187	577,187	317,187	(260,000)
Transfers out				-
Total other financing sources (uses)	317,187	577,187	317,187	(260,000)
Net change in fund balance	(20,313)	(20,313)	(293,160)	(272,847)
Fund balance - beginning	(5,074,072)	(5,074,072)	(5,074,072)	-
Fund balance - ending	\$ (5,094,385)	\$ (5,094,385)	\$ (5,367,232)	\$ (272,847)

**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, SR100 CRA special revenue fund, streets improvement special revenue 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.



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**COMBINING AND OTHER INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**



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CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Capital Projects Fund – This fund is used to account for a portion of property taxes and grant revenues for the construction of public safety, recreational, and transportation related public projects.

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.



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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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 5,075,200	\$ 5,075,200	\$ 5,089,249	\$ 14,049
Intergovernmental revenue	-	3,550,000	3,624,991	74,991
Charges for services	69,900	69,900	135,378	65,478
Investment earnings	498,800	498,800	364,982	(133,818)
Total revenues	5,643,900	9,193,900	9,214,600	20,700
EXPENDITURES				
Current:				
General government	183,000	183,000	21,612	161,388
Capital outlay:				
General government	300,000	300,000	151,233	148,767
Public safety	4,052,000	3,052,000	1,511,097	1,540,903
Transportation and physical environment	3,250,000	3,250,000	542,540	2,707,460
Culture and recreation	7,050,713	7,100,713	5,119,059	1,981,654
Total expenditures	14,835,713	13,885,713	7,345,541	6,540,172
Excess of revenues over (under) expenditures	(9,191,813)	(4,691,813)	1,869,059	6,560,872
Other financing sources (uses):				
Transfers in	81,000	81,000	81,000	-
Transfers out	(80,305)	(4,580,305)	(4,580,305)	-
Total other financing sources (uses)	695	(4,499,305)	(4,499,305)	-
Net change in fund balance	(9,191,118)	(9,191,118)	(2,630,246)	6,560,872
Fund balance - beginning	10,529,476	10,529,476	10,529,476	-
Fund balance - ending	\$ 1,338,358	\$ 1,338,358	\$ 7,899,230	\$ 6,560,872

City of Palm Coast, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2008

	<u>Special Revenue Funds</u>				Total Nonmajor Governmental Funds
	Police Education	Police Automation	Park Impact Fee	Fire Impact Fee	
ASSETS					
Equity in pooled cash and investments	\$ 55,589	\$ 176,283	\$ 2,932,680	\$ 1,328,733	\$ 4,493,285
Due from other governments	-	-	186,322	-	186,322
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 55,589</u>	<u>\$ 176,283</u>	<u>\$ 3,119,002</u>	<u>\$ 1,328,733</u>	<u>\$ 4,679,607</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 535,480	\$ 415,618	\$ 951,098
Accrued liabilities	-	-	98,694	-	98,694
Total liabilities	<u>-</u>	<u>-</u>	<u>634,174</u>	<u>415,618</u>	<u>1,049,792</u>
FUND BALANCES					
Unreserved/undesignated	55,589	176,283	2,484,828	913,115	3,629,815
Total fund balances	<u>55,589</u>	<u>176,283</u>	<u>2,484,828</u>	<u>913,115</u>	<u>3,629,815</u>
Total liabilities and fund balance	<u>\$ 55,589</u>	<u>\$ 176,283</u>	<u>\$ 3,119,002</u>	<u>\$ 1,328,733</u>	<u>\$ 4,679,607</u>

City of Palm Coast, Florida
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2008

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Police Education	Police Automation	Park Impact Fee	Fire Impact Fee	
REVENUES					
Intergovernmental revenue	-	-	177,413	-	177,413
Fines and forfeitures	10,660	39,973	-	-	50,633
Impact fees	-	-	567,600	116,269	683,869
Investment earnings	1,577	4,902	113,201	82,508	202,188
Total revenues	12,237	44,875	858,214	198,777	1,114,103
EXPENDITURES					
Current:					
Culture and recreation	-	-	102,386	-	102,386
Capital outlay:					
Public safety	-	-	-	1,874,831	1,874,831
Culture and recreation	-	-	1,581,175	-	1,581,175
Total expenditures	-	-	1,683,561	1,874,831	3,558,392
Excess (deficiency) of revenues over (under) expenditures	12,237	44,875	(825,347)	(1,676,054)	(2,444,289)
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	(25,526)	(25,526)
Total other financing sources (uses)	-	-	-	(25,526)	(25,526)
Net change in fund balances	12,237	44,875	(825,347)	(1,701,580)	(2,469,815)
Fund balances - beginning	43,352	131,408	3,310,175	2,614,695	6,099,630
Fund balances - ending	\$ 55,589	\$ 176,283	\$ 2,484,828	\$ 913,115	\$ 3,629,815

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, 2008

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Fines and forfeitures	\$ 13,900	\$ 13,900	\$ 10,660	\$ (3,240)
Investment earnings	1,800	1,800	1,577	(223)
Total revenues	15,700	15,700	12,237	(3,463)
EXPENDITURES				
Current:				
Public safety	58,688	58,688	-	58,688
Total expenditures	58,688	58,688	-	58,688
Excess of revenues over (under)	(42,988)	(42,988)	12,237	55,225
Fund balance - beginning	43,352	43,352	43,352	-
Fund balance - ending	\$ 364	\$ 364	\$ 55,589	\$ 55,225

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, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Fines and forfeitures	\$ 58,100	\$ 58,100	\$ 39,973	\$ (18,127)
Investment earnings	4,500	4,500	4,902	402
Total revenues	<u>62,600</u>	<u>62,600</u>	<u>44,875</u>	<u>(17,725)</u>
EXPENDITURES				
Current:				
Public safety	191,541	191,541	-	191,541
Total expenditures	<u>191,541</u>	<u>191,541</u>	<u>-</u>	<u>191,541</u>
Excess of revenues over (under) expenditures	<u>(128,941)</u>	<u>(128,941)</u>	<u>44,875</u>	<u>173,816</u>
Net change in fund balance	(128,941)	(128,941)	44,875	173,816
Fund balance - beginning	131,408	131,408	131,408	-
Fund balance - ending	<u>\$ 2,467</u>	<u>\$ 2,467</u>	<u>\$ 176,283</u>	<u>\$ 173,816</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, 2008

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental revenue	\$ 260,000	\$ 260,000	\$ 177,413	\$ (82,587)
Impact fees	697,000	697,000	567,600	(129,400)
Investment earnings	160,400	160,400	113,201	(47,199)
Total revenues	1,117,400	1,117,400	858,214	(259,186)
EXPENDITURES				
Current:				
Culture and recreation	100,000	100,000	102,386	(2,386)
Capital outlay:				
Culture and recreation	3,310,000	3,310,000	1,581,175	1,728,825
Total expenditures	3,410,000	3,410,000	1,683,561	1,726,439
Excess of revenues over (under) expenditures	(2,292,600)	(2,292,600)	(825,347)	1,467,253
Net change in fund balance	(2,292,600)	(2,292,600)	(825,347)	1,467,253
Fund balance - beginning	3,310,175	3,310,175	3,310,175	-
Fund balance - ending	\$ 1,017,575	\$ 1,017,575	\$ 2,484,828	\$ 1,467,253

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, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Impact fees	\$ 315,120	\$ 315,120	\$ 116,269	\$ (198,851)
Developer Contributions	-	-	-	-
Investment earnings	99,000	99,000	82,508	(16,492)
Total revenues	<u>414,120</u>	<u>414,120</u>	<u>198,777</u>	<u>(215,343)</u>
EXPENDITURES				
Capital outlay:				
Public safety	2,700,000	2,674,474	1,874,831	799,643
Total expenditures	<u>2,700,000</u>	<u>2,674,474</u>	<u>1,874,831</u>	<u>799,643</u>
Excess of revenues over (under) expenditures	(2,285,880)	(2,260,354)	(1,676,054)	584,300
Other financing sources (uses):				
Transfers in				
Transfers out	-	(25,526)	(25,526)	-
Total other financing sources (uses)	<u>-</u>	<u>(25,526)</u>	<u>(25,526)</u>	<u>-</u>
Net change in fund balance	(2,285,880)	(2,285,880)	(1,701,580)	584,300
Fund balance - beginning	2,614,695	2,614,695	2,614,695	-
Fund balance - ending	<u>\$ 328,815</u>	<u>\$ 328,815</u>	<u>\$ 913,115</u>	<u>\$ 584,300</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.

<u>Contents</u>	<u>Page</u>
Financial Trends	93
These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	
Revenue Capacity	98
These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property taxes.	
Debt Capacity	102
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.	
Demographic and Economic Information	107
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.	
Operating Information	110
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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