

Comprehensive Annual Financial Report



City
of
PALM COAST
Florida



For The Fiscal Year Ended September 30, 2009

CITY OF PALM COAST, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Year Ended September 30, 2009

Prepared by:
City of Palm Coast
Financial Services Department



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INTRODUCTORY SECTION

This section contains the following subsections:

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



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

For The Year Ended September 30, 2009

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LETTER OF TRANSMITTAL



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CITY MANAGER'S OFFICE

February 25, 2010

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

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

The City of Palm Coast's financial statements have been audited by James Moore & Co., P.L., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Palm Coast for the fiscal year ended September 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of the report.

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

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

Profile of the Government

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

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

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

The City of Palm Coast currently has a population of 73,910 residents and covers an area of approximately 81 square miles. For fiscal year 2010, property within the City has a taxable value of \$5,248,182,001. This was a decrease of over 14 percent from 2009. The City's property tax rate for fiscal year 2010 increased to \$3.5000 per \$1,000 of taxable value to offset the revenue lost because of the falling property values.

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

Economic Outlook

The City and Flagler County, of which the City is 75% of the population, continues to suffer through the economic downturn along with the rest of the country. Unemployment in Flagler County has been around 17% for the past few months. Construction was a major industry during the high growth period of 2003 through 2006. Single family residential construction has virtually come to a halt, but commercial and multi-family residential construction has continued, although at a slower pace.

We do however remain optimistic about the local economy. Several local businesses have plans to expand and add jobs over the next several years. These jobs are expected to pay wages at or above the local average wage. Other construction currently underway that will not provide high paying jobs but will provide jobs include a hotel and a movie theatre. The movie theatre is located in the Town Center development and is expected to help generate activity in Town Center that will help to spur more interest and additional development. The four-laning of South Old Kings Road should also help to attract development in the area of Town Center. Phase I of the Old Kings Road construction is expected to be completed in July 2010. The City itself has other projects (see Future Programs below) underway using money that it had accumulated during the housing boom. This has allowed the City to help stimulate the local economy by providing work for area contractors and residents. While the rest of Florida and the country expect unemployment to decline slowly, given Flagler County's relatively small workforce compared to its population, it could see its unemployment rate fall faster than others as jobs begin to open up again.

Even though the commercial development continues to occur, the City is still pursuing available economic development opportunities. A couple of large annexations have occurred and additional annexations are expected over the next couple of years. These annexations will provide areas for commercial and industrial development along with residential development. One developer has already begun the Development of Regional Impact (DRI) process and although the DRI process will take several years to complete, the activity shows that there is still significant interest in Palm Coast.

Future Programs

The economic downturn has caused the City to pare back its capital improvement program somewhat for future years. Projects that were already underway are being continued, other critical projects have been left in the program, and projects for which grant money could be attained have been put into the program.

One very long-term project, the Coquina Coast Desalination project, is in its initial phase. This project will result in the construction of a desalination plant that is intended to serve the region around Palm Coast. The project involves several jurisdictions and the plant would not begin production for several years. When it is completed and in operation, it will supply the water needs for any new development in the region for years to come. This plant will be important as the DRIs begin construction.

The City is completing the installation of fiber optic cable that will serve as the backbone to provide service to the commercial areas of the city. Talks are underway with service providers that will provide retail services to customers by leasing space on the City's fiber system. This is expected to help improve opportunities for economic development in the future.

In the SR100 Community Redevelopment Area (CRA) the design of Bulldog Drive, one of the main entrances into Town Center will be under design while the City attempts to acquire the remaining property needed for right-of-way. Enhancements are also planned for Central Park in Town Center.

The four-laning of North Belle Terre Parkway continues with completion expected in late summer of 2010. Phase I of South Old Kings Road is also under construction with completion expected in July 2010. Phase II will begin as soon as possible after the completion of Phase I. This road is also being four-laned to make way for commercial development and some residential development. Most of the cost for Old Kings Road will be paid for by the property owners that will benefit from the improvements. The City had planned several sidewalk and trail projects and one bridge was to be rehabilitated this year. However, the City has been successful in obtaining grant money and these programs are expected to be expanded. Graham Swamp Trail and Waterfront Park are under construction. These two projects will help tie the city-wide trail system together.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Palm Coast for its comprehensive annual financial report for the fiscal year ended September 30, 2008. This is the eighth year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

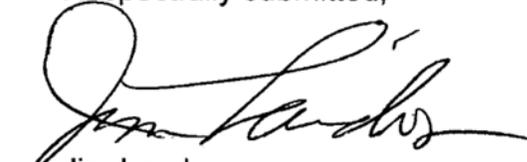
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City of Palm Coast also received the GFOA Distinguished Budget Presentation Award for its Fiscal Year 2009 budget document. This is the sixth time that the City has received this award.

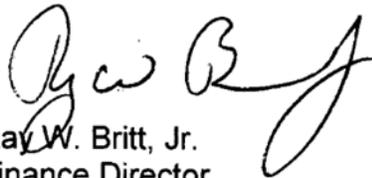
Acknowledgements

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

Respectfully submitted,



Jim Landon
City Manager



Ray W. Britt, Jr.
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Palm Coast
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2008

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



A stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

President

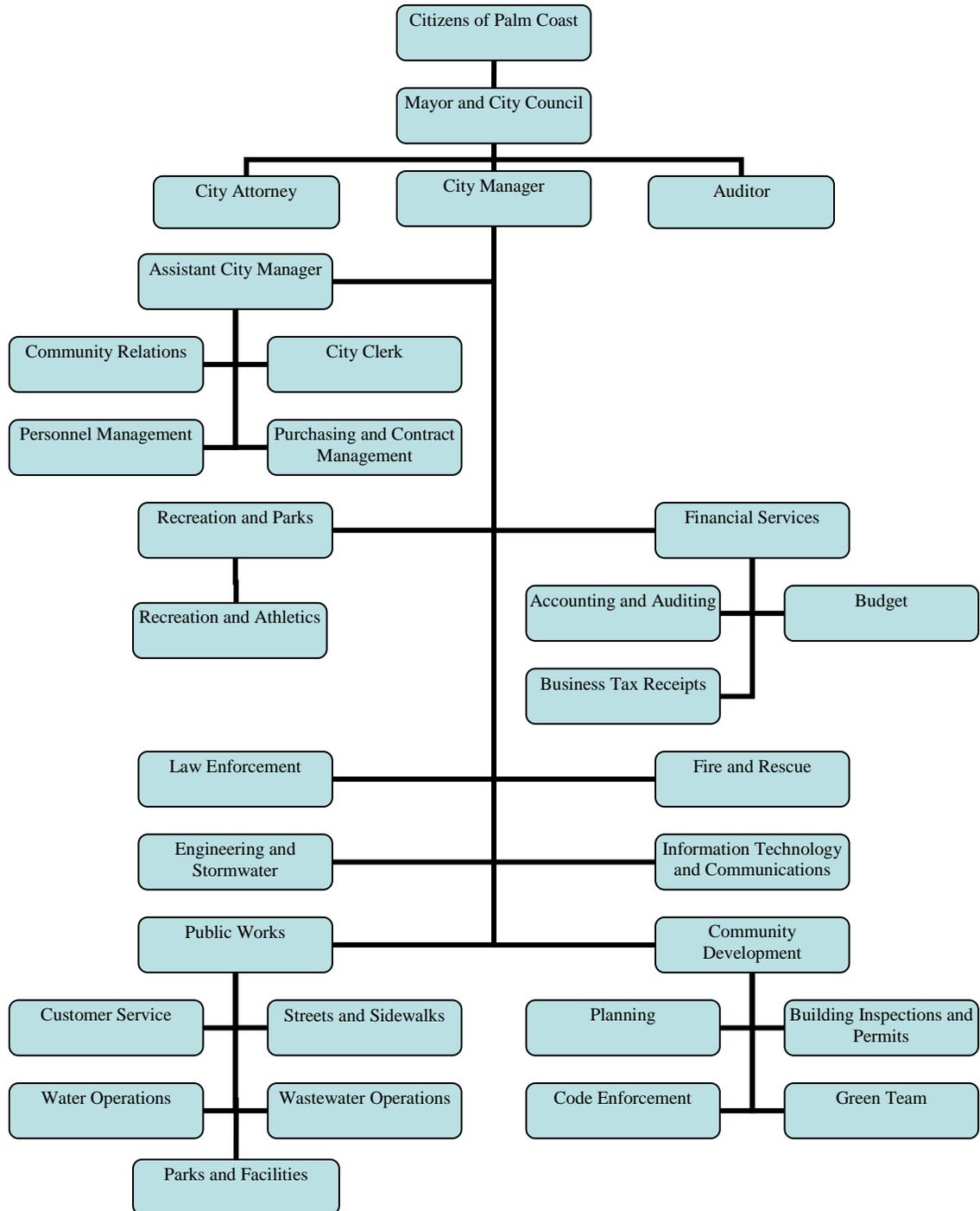
A handwritten signature in black ink that reads "Jeffrey R. Egan" in a cursive style.

Executive Director



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City of Palm Coast, Florida Organizational Chart



LIST OF PRINCIPAL OFFICIALS

September 30, 2009

ELECTED OFFICIALS

Mayor

Honorable Jon Netts

City Council Members:

Holsey Moorman

Frank Meeker

Mary DiStefano

William Lewis

CITY OFFICIALS

City Manager

James S. Landon

City Attorney

William Reischmann

City Auditor

James Moore & Co., P.L.

Finance Director

Ray W. Britt, Jr.

FINANCIAL SECTION

This section contains the following subsections:

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



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INDEPENDENT AUDITORS' REPORT



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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palm Coast, Florida, as of and for the year ended September 30, 2009, which collectively comprise the City of Palm Coast, Florida's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 the City of Palm Coast, Florida, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2010 on our consideration of the 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 the 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 and State Matching of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements of the City of Palm Coast, Florida. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and Schedule of Expenditures of Federal Awards 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.

James Moore & Co., P.L.

Daytona Beach, Florida
February 25, 2010

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, 2009. 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-x 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 2009 by \$402,504,282. Of this amount, \$31,298,790 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$22,283,487. The entire amount of this increase was attributable to one-time resources such as impact fees and developer contributions.
- As of the close of fiscal year 2009, the City's governmental funds reported combined ending fund balances of \$27,048,422 a decrease of \$10,052,622 over the prior year. Approximately, 34% of this total amount or \$9,226,662 is reported as unreserved and undesignated fund balance.
- At the end of fiscal year 2009, unreserved/undesignated fund balance in the general fund was \$3,853,062 or 13% of total general fund expenditures.
- The City of Palm Coast's total debt increased by \$1,618,611 during the current fiscal year. The City obtained a loan to improve the stormwater system that serves the community, and there was also an increase in compensated absences for the year. These were partially offset by principal payment during 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, a tennis center, and a golf course.

The government-wide financial statements can be found on pages 23-24 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 eleven individual governmental funds. Six 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, a 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, stormwater management, and solid waste collection major funds, as well as the golf course and tennis center nonmajor funds. Data from the nonmajor proprietary funds are combined into a single, aggregated presentation. Individual fund data for nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report. 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 two fiduciary funds, which are the volunteer firefighters' pension fund and the Coquina Coast Cooperative agency 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 40-74 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 and its Other Postemployment Benefits (OPEB) obligation. Required supplementary information can be found on pages 76-82 of this report.

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 \$402,504,282 at the close of the most recent fiscal year.

Of the net assets, 7.8% falls in the unrestricted category. These may be used to meet ongoing obligations to citizens and creditors. Approximately 3.5% 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 (88.7%) 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.

City of Palm Coast's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$37,439,732	\$48,486,899	\$45,592,070	\$58,781,444	\$83,031,802	\$107,268,343
Capital assets	296,098,069	267,361,577	218,059,729	198,448,113	514,157,798	465,809,690
Total assets	333,537,801	315,848,476	263,651,799	257,229,557	597,189,600	573,078,033
Long-term liabilities	1,805,734	1,588,301	174,889,872	173,488,694	176,695,606	175,076,995
Other liabilities	8,111,080	8,609,029	9,878,632	9,171,214	17,989,712	17,780,243
Total liabilities	9,916,814	10,197,330	184,768,504	182,659,908	194,685,318	192,857,238
Net assets:						
Invested in capital assets, net						
of related debt	296,098,069	267,361,577	60,854,530	49,857,685	356,952,599	317,219,262
Restricted	8,201,392	21,477,931	6,051,501	12,965,853	14,252,893	34,443,784
Unrestricted	19,321,526	16,811,638	11,977,264	11,746,111	31,298,790	28,557,749
Total net assets	\$323,620,987	\$305,651,146	\$78,883,295	\$74,569,649	\$402,504,282	\$380,220,795

Governmental Activities

Governmental activities increased the City of Palm Coast's net assets by \$17,969,841 during the current fiscal year. This represents 81% of the total growth in net assets for the City. Developer infrastructure contributions are responsible for approximately \$9 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 \$13,276,539 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. There was also approximately a \$2.4 million decrease in property tax revenues and a \$1.3 million decrease in other taxes for the fiscal year. Declining property tax values and a poor economy were the primary factors for these decreases. Expenses increased approximately \$3 million primarily due to the opening of three new fire stations, increased law enforcement expenses, and storm recovery expenses.

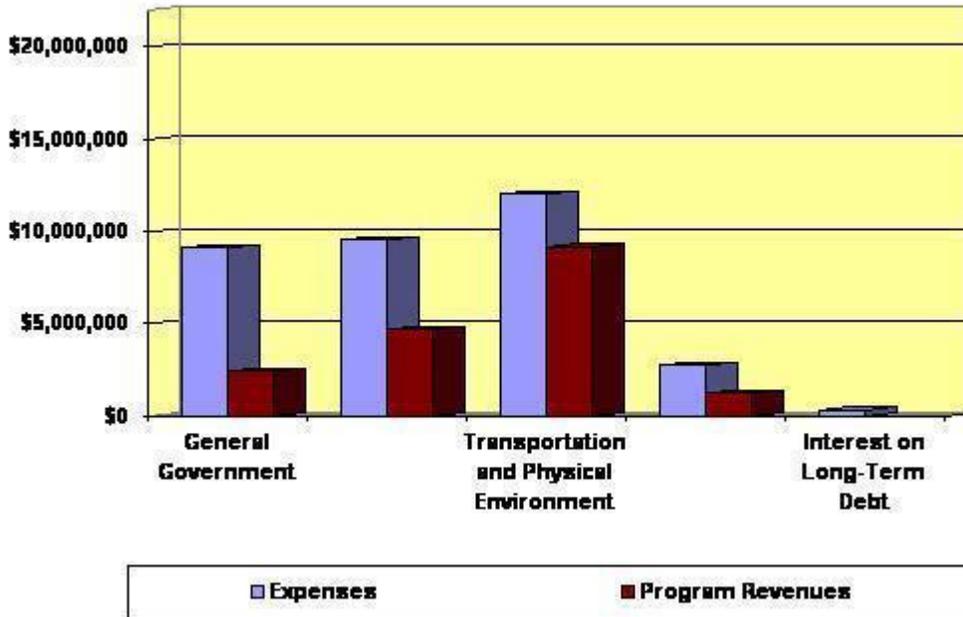
Business-type Activities

Business-type activities increased the City of Palm Coast's net assets by \$4,313,646 or 19% of the total growth in net assets. The increase in net assets was primarily attributable to capital grants and contributions. Approximately \$10.8 million of the capital grants and contributions for the year are from developer infrastructure contributions.

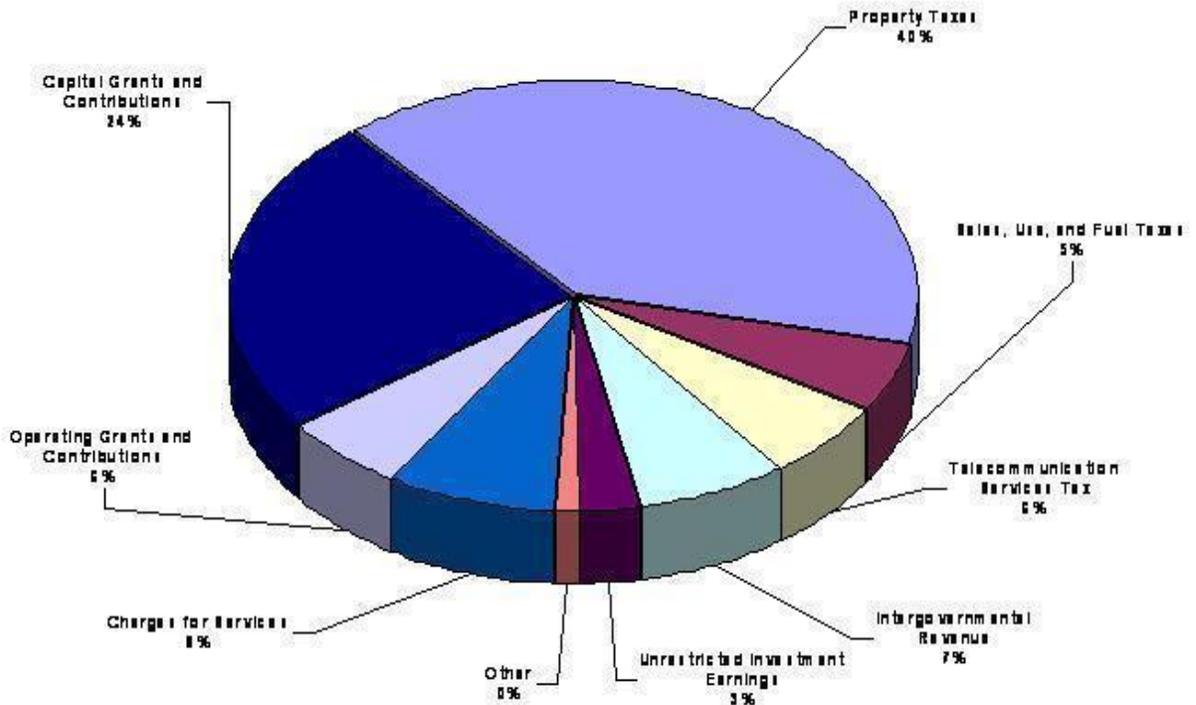
Table II
City of Palm Coast's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$3,724,306	\$4,407,563	\$40,454,760	\$35,475,292	\$44,179,066	\$39,882,855
Operating grants and contributions	2,696,553	2,482,829	-	-	2,696,553	2,482,829
Capital grants and contributions	11,116,163	23,416,000	12,605,884	9,175,206	23,722,047	32,591,206
General revenues:						
Property taxes	18,211,813	20,620,265	-	-	18,211,813	20,620,265
Other taxes	5,149,102	6,461,603	-	-	5,149,102	6,461,603
Intergovernmental	3,310,696	3,364,679	-	-	3,310,696	3,364,679
Other	1,712,531	2,275,606	833,213	912,152	2,545,744	3,187,758
Total revenues	45,921,164	63,028,545	53,893,857	45,562,650	99,815,021	108,591,195
Expenses:						
General government	9,089,652	8,222,494	-	-	9,089,652	8,222,494
Public safety	9,558,547	8,270,787	-	-	9,558,547	8,270,787
Transportation and physical environment	12,035,335	10,580,806	-	-	12,035,335	10,580,806
Culture & recreation	2,710,434	2,692,254	-	-	2,710,434	2,692,254
Utility	-	-	32,873,576	27,047,807	32,873,576	27,047,807
Solid Waste	-	-	6,967,672	7,436,948	6,967,672	7,436,948
Stormwater	-	-	3,654,793	3,419,649	3,654,793	3,419,649
Golf Course	-	-	84,219	31,989	84,219	31,989
Tennis Center	-	-	242,969	226,646	242,969	226,646
Interest on long-term debt	314,337	264,240	-	-	314,337	264,240
Total expenses	33,708,305	30,030,581	43,823,229	38,163,039	77,531,534	68,193,620
Increase in net assets before transfers	12,212,859	32,997,964	10,070,628	7,399,611	22,283,487	40,397,575
Transfers	5,756,982	(3,805,110)	(5,756,982)	3,805,110	-	-
Increase in net assets	17,969,841	29,192,854	4,313,646	11,204,721	22,283,487	40,397,575
Net assets - beginning	305,651,146	276,458,292	74,569,649	63,364,928	380,220,795	339,823,220
Net assets - ending	\$323,620,987	\$305,651,146	\$78,883,295	\$74,569,649	\$402,504,282	\$380,220,795

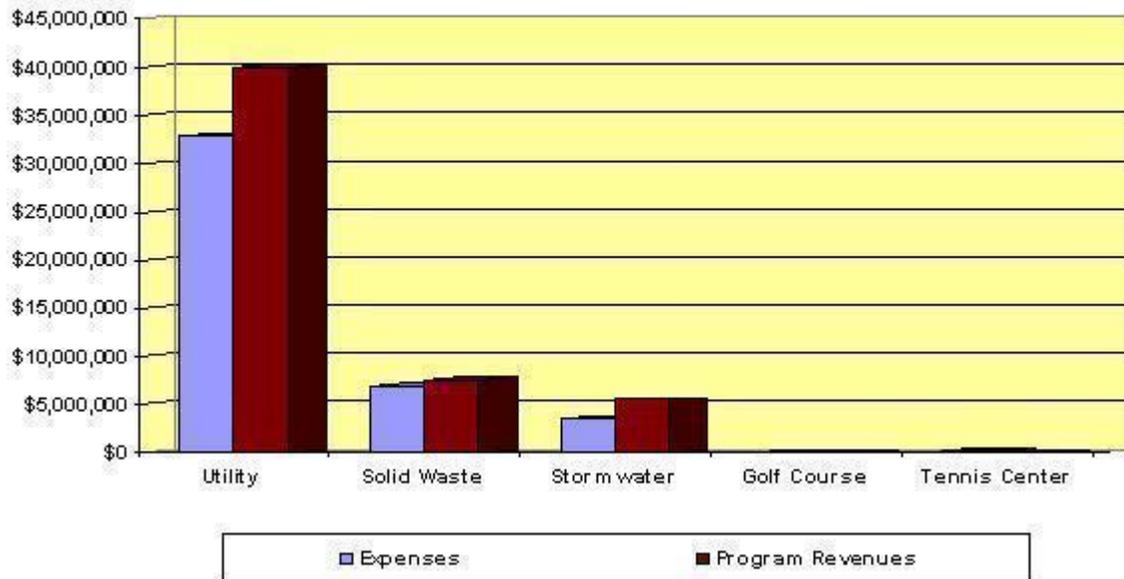
Expenses and Program Revenues - Governmental Activities



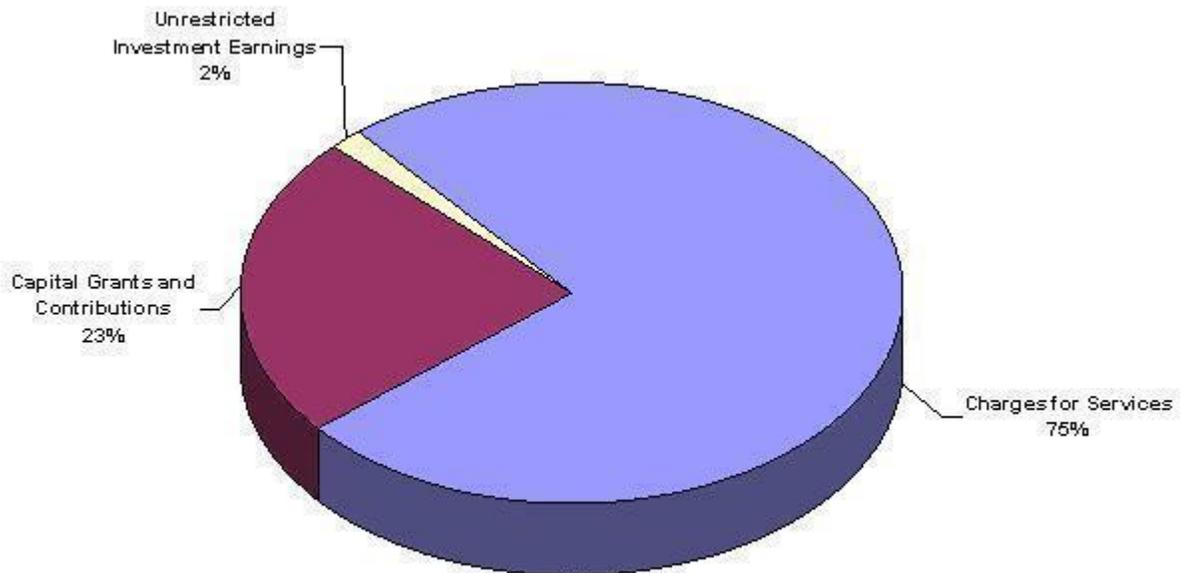
Revenues by Source - Governmental Activities



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 \$3,853,062, with an additional \$6,180,651 designated as various reserves. The total fund balance stood at \$17,174,822. 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 13% of total general fund expenditures versus 38% for fiscal year 2008. Total fund balance represents 57% of the total general fund expenditures versus 53% for fiscal year 2008.

The fund balance of the City of Palm Coast's general fund increased by \$2,044,347 during the current fiscal year. Key factors in this increase are as follows:

- Overall general fund revenues decreased over \$1.5 million, but expenses were nearly \$1.3 million more than in 2008. This is primarily due to decreases in construction related revenues and increases in public safety expenditures with the opening of two new fire stations. These were offset by the sale of the former city hall building during the year for approximately \$2.9 million.

The capital projects fund has a total fund balance of \$12,017,095, an increase of \$4,117,865. A portion of the total property tax revenue is allocated to this fund to cover capital expenditures. Tax collections decreased nearly \$2 million due to a decrease in the amount of tax revenue collected and allocated to this fund. An interfund transfer is primarily responsible for the increase in fund balance during the fiscal year. This relates to management reclassifying funding for renovation of the Palm Harbor Golf Course from an interfund transfer to a loan. The transportation impact fee fund balance was \$1,200,576, a decrease of \$10,561,185. 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 \$4,101,752 representing an increase of \$54,757. The SR100 CRA fund balance was (\$5,584,055), a decrease of \$216,823. 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 (\$1,861,768). This was a decrease of \$5,491,583 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 in advance of expected special assessment revenues in the Old Kings Road special assessment fund.

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 \$18,801,750 at the end of the year, with the total fund balance at \$69,653,285. The unrestricted net assets increased \$8,348,136 for the year. Increased revenues from operations due to rate increase and flat operating costs were the primary factors for the change.

Unrestricted net assets of the solid waste fund were \$397,384, which represents an increase of \$530,634. Increased operating income from decreased operating costs due to a suspension of franchise fee payments to the general fund during the fiscal year is the primary factor for the change.

Unrestricted net assets of the stormwater fund were (\$4,019,173), which represents a decrease of \$600,933. This decrease is primarily due to increased investment in stormwater infrastructure.

Unrestricted net assets in the golf course fund were (\$3,933,226), which represents a decrease of \$8,124,314. This decrease is primarily due to investment in renovation of the golf course, and management reclassifying funding for renovation of the Palm Harbor Golf Course from an interfund transfer to a loan.

Unrestricted net assets in the tennis center fund were \$(34,820), which represents a decrease of \$9,422. 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 budgeted expenses and transfers out totaled a decrease of \$775,946. The change was due to net budget revisions in various departments as part of our ongoing cost reduction and reallocation program. During the year, final amended expenditures exceeded the revenues budget by \$2,929,540. This was the result of budgeted utilization of accumulated fund balance. Actual expenditures were less than the final amended budget by \$2,512,125. The overall cost reduction program is 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, 2009, amounts to \$514,157,798 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment. This is an increase of \$48,348,108 for the current fiscal year. Approximately 40% of the increase is related to the expansion and improvement of the utility systems during the year. The rest of the increase can be attributed to the improvements to city streets, land purchases, fire station construction, 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	
	2009	2008	2009	2008	2009	2008
Land	\$ 88,909,071	\$ 87,559,115	\$15,894,216	\$15,473,907	\$104,803,287	\$103,033,022
Buildings and improvements						
other than buildings	25,285,161	16,126,448	69,807,638	66,862,057	95,092,799	82,988,505
Infrastructure	141,343,955	132,628,717	121,809,302	90,722,073	263,153,257	223,350,790
Equipment	7,797,650	8,035,615	971,814	1,018,151	8,769,464	9,053,766
Construction in progress	32,762,232	23,011,682	9,576,759	24,371,925	42,338,991	47,383,607
Total	\$296,098,069	\$267,361,577	\$218,059,729	\$198,448,113	\$514,157,798	\$465,809,690

Additional information on the City of Palm Coast's capital assets can be found in Note 6 on pages 52-53 of this report.

Long-term debt. The City of Palm Coast owes \$138,890,000 in revenue bonds used for the purchase and expansion of the utility system. There is a CDBG loan with a balance of \$63,552 and State Revolving Fund loans of \$32,782,922 for utility and stormwater improvements. During fiscal year 2009, the City of Palm Coast also obtained a line of credit to finance stormwater improvements. The remainder of the long-term debt is made up of compensated absences and an unfunded net OPEB liability. The total long-term debt of the City is \$176,695,606.

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

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Loans from other governments	\$ 63,552	\$ 99,702	\$32,782,922	\$31,858,843	\$ 32,846,474	\$ 31,958,545
Loans from financial institutions	-	-	2,299,000	-	2,299,000	-
Revenue bonds	-	-	138,890,000	140,845,000	138,890,000	140,845,000
Net OPEB liability	71,000	-	27,000	-	98,000	-
Compensated absences	1,671,182	1,488,599	890,950	784,851	2,562,132	2,273,450
Total	\$ 1,805,734	\$ 1,588,301	\$ 174,889,872	\$173,488,694	\$ 176,695,606	\$ 175,076,995

Additional information on the City of Palm Coast's long-term debt can be found in Note 9 beginning on pages 56-64 of this report.

Next Year's Budget and Rates

During the current fiscal year, unreserved/undesignated fund balance in the General Fund decreased to \$3,853,602. The City of Palm Coast has appropriated \$1,990,365 of the unreserved fund balance for spending in the 2010 fiscal year budget. The available fund balance, as a percentage of prior year expenditures and transfers out is approximately 6.1%.

The City Council approved a millage rate of 3.500 mills for fiscal year 2010. The City Council has designated .52 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 became effective on January 1, 2009. Declining market values contributed to an overall decrease in taxable property value of 15.9%. New construction added a little over 2% to the taxable value, so the City had a 13.8% 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, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in pooled cash and investments	\$ 32,179,972	\$ 10,936,234	\$ 43,116,206
Accounts receivable - net	1,173,915	6,273,051	7,446,966
Due from other governments	4,027,403	-	4,027,403
Prepaid items	23,832	5,517	29,349
Inventories	34,610	622,453	657,063
Unamortized bond premium	-	(1,435,336)	(1,435,336)
Unamortized debt issuance costs	-	4,323,645	4,323,645
Restricted assets:			
Equity in pooled cash and investments	-	23,214,504	23,214,504
Due from other governments	-	1,652,002	1,652,002
Capital assets (net of accumulated depreciation):			
Land	88,909,071	15,894,216	104,803,287
Building and improvements other than buildings	25,285,161	69,807,638	95,092,799
Infrastructure	141,343,955	121,809,302	263,153,257
Equipment	7,797,650	971,814	8,769,464
Construction in progress	<u>32,762,232</u>	<u>9,576,759</u>	<u>42,338,991</u>
Total assets	333,537,801	263,651,799	597,189,600
LIABILITIES			
Accounts payable and other current liabilities	6,017,516	3,049,065	9,066,581
Due to other governments	470,382	-	470,382
Internal balances	1,248,516	(1,248,516)	-
Customer deposits	366,110	3,123,077	3,489,187
Unearned revenue	8,556	18,415	26,971
Payable from restricted assets:			
Accrued bond interest payable	-	3,245,064	3,245,064
Accrued loan interest payable	-	190,066	190,066
Accounts payable	-	1,346,605	1,346,605
Contract payable	-	154,856	154,856
Noncurrent liabilities:			
Due within one year	658,548	4,914,427	5,572,975
Due in more than one year	<u>1,147,186</u>	<u>169,975,445</u>	<u>171,122,631</u>
Total liabilities	9,916,814	184,768,504	194,685,318
NET ASSETS			
Invested in capital assets, net of related debt	296,098,069	60,854,530	356,952,599
Restricted for:			
Construction	6,648,246	2,128,632	8,776,878
Debt service	-	3,922,869	3,922,869
Public safety	254,328	-	254,328
Enabling legislation	1,298,818	-	1,298,818
Unrestricted	<u>19,321,526</u>	<u>11,977,264</u>	<u>31,298,790</u>
Total Net Assets	<u>\$ 323,620,987</u>	<u>\$ 78,883,295</u>	<u>\$ 402,504,282</u>

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, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
General government	\$ 9,089,652	\$ 2,409,425	\$ 31,532	\$ -	\$ (6,648,695)	\$ -	\$ (6,648,695)
Public safety	9,558,547	1,028,174	764,115	2,920,008	(4,846,250)	-	(4,846,250)
Transportation and physical environment	12,035,335	93,136	1,900,906	7,163,672	(2,877,621)	-	(2,877,621)
Culture and recreation	2,710,434	193,571	-	1,032,483	(1,484,380)	-	(1,484,380)
Interest on long-term debt	314,337	-	-	-	(314,337)	-	(314,337)
Total governmental activities	<u>33,708,305</u>	<u>3,724,306</u>	<u>2,696,553</u>	<u>11,116,163</u>	<u>(16,171,283)</u>	<u>-</u>	<u>(16,171,283)</u>
Business-Type Activities							
Utility	32,873,576	27,690,432	-	12,238,182	-	7,055,038	7,055,038
Solid Waste	6,967,672	7,498,306	-	-	-	530,634	530,634
Stormwater	3,654,793	5,112,097	-	367,702	-	1,825,006	1,825,006
Golf Course	84,219	-	-	-	-	(84,219)	(84,219)
Tennis Center	242,969	153,925	-	-	-	(89,044)	(89,044)
Total Business-Type Activities	<u>43,823,229</u>	<u>40,454,760</u>	<u>-</u>	<u>12,605,884</u>	<u>-</u>	<u>9,237,415</u>	<u>9,237,415</u>
Total Primary Government	<u>\$ 77,531,534</u>	<u>\$ 44,179,066</u>	<u>\$ 2,696,553</u>	<u>\$ 23,722,047</u>	<u>(16,171,283)</u>	<u>9,237,415</u>	<u>(6,933,868)</u>
General revenues:							
Property taxes					18,211,813	-	18,211,813
Sales and use taxes					2,422,436	-	2,422,436
Telecommunication services tax					2,726,666	-	2,726,666
Franchise fees					58,423	-	58,423
Intergovernmental Revenue, non-program					3,310,696	-	3,310,696
Unrestricted investment earnings					1,244,703	833,213	2,077,916
Rental Income					102,334	-	102,334
Miscellaneous					75,211	-	75,211
Gain on sale of capital assets					231,860	-	231,860
Transfers					5,756,982	(5,756,982)	-
Total general revenues					<u>34,141,124</u>	<u>(4,923,769)</u>	<u>29,217,355</u>
Change in Net Assets					17,969,841	4,313,646	22,283,487
Net assets - beginning of year					305,651,146	74,569,649	380,220,795
Net assets - end of year					<u>\$ 323,620,987</u>	<u>\$ 78,883,295</u>	<u>\$ 402,504,282</u>

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



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City of Palm Coast, Florida
Balance Sheet
Governmental Funds
September 30, 2009

	General	Capital Projects	Transportation Impact Fee Fund	Streets Improvement Fund	SR100 CRA Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Equity in pooled cash and investments	\$ 11,129,815	\$ 6,872,631	\$ 3,058,234	\$ 4,243,795	\$ 219,011	\$ 4,012,193	\$ 29,535,679
Accounts receivable - net	970,392	-	-	83,824	-	-	1,054,216
Special Assessment receivable - net	-	-	-	-	-	38,326	38,326
Prepaid items	23,832	-	-	-	-	-	23,832
Notes receivable - current	37,623	-	-	-	-	-	37,623
Due from other governments	2,337,697	894,453	-	679,505	-	115,748	4,027,403
Notes receivable - noncurrent	25,930	-	-	-	-	-	25,930
Due from other funds	-	-	-	-	-	4,683	4,683
Advances to other funds	5,792,529	4,500,000	-	-	-	-	10,292,529
Total assets	\$ 20,317,818	\$ 12,267,084	\$ 3,058,234	\$ 5,007,124	\$ 219,011	\$ 4,170,950	\$ 45,040,221
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 784,724	\$ 249,989	\$ 1,857,658	\$ 821,548	\$ 10,537	\$ 1,036,312	\$ 4,760,768
Accrued liabilities	393,315	-	-	-	-	-	393,315
Due to other governments	470,382	-	-	-	-	-	470,382
Deferred revenue	1,128,465	-	-	83,824	-	8,556	1,220,845
Customer deposits	366,110	-	-	-	-	-	366,110
Due to other funds	-	-	-	-	-	4,683	4,683
Advances from other funds	-	-	-	-	5,792,529	4,983,167	10,775,696
Total liabilities	3,142,996	249,989	1,857,658	905,372	5,803,066	6,032,718	17,991,799
Fund Balances:							
Reserved for:							
Enabling legislation	1,298,818	-	-	-	-	-	1,298,818
Advances to other funds	5,792,529	4,500,000	-	-	-	-	10,292,529
Notes receivable - noncurrent	25,930	-	-	-	-	-	25,930
Prepaid items	23,832	-	-	-	-	-	23,832
Unreserved:							
Designated for:							
Disaster reserve	2,130,077	-	-	-	-	-	2,130,077
Building reserves	2,000,000	-	-	-	-	-	2,000,000
Building permit fee reduction	2,050,574	-	-	-	-	-	2,050,574
Undesignated, reported in:							
General fund	3,853,062	-	-	-	-	-	3,853,062
Special revenue funds	-	-	1,200,576	4,101,752	(5,584,055)	(1,861,768)	(2,143,495)
Capital projects funds	-	7,517,095	-	-	-	-	7,517,095
Total fund balances	17,174,822	12,017,095	1,200,576	4,101,752	(5,584,055)	(1,861,768)	27,048,422
Total liabilities and fund balances	\$ 20,317,818	\$ 12,267,084	\$ 3,058,234	\$ 5,007,124	\$ 219,011	\$ 4,170,950	\$ 45,040,221

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, 2009

Fund balances - total governmental funds	\$	27,048,422
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		290,658,020
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds.		1,212,289
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.		6,499,264
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(1,797,008)
		(1,797,008)
Net assets of governmental activities	\$	323,620,987

City of Palm Coast, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2009

	General	Capital Projects	Transportation Impact Fee Fund	Streets Improvement Fund	SR100 CRA Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 19,658,913	\$ 2,070,142	\$ -	\$ 3,968,974	\$ 609,032	\$ -	\$ 26,307,061
Licenses and permits	1,147,673	-	-	-	-	-	1,147,673
Intergovernmental revenue	2,665,397	894,453	-	1,278,189	-	5,856	4,843,895
Charges for services	4,138,657	58,759	-	-	-	-	4,197,416
Special assessments	-	-	-	-	-	38,701	38,701
Fines and forfeitures	450,892	-	-	906,478	-	41,141	1,398,511
Impact fees	-	-	1,024,914	-	-	256,572	1,281,486
Contributions	21,295	-	-	-	-	-	21,295
Rental income	102,334	-	-	-	-	-	102,334
Investment earnings	595,067	165,821	251,728	109,419	290	80,784	1,203,109
Miscellaneous	75,211	-	-	-	-	-	75,211
Total revenues	28,855,439	3,189,175	1,276,642	6,263,060	609,322	423,054	40,616,692
EXPENDITURES							
Current:							
General government	11,356,809	279,668	-	-	-	5,856	11,642,333
Public safety	9,507,376	-	-	289,360	-	24,000	9,820,736
Transportation and physical environment	6,855,789	-	-	39,861	119,000	-	7,014,650
Culture and recreation	1,973,537	-	-	-	-	17,964	1,991,501
Capital outlay:							
General Government	298,267	67,917	-	-	-	-	366,184
Public Safety	-	1,827,129	-	-	-	1,249,553	3,076,682
Transportation and physical environment	-	1,125,521	11,837,827	5,879,082	854,782	3,272,802	22,970,014
Culture and recreation	-	271,459	-	-	-	1,305,761	1,577,220
Debt service:							
Principal	36,150	-	-	-	-	-	36,150
Interest and Other	3,330	-	-	-	272,306	38,701	314,337
Total expenditures	30,031,258	3,571,694	11,837,827	6,208,303	1,246,088	5,914,637	58,809,807
Excess (deficiency) of revenues over (under) expenditures	(1,175,819)	(382,519)	(10,561,185)	54,757	(636,766)	(5,491,583)	(18,193,115)
OTHER FINANCING SOURCES (USES)							
Transfers in	822,300	4,550,000	-	-	419,943	-	5,792,243
Transfers out	(505,554)	(49,616)	-	-	-	-	(555,170)
Sale of Capital Assets	2,903,420	-	-	-	-	-	2,903,420
Total other financing sources (uses)	3,220,166	4,500,384	-	-	419,943	-	8,140,493
Net change in fund balances	2,044,347	4,117,865	(10,561,185)	54,757	(216,823)	(5,491,583)	(10,052,622)
Fund balances - beginning	15,130,475	7,899,230	11,761,761	4,046,995	(5,367,232)	3,629,815	37,101,044
Fund balances - ending	\$ 17,174,822	\$ 12,017,095	\$ 1,200,576	\$ 4,101,752	\$ (5,584,055)	\$ (1,861,768)	\$ 27,048,422

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
September 30, 2009

Net change in fund balances - total governmental funds	\$	(10,052,622)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Expenditures for capital assets	27,990,100	
Less current year depreciation	(6,552,732)	21,437,368
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Contributed capital assets		8,905,903
Change in revenue collections expected after 60 days		(195,724)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and adjustments) is to decrease net assets.</p>		
		(2,683,083)
<p>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.</p>		
		36,150
<p>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.</p>		
Compensated absences		(180,305)
<p>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.</p>		
		702,154
Change in net assets of governmental activities.	\$	17,969,841

City of Palm Coast, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2009

Business-type Activities-Enterprise Funds

	Utility	Solid Waste	Storm Water	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
ASSETS						
Current assets:						
Equity in pooled cash and investments	\$ 9,700,613	\$ -	\$ -	\$ 1,235,621	\$ 10,936,234	\$ 2,644,293
Accounts receivable - net	3,883,957	1,254,298	1,134,796	-	6,273,051	17,820
Inventories	622,453	-	-	-	622,453	34,610
Prepaid Items	-	-	-	5,517	5,517	-
Restricted current assets:						
Cash with fiscal agent	6,192,582	-	-	-	6,192,582	-
Due from other governments	952,076	-	699,926	-	1,652,002	-
Total current assets	21,351,681	1,254,298	1,834,722	1,241,138	25,681,839	2,696,723
Noncurrent assets:						
Restricted assets:						
Debt Service	1,025,567	-	139,850	-	1,165,417	-
Impact Fees	3,630,093	-	-	-	3,630,093	-
Bond proceeds	12,226,412	-	-	-	12,226,412	-
Total restricted assets	16,882,072	-	139,850	-	17,021,922	-
Capital assets:						
Land	12,895,792	-	783,797	2,214,627	15,894,216	-
Building and improvements other than buildings	82,123,403	-	-	-	82,123,403	-
Infrastructure	123,247,224	-	15,810,823	-	139,058,047	-
Equipment	884,947	-	701,092	132,483	1,718,522	9,192,984
Less accumulated depreciation	(28,347,387)	-	(1,955,679)	(8,152)	(30,311,218)	(4,553,621)
Construction in progress	5,455,414	-	271,212	3,850,133	9,576,759	800,686
Total capital assets	196,259,393	-	15,611,245	6,189,091	218,059,729	5,440,049
Due from other funds	4,258,653	-	-	-	4,258,653	-
Advances to other funds	4,983,167	-	-	-	4,983,167	-
Loan acquisition costs	537,757	-	121,748	-	659,505	-
Unamortized bond premium	(1,435,336)	-	-	-	(1,435,336)	-
Unamortized debt issuance costs	3,664,140	-	-	-	3,664,140	-
Total noncurrent assets	225,149,846	-	15,872,843	6,189,091	247,211,780	5,440,049
Total assets	\$ 246,501,527	\$ 1,254,298	\$ 17,707,565	\$ 7,430,229	\$ 272,893,619	\$ 8,136,772

City of Palm Coast, Florida
Statement of Net Assets (continued)
Proprietary Funds
September 30, 2009

<u>Business-type Activities-Enterprise Funds</u>						
	Utility	Solid Waste	Storm Water	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 604,410	\$ 575,390	\$ 1,015,107	\$ 654,780	\$ 2,849,687	\$ 859,902
Loans payable	1,324,797	-	274,212	-	1,599,009	-
Compensated absences	288,265	-	52,404	4,749	345,418	2,471
Accrued liabilities	144,446	-	30,951	23,981	199,378	3,531
Customer deposits	3,123,077	-	-	-	3,123,077	-
Deferred revenue	-	-	-	18,415	18,415	-
Current liabilities payable from rstrd assets:						
Current maturities of bonds payable	2,970,000	-	-	-	2,970,000	-
Accrued bond interest payable	3,245,064	-	-	-	3,245,064	-
Accrued loan interest payable	178,508	-	11,558	-	190,066	-
Accounts payable	1,346,605	-	-	-	1,346,605	-
Contract payable	154,856	-	-	-	154,856	-
Total current liabilities	13,380,028	575,390	1,384,232	701,925	16,041,575	865,904
Noncurrent liabilities:						
Compensated absences	463,895	-	74,378	7,259	545,532	6,255
Net OPEB Obligation	23,000	-	4,000	-	27,000	-
Bonds payable	135,920,000	-	-	-	135,920,000	-
Loans payable	27,061,319	-	6,421,594	-	33,482,913	-
Due to other funds	-	281,524	3,977,129	-	4,258,653	-
Advances from other funds	-	-	-	4,500,000	4,500,000	-
Total noncurrent liabilities	163,468,214	281,524	10,477,101	4,507,259	178,734,098	6,255
Total liabilities	176,848,242	856,914	11,861,333	5,209,184	194,775,673	872,159
NET ASSETS						
Invested in capital assets, net of related debt	44,928,326	-	9,737,113	6,189,091	60,854,530	5,440,049
Restricted for construction	2,128,632	-	-	-	2,128,632	-
Restricted for debt service	3,794,577	-	128,292	-	3,922,869	-
Unrestricted	18,801,750	397,384	(4,019,173)	(3,968,046)	11,211,915	1,824,564
Total net assets	\$ 69,653,285	\$ 397,384	\$ 5,846,232	\$ 2,221,045	78,117,946	\$ 7,264,613
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					765,349	
					<u>\$78,883,295</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 Net Assets
Proprietary Funds
For the Year Ended September 30, 2009

Business-type Activities - Enterprise Funds						
	Utility	Solid Waste	Storm Water	Nonmajor Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
OPERATING REVENUES						
Charges for services:						
Water sales	\$ 16,370,791	\$ -	\$ -	\$ -	\$ 16,370,791	\$ -
Sewer charges	10,042,136	-	-	-	10,042,136	-
Garbage charges	-	7,498,306	-	-	7,498,306	-
Stormwater charges	-	-	5,112,097	-	5,112,097	-
Tennis program charges	-	-	-	153,925	153,925	-
Miscellaneous	1,277,505	-	-	-	1,277,505	3,067,293
Total operating revenues	27,690,432	7,498,306	5,112,097	153,925	40,454,760	3,067,293
OPERATING EXPENSES						
Administrative	4,515,278	-	-	-	4,515,278	1,641,727
Water system	7,245,463	-	-	-	7,245,463	-
Sewer system	4,982,558	-	-	-	4,982,558	-
Solid waste system	-	6,948,595	-	-	6,948,595	-
Stormwater system	-	-	2,770,662	-	2,770,662	-
Golf Course	-	-	-	82,672	82,672	-
Tennis Center	-	-	-	238,966	238,966	-
Depreciation	8,485,704	-	836,519	5,550	9,327,773	1,209,386
Total operating expenses	25,229,003	6,948,595	3,607,181	327,188	36,111,967	2,851,113
Operating income (loss)	2,461,429	549,711	1,504,916	(173,263)	4,342,793	216,180
NONOPERATING REVENUES (EXPENSES)						
Investment revenue	735,350	-	-	97,863	833,213	41,594
Interest/amortization expense	(7,721,192)	(19,077)	(58,045)	-	(7,798,314)	-
Other	-	-	-	-	-	11,523
Total nonoperating revenues (expenses)	(6,985,842)	(19,077)	(58,045)	97,863	(6,965,101)	53,117
Income (loss) before capital contributions and transfers	(4,524,413)	530,634	1,446,871	(75,400)	(2,622,308)	269,297
TRANSFERS						
Capital grants and contributions	12,238,182	-	367,702	-	12,605,884	-
Transfers in	-	-	-	82,000	82,000	519,909
Transfers out	(849,300)	-	(489,682)	(4,500,000)	(5,838,982)	-
Total transfers	11,388,882	-	(121,980)	(4,418,000)	6,848,902	519,909
Change in net assets	6,864,469	530,634	1,324,891	(4,493,400)	4,226,594	789,206
Total net assets - beginning	62,788,816	(133,250)	4,521,341	6,714,445	70,891,352	6,475,407
Total net assets - ending	\$ 69,653,285	\$ 397,384	\$ 5,846,232	\$ 2,221,045	73,117,946	\$ 7,264,613
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					87,052	
					<u>\$4,313,646</u>	

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

City of Palm Coast, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2009

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Utility	Solid Waste	Storm Water	Nonmajor Enterprise	Totals	
Cash flows from operating activities						
Cash received from customers	\$27,042,489	\$7,496,535	\$5,009,366	\$145,054	\$39,693,444	\$3,085,994
Cash paid to suppliers	(11,638,416)	(6,955,089)	(1,950,383)	(140,795)	(20,684,683)	(1,002,940)
Cash paid to employees	(5,310,896)	-	(666,620)	(162,480)	(6,139,996)	(110,087)
Net cash provided by (used in) operating activities	10,093,177	541,446	2,392,363	(158,221)	12,868,765	1,972,967
Cash flow from noncapital financing activities						
Transfers in from other funds	-	-	-	82,000	82,000	519,909
Transfers out to other funds	(849,300)	-	(489,682)	(4,500,000)	(5,838,982)	-
Advances to other funds	(4,499,363)	(522,369)	-	-	(5,021,732)	-
Advances from other funds	-	-	38,565	4,500,000	4,538,565	-
Net cash provided by (used in) noncapital financing activities	(5,348,663)	(522,369)	(451,117)	82,000	(6,240,149)	519,909
Cash flow from capital and related financing activities						
Proceeds from issuance of long-term debt	3,714,381	-	2,731,455	-	6,445,836	-
Loan Principal Payments	(3,425,782)	-	(214,672)	-	(3,640,454)	-
Interest paid	(7,254,493)	(19,077)	(193,282)	-	(7,466,852)	-
Acquisition and construction of property, plant and equipment	(8,670,039)	-	(4,409,163)	(3,009,364)	(16,088,566)	(2,214,691)
Proceeds from the sale of capital assets	-	-	-	-	-	11,523
Impact fees and contributions	1,397,139	-	40,560	-	1,437,699	-
Net cash provided by (used in) capital and related financing activities	(14,238,794)	(19,077)	(2,045,102)	(3,009,364)	(19,312,337)	(2,203,168)
Cash flow from investing activities						
Interest on investments	735,350	-	-	97,863	833,213	41,594
Net cash provided by (used in) investing activities	735,350	-	-	97,863	833,213	41,594
Net increase (decrease) in cash and cash equivalents	(8,758,930)	-	(103,856)	(2,987,722)	(11,850,508)	331,302
Beginning cash and cash equivalents	41,534,197	-	243,706	4,223,343	46,001,246	2,312,991
Ending cash and cash equivalents	\$32,775,267	\$ -	\$139,850	\$1,235,621	\$34,150,738	\$2,644,293

(continued)

City of Palm Coast, Florida
Statement of Cash Flows (continued)
Proprietary Funds
For the Year Ended September 30, 2009

	Business-type Activities - Enterprise Funds				Totals	Governmental Activities - Internal Service Funds
	Utility	Solid Waste	Storm Water	Nonmajor Enterprise		
Reconciliation of operating income to net cash provided by operating activities						
Operating income (loss)	\$2,461,429	\$549,711	\$1,504,916	(\$173,263)	\$4,342,793	\$216,180
Adjustment to reconcile operating income to net cash provided by operating activities						
Depreciation and amortization	8,485,704	-	836,519	5,550	9,327,773	1,209,387
Change in assets and liabilities:				-		
Accounts receivable	(456,559)	(1,771)	(102,731)	-	(561,061)	18,701
Inventories	(292,604)	-	-	-	(292,604)	27,120
Prepays	-	-	-	(5,517)	(5,517)	-
Accounts payable	196,826	(6,494)	100,862	(365)	290,829	498,264
Accrued liabilities	(171,414)	-	13,312	9,939	(148,163)	1,037
Customer deposits	(191,384)	-	-	-	(191,384)	-
Compensated absences	61,179	-	39,485	5,435	106,099	2,278
Net cash provided by (used in) operating activities	\$10,093,177	\$541,446	\$2,392,363	(\$158,221)	\$12,868,765	\$1,972,967
Cash and cash equivalents classified as:						
Equity in pooled cash and investments in current assets	\$9,700,613	\$ -	\$ -	\$1,235,621	\$10,936,234	\$2,644,293
Restricted equity in pooled cash and investments						
Cash with fiscal agent	6,192,582	-	-	-	6,192,582	-
Debt service	1,025,567	-	139,850	-	1,165,417	-
Impact fees	3,630,093	-	-	-	3,630,093	-
Bond proceeds	12,226,412	-	-	-	12,226,412	-
Total restricted equity in pooled cash and investments	23,074,654	-	139,850	-	23,214,504	-
Total cash and cash equivalents	\$32,775,267	\$ -	\$139,850	\$1,235,621	\$34,150,738	\$2,644,293
Noncash capital and related financing activities:						
Developer contributions of capital assets	10,841,043	-	327,142	-		-

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, 2009

	Volunteer Firefighter Pension Fund	Coquina Coast Agency Fund
ASSETS		
Cash and investments	\$ 1,095,260	\$ 558,656
Due from other governments	325,408	247,635
Total assets	\$ 1,420,668	\$ 806,291
LIABILITIES		
Tax withholding payable	405	-
Accounts payable	609	352,960
Deposits held in escrow	-	453,331
Total liabilities	1,014	\$ 806,291
NET ASSETS		
Held in Trust for Pension Benefits and Other Purposes	\$ 1,419,654	

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
September 30, 2009

	Volunteer Firefighter Pension Fund
ADDITIONS	
Contributions:	
State contributions	\$ 499,181
Total contributions	499,181
Investment earnings:	
Interest	4,516
Total investment earnings	4,516
Total additions	503,697
DEDUCTIONS	
Administrative Expenses	8,710
Benefit Distributions	9,240
Total deductions	17,950
Net Increase (Decrease)	485,747
Net assets - beginning	933,907
Net assets - ending	\$ 1,419,654

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



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NOTES TO FINANCIAL STATEMENTS

September 30, 2009

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

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 expenses of a given function or segment is 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 and agency fund are reported as a separate financial statement, and are 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, 2009

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 fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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 expenses related to activities in the government's distribution of water, pumping of sewage, collection of sewage and treatment of sewage.

The stormwater management fund accounts for revenues and expenses related to the maintenance and improvement of the stormwater system.

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

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Additionally, the government reports the following fund types:

The 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.

The Coquina Coast Cooperative agency fund accounts for the collection and disbursement of funds related to a regional desalinization water plant project.

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

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009**

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

Deposits and Investments

The City's cash and cash equivalents 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 16%, 12% and 54%, 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, 2009**

Note 1 – Summary of Significant Accounting Policies (Continued)

Receivables and payables (Continued)

The property tax calendar is as follows:

Valuation Date January 1, 2008

Property Appraiser prepares the assessment roll with values as of January 1, 2008, submits this preliminary roll for approval by the State and notifies each taxing authority of their respective valuations. July 1, 2008

City Council holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year. September 2008

Property Appraiser certifies the assessment roll and all real and tangible personal property taxes are due and payable (Levy date). November 1, 2008

A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November 2008 through March 2009, with the following applicable discounts:

<u>Month Paid</u>	<u>Discount</u>	
November	4%	November 1, 2008 through March 31, 2009
December	3	
January	2	
February	1	
March	0	

All unpaid taxes on real and tangible personal property become delinquent. April 1, 2009

A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised. April and May 2009

Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien date). June 1, 2009

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, 2009

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

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, 2009**

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 \$290,658,020 difference are as follows:

Capital assets	\$286,032,715
Less: Accumulated Depreciation	(27,336,241)
Construction in progress	31,961,546
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$290,658,020

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009**

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 \$1,797,008 difference are as follows:

Loans payable	\$	63,552
Net OPEB liability		71,000
Compensated absences		1,662,456
Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>		\$ 1,797,008

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 \$ 36,150 difference are as follows:

Debt repayments:		
Loan	\$	36,150
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>		\$ 36,150

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2009

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 \$5,584,055 as of September 30, 2009. This fund incurred redevelopment expenditures in advance of future anticipated property tax revenues. The Fire Impact Fee and OKR Special Assessment special revenue funds had deficit fund balances of \$209,907 and \$3,252,107 respectively. These funds incurred construction expenses in excess of current revenues and transfers. The Tennis Center proprietary fund had deficit fund balance of \$8,004. This fund incurred expenses in excess of current revenues and transfers.

Excess of Expenditures over Appropriations

For the year ended September 30, 2009, 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, 2009**

Note 4 – Deposits and Investments

Deposits

At year-end, the carrying amount of the City's deposits was \$7,050,120 and the bank balance was \$8,109,929. All bank deposits were fully covered by federal depository insurance and by deposits held in banks that are members of the State of Florida's Collateral Pool as specified under Florida law. Florida Statutes provide for collateral pooling by banks and savings and loans. This limits local government deposits to "authorized depositories". Included in the carrying amount of the City deposits is \$10,875 in petty cash. In addition, the City has a money market cash balance of \$1,456,340 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, 2009, the City has the following investments:

Investment Type	Fair Value	Percentage of Total	Average Maturities
Florida SBA LGIP	\$13,255,521	25.67%	33 Days
Florida SBA LGIP Fund B	1,072,304	2.08%	6.69 Years
U.S. Government Agencies	22,770,509	44.10%	1-3 Years
U.S. Gov't Supported Corp Debt	3,811,204	7.38%	1-2 Years
U.S. Treasuries	9,999,970	19.37%	1-2 Years
Corporate Notes	722,160	1.40%	1-4 Years
	<u>\$51,631,668</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

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

Note 4 – Deposits and Investments (Continued)

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 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.

Fund A, currently known as the Local Government Investment Pool (LGIP), is a Securities and Exchange Commission rule 2a7-like external investment pool. The pool invests in short –term, high-quality fixed income securities. To be considered high-quality, the security must be rated highest in the short-term rating category by one or more nationally recognized statistical ratings organizations, or deemed to be of comparable quality by the investment manager. The account balance of this fund is considered to be the fair value of this investment. As of September 30, 2009, Standard and Poor's Ratings Services assigned its "AAAm" principal stability fund rating to LGIP.

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, 2009 was .54915069. 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, 2009, 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, 2009

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, 2009, the City's largest agency investment is in the Federal Home Loan Bank (FHLB). These securities represent 13 percent of the City's total investments.

Cash with fiscal agent as of September 30, 2009 totaled \$6,192,582. 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, 2009:

	General Fund	Streets Improvement Fund	Nonmajor Governmental Funds	Utility Fund	Solid Waste Fund	Storm Water Fund	Fleet Management Fund	Totals
Accounts receivable	\$ 970,392	\$ 83,824	\$ -	\$4,641,007	\$1,436,563	\$2,474,238	\$ 17,820	\$9,623,844
Special assessments receivable	-	-	38,326	-	-	-	-	38,326
Notes receivable - current	37,623	-	-	-	-	-	-	37,623
Notes receivable - noncurrent	25,930	-	-	-	-	-	-	25,930
Less allowance for doubtful accounts	-	-	-	(757,050)	(182,265)	(1,339,442)	-	(2,278,757)
	<u>\$1,033,945</u>	<u>\$ 83,824</u>	<u>\$ 38,326</u>	<u>\$3,883,957</u>	<u>\$1,254,298</u>	<u>\$1,134,796</u>	<u>\$ 17,820</u>	<u>\$7,446,966</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.

The special assessments receivable is the amount due from property owners within the Old Kings Road Special Assessment District. The amount due as of September 30, 2009 represents the interest on an interfund loan (see Note 7) used for the financing of the expansion and realignment of Old Kings Road.

Deferred/Unearned Revenue:

Deferred revenues are recorded on the governmental funds balance sheet in the amount of \$1,220,845. Of this amount, \$1,212,289 represents amounts that are deferred solely because they are not yet considered to be available. Therefore, \$8,556 is shown as unearned revenue on the government-wide Statement of Net Assets.

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2009

Note 6 – Capital Assets

Capital asset activity for the year ended September 30, 2009 was as follows:

	Balance 9/30/2008	Increases	Decreases	Balance 9/30/2009
A. Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 87,559,115	\$ 1,349,956	\$ -	\$ 88,909,071
Construction in progress	23,011,682	28,553,121	(18,802,571)	32,762,232
Total capital assets, not being depreciated	<u>110,570,797</u>	<u>29,903,077</u>	<u>(18,802,571)</u>	<u>121,671,303</u>
Capital assets, being depreciated				
Buildings and improvements other than buildings	18,448,823	12,694,170	(3,225,916)	27,917,077
Infrastructure	148,569,721	13,664,344	-	162,234,065
Equipment	14,748,505	1,739,465	(322,488)	16,165,482
Total capital assets, being depreciated	<u>181,767,049</u>	<u>28,097,979</u>	<u>(3,548,404)</u>	<u>206,316,624</u>
Less accumulated depreciation for:				
Buildings and improvements other than buildings	(2,322,375)	(923,642)	614,101	(2,631,916)
Infrastructure	(15,941,004)	(4,949,106)	-	(20,890,110)
Equipment	(6,712,890)	(1,889,370)	(234,428)	(8,367,832)
Total accumulated depreciation	<u>(24,976,269)</u>	<u>(7,762,118)</u>	<u>848,529</u>	<u>(31,889,858)</u>
Total capital assets, being depreciated, net	<u>156,790,780</u>	<u>20,335,861</u>	<u>(2,699,875)</u>	<u>174,426,766</u>
Governmental activities capital assets, net	<u>\$ 267,361,577</u>	<u>\$ 50,238,938</u>	<u>\$ (21,502,446)</u>	<u>\$ 296,098,069</u>
	Balance 9/30/2008	Increases	Decreases	Balance 9/30/2009
B. Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 15,473,907	\$ 420,309	\$ -	\$ 15,894,216
Construction in progress	24,371,925	18,071,407	(32,866,573)	9,576,759
Total capital assets, not being depreciated	<u>39,845,832</u>	<u>18,491,716</u>	<u>(32,866,573)</u>	<u>25,470,975</u>
Capital assets, being depreciated				
Buildings and improvements other than buildings	75,857,385	6,371,268	(105,249)	82,123,404
Infrastructure	102,196,585	36,861,460	-	139,058,045
Equipment	1,545,085	173,437	-	1,718,522
Total capital assets, being depreciated	<u>179,599,055</u>	<u>43,406,165</u>	<u>(105,249)</u>	<u>222,899,971</u>
Less accumulated depreciation for:				
Buildings and improvements other than buildings	(8,995,328)	(3,333,302)	12,864	(12,315,766)
Infrastructure	(11,474,512)	(5,774,231)	-	(17,248,743)
Equipment	(526,934)	(220,240)	466	(746,708)
Total accumulated depreciation	<u>(20,996,774)</u>	<u>(9,327,773)</u>	<u>13,330</u>	<u>(30,311,217)</u>
Total capital assets, being depreciated, net	<u>158,602,281</u>	<u>34,078,392</u>	<u>(91,919)</u>	<u>192,588,754</u>
Business-type activities capital assets, net	<u>\$ 198,448,113</u>	<u>\$ 52,570,108</u>	<u>\$ (32,958,492)</u>	<u>\$ 218,059,729</u>

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2009**

Note 6 – Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 551,466
Public safety		296,279
Transportation and Physical Environment		4,994,161
Culture and recreation		710,826
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		<u>1,209,386</u>
Total depreciation expense - governmental activities		<u><u>\$7,762,118</u></u>
Business activities:		
Utility		\$8,485,704
Stormwater		836,519
Tennis Center		4,003
Golf Course		<u>1,547</u>
Total depreciation expense - business activities		<u><u>\$9,327,773</u></u>

Note 7 – Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2009, is as follows:

Due from/to other funds:

Receivable Fund	Payable Fund	Purpose	Amount
Park Impact Fee Fund	Neighborhood Stabilization Fund	Supplement operating cash flow	\$4,683
Utility Fund	Solid Waste Fund	Supplement operating cash flow	281,524
Utility Fund	Stormwater Fund	Supplement operating cash flow	3,977,129
		Total	<u><u>\$4,263,336</u></u>

These balances are the amount of working capital loans that are expected to be collected in the subsequent year.

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2009

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

Advances from/to other funds:

Receivable Fund	Payable Fund	Purpose	Amount
General Fund	SR100 CRA Fund	Purchase and redevelopment of land	\$5,792,529
Capital Projects Fund	Golf Course Fund	Renovation of golf course	4,500,000
Utility Fund	OKR Special Assessment Fund	Expansion and realignment of road	4,983,167
			<u>\$15,275,696</u>

The advances from the General Fund relate to working capital loans made to the SR100 CRA Fund upon its creation. The Capital Projects Fund loan is to renovate a donated golf course for public use. The Utility Fund loan is a working capital loan made to the OKR Special Assessment Fund upon its creation. Certain members of the district have agreed to pay interest at a rate of 5% on this loan in the form of a special assessment. None of these balances are scheduled to be collected in the subsequent year.

Interfund transfers:

Transfer out:	Transfer In:					Total
	General Fund	Capital Projects	SR 100 CRA Fund	Nonmajor Proprietary	Internal Service	
General Fund	\$ -	\$ -	\$370,327	\$82,000	\$ 53,227	\$ 505,554
Utility Fund	802,300	47,000	-	-	-	849,300
Capital Projects Fund	-	-	49,616	-	-	49,616
Stormwater Fund	20,000	3,000	-	-	466,682	489,682
Nonmajor Proprietary	-	4,500,000	-	-	-	4,500,000
Total transfers out	\$822,300	\$4,550,000	\$419,943	\$82,000	\$519,909	\$6,394,152

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 from the Nonmajor Proprietary Funds is primarily due to a management reclassification of a transfer to the Golf Course Fund. Transfers from the Utility Fund are in lieu of tax transfers, maintenance transfers, and to establish reserves for future capital expenditures. Transfers from the Stormwater Fund are maintenance transfers and reserves for equipment replacement. The transfers to the Internal Service Fund are to establish new equipment purchases for the City's fleet.

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2009**

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 2009 the total cost was \$2,395,000 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 (in fiscal year 2008) of various parcels known as Longs Landing. During the fiscal year ended September 30, 2009, a secondary clause of the agreement that called for an additional contribution to the City became effective. The funding was contingent on a voter referendum, which was passed during the November 2008 elections. An additional \$890,073 became due from Flagler County towards the purchase price of the Longs Landing parcels.

Lease of City Owned Building:

In November 2008, the City leased its administrative building to an outside party as part of an economic development incentive package. The lease began on November 1, 2008 and was to end 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. During the year ended September 30, 2009, the outside party exercised the purchase option after making \$102,334 in lease payments.

Lease of City Administrative Offices:

The City executed a noncancelable operating lease for new administrative office space on November 1, 2008 for a three year term at \$20,000 monthly. The total cost for year ended September 30, 2009 was \$240,000. The future minimum lease payments are as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2010	\$ 240,000
2011	240,000
	<hr/>
	\$ 480,000
	<hr/> <hr/>

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2009**

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:

<u>Year Ending September 30</u>	Principal	Interest
2010	\$37,623	\$1,857
2011	25,929	391
	\$63,552	\$2,248

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CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2009

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.

During the fiscal year ended September 30, 2009, MBIA Insurance Corporation (MBIA), the City's bond insurer, was downgraded by the three major credit rating agencies. However, this has not had a financial impact on any of the City's outstanding obligations. Also during the fiscal year, all three agencies affirmed an underlying rating of "A" on the City's outstanding bonds.

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, 2009

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:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
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	2,270,000	3,934,413
2015-2019	13,010,000	17,763,525
2020-2024	16,745,000	13,828,700
2025-2029	21,430,000	8,946,100
2030-2034	27,230,000	2,854,502
	<u>\$ 89,050,000</u>	<u>\$ 63,840,995</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, 2009**

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.

During the fiscal year ended September 30, 2009, MBIA Insurance Corporation (MBIA), the City's bond insurer, was downgraded by the three major credit rating agencies. However, this has not had a financial impact on any of the City's outstanding obligations. Also during the fiscal year, all three agencies affirmed an underlying rating of "A" on the City's outstanding bonds.

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, 2009

Note 9 – Long-Term Debt (Continued)

Debt Service

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

Year Ending <u>September 30</u>	Principal	Interest
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	1,130,000	1,955,906
2015-2019	6,355,000	9,029,131
2020-2024	7,795,000	7,506,606
2025-2029	9,750,000	5,466,981
2030-2034	12,080,000	3,019,656
2035-2039	8,615,000	387,622
	\$ 49,840,000	\$ 35,608,979

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:

Year Ending <u>September 30</u>	Principal	Interest
2010	\$ 114,403	\$ 62,769
2011	117,524	59,648
2012	120,731	56,441
2013	124,025	53,148
2014	127,409	49,764
2015-2019	691,121	194,740
2020-2024	790,690	95,171
2025-2029	258,716	7,043
	\$ 2,344,619	\$ 578,724

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2009

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
2010	\$ 550,619	\$ 298,089
2011	565,028	283,680
2012	579,814	268,894
2013	594,987	253,721
2014	610,558	238,151
2015-2019	3,300,982	942,560
2020-2024	3,756,104	487,438
2025-2029	1,643,653	53,764
	<u>\$ 11,601,745</u>	<u>\$ 2,826,297</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, 2009 the total amount of funding received on this loan was \$4,239,937. The total expended on this project, including capitalized interest, was \$4,241,631. The loan and project finalization was pending as of September 30, 2009.

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, 2009

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 <u>September 30</u>	Principal	Interest
2010	\$ 304,450	\$ 185,227
2011	312,232	177,444
2012	320,213	169,463
2013	328,398	161,278
2014	336,792	152,884
2015-2019	1,817,579	630,801
2020-2024	2,062,060	386,320
2025-2029	1,886,290	111,566
	<u>\$ 7,368,014</u>	<u>\$ 1,974,983</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, 2009 the total amount of funding received on this loan was \$462,544, with \$905,691 pending. The total expended to date on this project, including capitalized interest, was \$1,376,883.

<u>Description</u>	Interest Rate	Disbursable Amount	Amount Funded	Repayment Date	Semi-Annual Payment	Term (Years)
Waterwater Treatment Plant Design	2.42%	\$2,411,474	\$462,544	7/15/2010	\$76,406	20

CITY OF PALM COAST, FL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

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, 2009 the total amount of funding received on this loan was \$5,820,052 with \$46,385 in funding pending as of year end. The total expended on this project, including capitalized interest, was \$5,881,907.

Description	Interest Rate	Disbursable Amount	Amount Funded	Repayment Date	Semi-Annual Payment	Term (Years)
Water Reuse Facilities	2.54%	\$6,965,490	\$5,820,052	12/15/2008	\$223,177	20

During the year ended September 30, 2009, the City executed an agreement with the Florida Department of Environmental Protection to borrow up to \$3,798,642 at an interest rate of 3.14% through the State Revolving Fund loan program, for the purpose of stormwater drainage improvements and swale rehabilitation. As of September 30, 2009 no funding was received on this loan with \$666,793 expended and pending on the project as of year end.

Description	Interest Rate	Disbursable Amount	Amount Funded	Repayment Date	Semi-Annual Payment	Term (Years)
Stormwater system improvements	3.17%	\$3,740,362	\$0	9/15/2010	\$131,132	20

CITY OF PALM COAST, FL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

Note 9 – Long-Term Debt (Continued)

Bank Loan

During the year ended September 30, 2009, the City executed an agreement with the RBC Bank to borrow up to \$9,000,000 at a variable interest rate for the purpose of stormwater drainage improvements and swale rehabilitation. The variable rate during the draw period, not to exceed three years, is equal to 70% of the One-Month LIBOR rate plus 212 basis points. As of September 30, 2009 this rate was 2.30112%. The total amount of funding received on this loan was \$2,299,000 during the fiscal year. At the end of the three year draw period, the loan will convert to a fixed interest term loan at a future rate to be agreed upon. The loan will mature on October 1, 2023.

Description	Variable Rate	Disbursable Amount	Amount Funded	Repayment Date	Semi-Annual Payment	Term (Years)
Stormwater system improvements	2.30%	\$9,000,000	\$2,299,000	10/1/2011	tbd	15

Changes in long-term debt

During the year ended September 30, 2009, the following changes in long-term debt occurred:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
CDBG Loan	\$99,702	\$ -	(\$36,150)	\$63,552	\$37,623
Net OPEB Liability	-	71,000	-	71,000	-
Compensated Absences	1,488,599	1,031,976	(849,393)	1,671,182	620,925
Long-term debt	\$1,588,301	\$1,102,976	(\$885,543)	\$1,805,734	\$658,548
Business Type Activities:					
Utility Revenue Bonds	\$140,845,000	\$ -	(\$1,955,000)	\$138,890,000	\$2,970,000
State Revolving Fund Loans	31,858,843	2,441,320	(1,517,241)	32,782,922	1,599,009
Bank Loan	-	2,299,000	-	2,299,000	-
Net OPEB Liability	-	27,000	-	27,000	-
Compensated Absences	784,851	601,664	(495,565)	890,950	345,418
Long-term debt	\$173,488,694	\$5,368,984	(\$3,967,806)	\$174,889,872	\$4,914,427

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, \$8,726 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, 2009

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, 2009 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, 2009, contributions to this plan totaled \$1,758,075.

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, 2009**

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:

	10/1/2008
	<u>09/30/2009</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>
09/30/2007	\$278,471	100%
09/30/2008	298,771	100%
09/30/2009	300,683	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, 2009

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, 2009 was \$499,181. 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 44 active participants, with nine being eligible for normal retirement.

An actuarial valuation, utilizing the entry age normal method (level dollar), has been completed as of October 1, 2008. 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, 2009**

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 the LGIP (formerly Fund A) and Fund B as of September 30, 2009 was \$1,047,274 and \$11,152 respectively. There was an additional \$36,834 held in cash as of September 30, 2009.

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 \$50 per month for each year of credited service. This is an increase in the minimum benefit accrual rate from \$35 per month. The change was adopted by ordinance during the fiscal year ended September 30, 2009. Volunteers do not contribute to the plan.

Three Year Trend Information			
Fiscal Year Ending	Actuarially Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
9/30/2008	\$0	100%	\$0
9/30/2007	0	100%	0
9/30/2006	0	100%	0

Funded Status and Funding Progress

As of October 1, 2008, the most recent actuarial valuation update, the plan was 114 percent funded. The actuarial accrued liability for benefits was \$848,589 and the actuarial value of assets was \$968,776 resulting in an unfunded actuarial accrued liability (UAAL) of (\$120,187).

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF PALM COAST, FL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

Note 10 – Retirement Plans (Continued)

Deferred Compensation Program

The City offers its employees a voluntary deferred compensation program created in accordance with Internal Revenue Code (IRC) section 457 and Chapter 112.215 Florida Statutes. During the year ended September 30, 2009, the City complied with the requirements of IRC Section 457 and all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. No amounts from this plan are included in the financial statements.

Note 11 – Other Post Employment Benefits (OPEB)

Plan Description and Summary of Benefits

The City provides retirees with the option to purchase health insurance from the City's single employer, experience rated health insurance plan (Plan) that provides medical benefits to active and eligible retirees at the City's group rate as mandated by Florida Statute 112.0801. This requirement creates an implicit rate subsidy benefit for the retirees' participation. Retirees are required to pay the full amount of the health insurance premium during their eligibility period. As of the valuation dated March 1, 2008 and updated June 26, 2009, the Plan had approximately 373 active participants and 1 retiree receiving benefits. The plan does not issue a separate publicly available financial report.

Transition Year

GASB Statement No. 45 was implemented prospectively resulting in a zero net OPEB obligation at transition. There was neither an OPEB asset nor liability at transition.

Funding Policy

The City has followed the pay-as-you-go funding policy, contributing only those amounts necessary to provide for its portion of current year benefit costs and expenses plus any addition to the reserve for accrued costs incurred but not yet reported, as determined as part of the insurance contract. The contribution requirements of Plan members are established annually by the City. The City pays any remaining required amounts after contributions of plan members are taken into account. Currently, retired members pay the full premium associated with the coverage elected; no direct City subsidy is applicable; however there is an implicit cost outlined below. Spouses and other dependents are also eligible for coverage, and the member is responsible for payment of the applicable premiums.

State of Florida law prohibits the City from separately rating retirees and active employees. The City therefore assigns both groups equal, blended-rate premiums. Although both groups are assigned the same blended rate premiums, GAAP requires actuarial liabilities to be calculated using age-adjusted premiums approximating claim costs for retirees separate from active members. The use of age-adjusted premiums results in the full expected retiree obligation recognized in this disclosure.

**CITY OF PALM COAST, FL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009**

Note 11 – Other Post Employment Benefits (OPEB)(Continued)

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the Entry Age Normal actuarial cost method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability (or funding excess) over a period not to exceed 30 years. Annual requirements include a 4% discount rate, compounded annually, and based on assumptions that the plan will be unfunded. The annual health care cost trend rate was assumed to decline gradually over the next several years from 9% at March 1, 2008 to an ultimate rate of 5% on and after 2012. The economic rates are based on an assumed inflation rate of 4% per annum.

The actuarial accrued liability (AAL) was determined as of September 30, 2009, based on the above assumptions and cost method, and applied to member data current at March 1, 2008. Liabilities were developed based on age adjusted costs for retirees currently receiving plan benefits as of March 1, 2008, with an AAL calculated to be \$319,000, which is unfunded (or 0% funded). The annual covered payroll is \$14.671 million, resulting in an unfunded AAL of 2.2%. The actuarial calculations reflect a long-term perspective using methods and assumptions that are designed to reduce short-term volatility in AAL and actuarial value of assets. The Plan provisions affecting the valuation were those in effect on March 1, 2008.

OPEB GASB No. 45 results are not based on the assumption that all members terminate services as of the valuation date, but rather on assumptions of future mortality, retirement, and termination.

Plan Obligation:	
Annual Required Contribution (ARC)	\$98,000
Interest on Plan Obligation	-
Adjustment to ARC	-
Annual Plan OPEB Cost	<u>98,000</u>
Contributions Made	-
Change in OPEB Obligation	<u>98,000</u>
Net OPEB Obligation Beginning of year	-
Net OPEB Obligation End of year	<u><u>\$98,000</u></u>

As of September 30, 2009, the City accrued \$98,000 in the Government-Wide Statement of Net Assets, with \$27,000 in the Proprietary Funds Statement of Net Assets.

CITY OF PALM COAST, FL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

Note 12 – Prepaid Water and Sewer Impact Fees

The original developers of the City of Palm Coast collected impact fees to establish utility infrastructure. These amounts are considered a prepayment of current impact fees and are subtracted from the total impact fees due when a building lot is developed. As of September 30, 2009, the amount of prepaid impact fees is estimated to be \$20,736,000.

Note 13 – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. There has been no significant reduction in insurance coverage from the previous year. There have been no settlements in excess of insurance coverage in any of the prior three fiscal years.

Note 14 – Community Redevelopment Area

The City has established the SR100 Community Redevelopment special revenue fund to account for revenues and expenditures related to the SR100 community redevelopment area. For the fiscal year ended September 30, 2009, the fund received \$609,032 in property tax revenue, a \$419,943 transfer from the general fund, and \$290 in investment earnings. Expenditures for the fiscal year of \$1,246,088 are for the purchases of land, related redevelopment costs and interest expense.

Note 15 – 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 \$1,298,818 reserved in the General Fund.

CITY OF PALM COAST, FL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

Note 16 – Fund Balance Policy

During the fiscal year ended September 30, 2009, the City enacted a policy establishing minimum levels of unreserved/undesignated fund balance and unrestricted net assets. The details of this policy are outlined below.

General Fund

Adjusted unreserved/undesignated fund balance (includes amounts reserved for advances to other funds less fiscal year 2010 appropriations), at year end, will be between ten percent and twenty percent of the following year's budgeted expenditures. Adjusted unreserved/undesignated fund balance over twenty percent will be transferred to the Disaster Reserve Fund to meet the fund balance goal, or to the Capital Projects Fund, if necessary. If the adjusted unreserved/undesignated fund balance is below ten percent at year end, a plan must be developed using increased revenues or a reduction in expenditures to return the adjusted unreserved/undesignated fund balance to ten percent or greater within three years.

Utility Fund

Unrestricted net assets, at year end, will be between ten percent and twenty percent of the following year's budgeted expenses. Unrestricted net assets over twenty percent will be assigned to a rate stabilization fund or transferred to the Utility Capital Projects Fund for utility system renewal and replacement. If the unrestricted net assets is below ten percent at year end, a plan must be developed using increased revenues or a reduction in expenses to return the unrestricted net assets to ten percent or greater within three years.

Stormwater Management Fund

Unrestricted net assets, at year end, will be between ten percent and twenty percent of the following year's budgeted expenses excluding capital expenditures. Unrestricted net assets over twenty percent will be assigned for future system capital projects. If the unrestricted net assets balance is below ten percent at year end, a plan must be developed using increased revenues or a reduction in expenses to return the unrestricted net assets to ten percent or greater within three years.

Solid Waste Fund

Unrestricted net assets, at year end, will be between five percent and ten percent of the following year's budgeted operating expenses. Unrestricted net assets over ten percent will be assigned to a rate stabilization fund. If the unrestricted net assets is below five percent at year end, a plan must be developed using increased revenues or a reduction in expenses to return the unrestricted net assets to five percent or greater within three years.

CITY OF PALM COAST, FL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

Note 16 – Fund Balance Policy (Continued)

Tennis Center Fund and Golf Course Fund

Unrestricted net assets, at year end, will be between five percent and ten percent of the following year's budgeted operating expenses. Unrestricted net assets over ten percent will be assigned for future capital projects including renewal and replacements. If the unrestricted net assets is below five percent at year end, a plan must be developed using increased revenues or a reduction in expenses to return the unrestricted net assets to ten percent or greater within three years.

Disaster Reserve

The Disaster Reserve is unreserved/designated fund balance within the General Fund. This balance at year end will be at least two one hundredths percent (0.02%) of the just value of all property in the City on July 1 of that year. If the unreserved/designated fund balance is below the minimum amount at year end, an additional amount should be designated from the General Fund undesignated/unreserved fund balance in an amount sufficient to increase the Disaster Reserve above the minimum amount, within two years.

Other Funds

All other funds, including Special Revenue Funds, Capital Project Funds, and Internal Service Funds do not have a fund balance requirement. Fund balances in these funds are dictated by revenue sources and a schedule of capital projects.

Policy Compliance

Both the Stormwater Management Fund and the Tennis Center Fund are below the minimum levels of unrestricted net assets under this policy. The City currently has a plan in place utilizing a combination of rate increases and costs savings initiatives to bring these into compliance within three years. The General Fund and the Utility Fund are over the maximum as described above. Disposition of the overages will be incorporated into future years budgets.

Note 17 – Subsequent Events

SR100 CRA Redevelopment Revenue Note

In December 2009, the SR100 CRA entered into a loan agreement with a bank to provide funding for its redevelopment initiatives. The total amount borrowed was \$4 million, at an interest rate of 4.34% and for a term of 15 years with semi-annual payments. The note is secured by future redevelopment revenues.

Golf Course Lease

In October 2009, the City entered into a noncancelable operating lease agreement for golf carts for the Palm Harbor Golf Club. The lease calls for monthly payments of \$5,449 for a term of 48 months with a fair market value buy out.

CITY OF PALM COAST, FL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009

Note 17 – Subsequent Events (Continued)

Fiber Optic Equipment Lease

In November 2009, the City entered into a capital lease agreement for equipment related to its city-wide fiber optics project. The lease calls for annual payments of \$72,968 for a term of three years with a \$1 bargain purchase option.

Computer Equipment Lease

In October 2009, the City entered into a capital lease agreement for computer equipment. The lease calls for annual payments of \$21,986 for a term of four years with a \$1 bargain purchase option.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF PALM COAST, FL
REQUIRED SUPPLEMENTARY INFORMATION
VOLUNTEER FIREFIGHTERS PENSION PLAN
SEPTEMBER 30, 2009**

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)
10/1/2008	\$ 968,776	\$ 848,589	\$ (120,187)	114.16%	\$ 0	N/A
10/1/2007	558,348	530,700	(27,648)	105.21%	0	N/A
10/1/2006	305,039	440,413	135,374	69.26%	0	N/A

Schedule of Employer and Other Contributing Entities

Year Ended September 30	Annual Required Contributions	City Contribution	State Contribution	Percentage Contributed
2008	\$ 82,833	\$ 0	\$ 112,408	100
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 -2008 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, 2009 \$189,743 of accumulated state contributions are reserved for future benefit improvements.

**CITY OF PALM COAST, FL
 REQUIRED SUPPLEMENTARY INFORMATION
 POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)
 SEPTEMBER 30, 2009**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
3/1/2008	\$ 0	\$ 319,000	\$ 319,000	0%	\$14,671,000	2.20%

Schedule of Employer Contributions

Year Ended September 30	Annual Required Contributions	Percentage Contributed	Contribution as a Percentage of Payroll
2009	\$ 98,000	0%	0%

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, 2009

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 19,512,000	\$ 19,503,300	\$ 19,658,913	\$ 155,613
Licenses and permits	2,125,900	1,145,800	1,147,673	1,873
Intergovernmental revenue	2,073,800	2,621,400	2,665,397	43,997
Charges for services	4,747,971	4,415,243	4,138,657	(276,586)
Fines and forfeitures	1,020,800	1,057,900	450,892	(607,008)
Contributions	-	11,200	21,295	10,095
Rental income	-	102,300	102,334	34
Investment earnings	582,800	578,200	595,067	16,867
Miscellaneous	109,700	178,500	75,211	(103,289)
Total revenues	<u>30,172,971</u>	<u>29,613,843</u>	<u>28,855,439</u>	<u>(758,404)</u>
EXPENDITURES				
Current:				
General government:				
Major and Council	85,359	83,600	71,363	12,237
City Administration	2,472,303	2,604,068	2,487,477	116,591
City Attorney	568,606	424,225	395,345	28,880
Financial Services	773,683	772,821	762,232	10,589
Information Technology	2,443,922	2,486,082	2,415,020	71,062
Community Development	5,589,610	5,158,897	4,947,035	211,862
Nondepartmental	897,900	2,061,600	526,293	1,535,307
Total general government	<u>12,831,383</u>	<u>13,591,293</u>	<u>11,604,765</u>	<u>1,986,528</u>
Public safety:				
Fire	6,977,062	7,124,021	7,111,445	12,576
Law Enforcement	2,301,390	2,430,553	2,425,414	5,139
Total public safety	<u>9,278,452</u>	<u>9,554,574</u>	<u>9,536,859</u>	<u>17,715</u>
Transportation & physical environment:				
Streets and Drainage	7,294,332	5,910,925	5,659,182	251,743
Engineering	1,449,368	1,296,715	1,221,633	75,082
Total transportation & physical environment	<u>8,743,700</u>	<u>7,207,640</u>	<u>6,880,815</u>	<u>326,825</u>
Culture and recreation	2,479,021	2,189,876	2,008,819	181,057
Total expenditures	<u>33,332,556</u>	<u>32,543,383</u>	<u>30,031,258</u>	<u>2,512,125</u>
Excess (deficiency) of revenues over (under) expenditures	(3,159,585)	(2,929,540)	(1,175,819)	1,753,721
OTHER FINANCING SOURCES (USES)				
Transfers in	822,300	822,300	822,300	-
Transfers out	(782,634)	(795,861)	(505,554)	290,307
Sale of Capital Assets	-	2,899,900	2,903,420	3,520
Total other financing sources (uses)	<u>39,666</u>	<u>2,926,339</u>	<u>3,220,166</u>	<u>293,827</u>
Net change in fund balance	(3,119,919)	(3,201)	2,044,347	2,047,548
Fund balance - beginning	15,130,475	15,130,475	15,130,475	-
Fund balance - ending	<u>\$ 12,010,556</u>	<u>\$ 15,127,274</u>	<u>\$ 17,174,822</u>	<u>\$ 2,047,548</u>

City of Palm Coast, Florida
 Required Supplementary Information
 Transportation Impact Fee Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2009

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental revenue	\$ 6,850,000	\$ 4,237,400	\$ -	\$ (4,237,400)
Impact fees	4,289,300	1,300,000	1,024,914	(275,086)
Investment earnings	818,500	428,300	251,728	(176,572)
Total revenues	<u>11,957,800</u>	<u>5,965,700</u>	<u>1,276,642</u>	<u>(4,689,058)</u>
EXPENDITURES				
Capital Outlay:				
Transportation and physical environment	72,446,579	12,124,300	11,837,827	286,473
Total expenditures	<u>72,446,579</u>	<u>12,124,300</u>	<u>11,837,827</u>	<u>286,473</u>
Excess (deficiency) of revenues over (under) expenditures	(60,488,779)	(6,158,600)	(10,561,185)	(4,402,585)
OTHER FINANCING SOURCES (USES)				
Issuance of long term debt	50,000,000	-	-	-
Total other financing sources (uses)	<u>50,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(10,488,779)	(6,158,600)	(10,561,185)	(4,402,585)
Fund balance - beginning	11,761,761	11,761,761	11,761,761	-
Fund balance - ending	<u>\$ 1,272,982</u>	<u>\$ 5,603,161</u>	<u>\$ 1,200,576</u>	<u>\$ (4,402,585)</u>

City of Palm Coast, Florida
Required Supplementary Information
Streets Improvement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2009

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 3,951,200	\$ 3,929,400	\$ 3,968,974	\$ 39,574
Intergovernmental revenue	1,276,500	1,293,800	1,278,189	(15,611)
Fines and forfeitures	1,350,000	968,000	906,478	(61,522)
Investment earnings	143,300	152,100	109,419	(42,681)
Total revenues	<u>6,721,000</u>	<u>6,343,300</u>	<u>6,263,060</u>	<u>(80,240)</u>
EXPENDITURES				
Current:				
Public safety	300,000	300,000	289,360	10,640
Transportation and physical environment	207,000	207,000	39,861	167,139
Capital Outlay:				
Transportation and physical environment	8,064,500	5,836,300	5,879,082	(42,782)
Total expenditures	<u>8,571,500</u>	<u>6,343,300</u>	<u>6,208,303</u>	<u>134,997</u>
Net change in fund balance	(1,850,500)	-	54,757	54,757
Fund balance - beginning	4,046,995	4,046,995	4,046,995	-
Fund balance - ending	<u>\$ 2,196,495</u>	<u>\$ 4,046,995</u>	<u>\$ 4,101,752</u>	<u>\$ 54,757</u>

City of Palm Coast, Florida
Required Supplementary Information
SR100 CRA Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2009

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 577,150	\$ 609,032	\$ 609,032	\$ -
Intergovernmental revenue	200,000	-	-	-
Investment earnings	10,000	1,300	290	(1,010)
Total revenues	<u>787,150</u>	<u>610,332</u>	<u>609,322</u>	<u>(1,010)</u>
EXPENDITURES				
Current:				
Transportation and physical environment	100,000	100,000	119,000	(19,000)
Capital Outlay:				
Transportation and physical environment	930,000	930,000	854,782	75,218
Debt Service:				
Interest and Other	472,307	272,582	272,306	276
Total expenditures	<u>1,502,307</u>	<u>1,302,582</u>	<u>1,246,088</u>	<u>56,494</u>
Excess (deficiency) of revenues over (under) expenditures	(715,157)	(692,250)	(636,766)	55,484
OTHER FINANCING SOURCES (USES)				
Transfers in	692,250	692,250	419,943	(272,307)
Total other financing sources (uses)	<u>692,250</u>	<u>692,250</u>	<u>419,943</u>	<u>(272,307)</u>
Net change in fund balance	(22,907)	-	(216,823)	(216,823)
Fund balance - beginning	<u>(5,367,232)</u>	<u>(5,367,232)</u>	<u>(5,367,232)</u>	<u>-</u>
Fund balance - ending	<u>\$ (5,390,139)</u>	<u>\$ (5,367,232)</u>	<u>\$ (5,584,055)</u>	<u>\$ (216,823)</u>

CITY OF PALM COAST, FLORIDA
NOTES TO 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.

**COMBINING NONMAJOR GOVERNMENTAL 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 accounts 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 accounts for the costs of educational expenses for police officers. Revenues come from fines and forfeitures.

Police Automation Fund -This fund accounts 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 accounts 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 accounts 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.

Neighborhood Stabilization Fund -This fund accounts for the acquisition and rehabilitation of homes for sale and lease to individuals and families as part of a grant under the Neighborhood Stabilization Program.

Old Kings Road Special Assessment Fund -This fund accounts for the collection and disbursement of special assessments for the widening and realignment of Old Kings Road.



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City of Palm Coast, Florida
 Capital Projects
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2009

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 2,080,000	\$ 2,062,100	\$ 2,070,142	\$ 8,042
Intergovernmental revenue	-	890,000	894,453	4,453
Charges for services	113,800	60,000	58,759	(1,241)
Investment earnings	379,400	285,000	165,821	(119,179)
Total revenues	<u>2,573,200</u>	<u>3,297,100</u>	<u>3,189,175</u>	<u>(107,925)</u>
EXPENDITURES				
Current:				
General government	624,500	282,000	279,668	2,332
Capital Outlay:				
General government	155,000	70,000	67,917	2,083
Public Safety	1,533,000	1,832,000	1,827,129	4,871
Transportation and physical environment	2,090,000	1,132,100	1,125,521	6,579
Culture and recreation	540,000	280,000	271,459	8,541
Total expenditures	<u>4,942,500</u>	<u>3,596,100</u>	<u>3,571,694</u>	<u>24,406</u>
Excess (deficiency) of revenues over (under) expenditures	(2,369,300)	(299,000)	(382,519)	(83,519)
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	4,550,000	4,500,000
Transfers out	(49,616)	(49,616)	(49,616)	-
Total other financing sources (uses)	<u>384</u>	<u>384</u>	<u>4,500,384</u>	<u>4,500,000</u>
Net change in fund balance	(2,368,916)	(298,616)	4,117,865	4,416,481
Fund balance - beginning	<u>7,899,230</u>	<u>7,899,230</u>	<u>7,899,230</u>	<u>-</u>
Fund balance - ending	<u>\$ 5,530,314</u>	<u>\$ 7,600,614</u>	<u>\$ 12,017,095</u>	<u>\$ 4,416,481</u>

City of Palm Coast, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2009

	Special Revenue Funds							
	Police Education	Police Automation	Park Impact Fee	Fire Impact Fee	Neighborhood Stabilization	OKR Special Assessment Fund	Total Governmental Funds	
ASSETS								
Equity in pooled cash and investments	\$ 64,977	\$ 213,351	\$ 1,234,716	\$ 1,571	\$ -	\$ 2,497,578	\$ 4,012,193	
Special Assessment receivable - net	-	-	-	-	-	38,326	38,326	
Due from other governments	-	-	109,892	-	5,856	-	115,748	
Due from other funds	-	-	4,683	-	-	-	4,683	
Total assets	<u>\$ 64,977</u>	<u>\$ 213,351</u>	<u>\$ 1,349,291</u>	<u>\$ 1,571</u>	<u>\$ 5,856</u>	<u>\$ 2,535,904</u>	<u>\$ 4,170,950</u>	
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 24,000	\$ -	\$ 3,373	\$ 211,478	\$ 1,173	\$ 796,288	\$ 1,036,312	
Deferred revenue	-	-	-	-	-	8,556	8,556	
Due to other funds	-	-	-	-	4,683	-	4,683	
Advances from other funds	-	-	-	-	-	4,983,167	4,983,167	
Total liabilities	<u>24,000</u>	<u>-</u>	<u>3,373</u>	<u>211,478</u>	<u>5,856</u>	<u>5,788,011</u>	<u>6,032,718</u>	
Fund Balances:								
Unreserved/undesignated	40,977	213,351	1,345,918	(209,907)	-	(3,252,107)	(1,861,768)	
Total fund balances	<u>40,977</u>	<u>213,351</u>	<u>1,345,918</u>	<u>(209,907)</u>	<u>-</u>	<u>(3,252,107)</u>	<u>(1,861,768)</u>	
Total liabilities and fund balances	<u>\$ 64,977</u>	<u>\$ 213,351</u>	<u>\$ 1,349,291</u>	<u>\$ 1,571</u>	<u>\$ 5,856</u>	<u>\$ 2,535,904</u>	<u>\$ 4,170,950</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, 2009

	Special Revenue Funds						
	Police Education	Police Automation	Park Impact Fee	Fire Impact Fee	Neighborhood Stabilization	OKR Special Assessment Fund	Total Governmental Funds
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ 5,856	\$ -	\$ 5,856
Special assessments	-	-	-	-	-	38,701	38,701
Fines and forfeitures	8,092	33,049	-	-	-	-	41,141
Impact fees	-	-	142,410	110,420	-	3,742	256,572
Investment earnings	1,296	4,019	42,405	16,111	-	16,953	80,784
Total revenues	9,388	37,068	184,815	126,531	5,856	59,396	423,054
EXPENDITURES							
Current:							
General government	-	-	-	-	5,856	-	5,856
Public safety	24,000	-	-	-	-	-	24,000
Culture and recreation	-	-	17,964	-	-	-	17,964
Capital outlay:							
Public Safety	-	-	-	1,249,553	-	-	1,249,553
Transportation and physical environment	-	-	-	-	-	3,272,802	3,272,802
Culture and recreation	-	-	1,305,761	-	-	-	1,305,761
Interest and Other	-	-	-	-	-	38,701	38,701
Total expenditures	24,000	-	1,323,725	1,249,553	5,856	3,311,503	5,914,637
Net change in fund balances	(14,612)	37,068	(1,138,910)	(1,123,022)	-	(3,252,107)	(5,491,583)
Fund balances - beginning	55,589	176,283	2,484,828	913,115	-	-	3,629,815
Fund balances - ending	\$ 40,977	\$ 213,351	\$ 1,345,918	\$ (209,907)	\$ -	\$ (3,252,107)	\$ (1,861,768)

City of Palm Coast, Florida
 Police Education
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2009

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 13,500	\$ 8,500	\$ 8,092	\$ (408)
Investment earnings	2,000	2,000	1,296	(704)
Total revenues	<u>15,500</u>	<u>10,500</u>	<u>9,388</u>	<u>(1,112)</u>
EXPENDITURES				
Current:				
Public safety	73,500	24,000	24,000	-
Total expenditures	<u>73,500</u>	<u>24,000</u>	<u>24,000</u>	<u>-</u>
Net change in fund balance	(58,000)	(13,500)	(14,612)	(1,112)
Fund balance - beginning	55,589	55,589	55,589	-
Fund balance - ending	<u>\$ (2,411)</u>	<u>\$ 42,089</u>	<u>\$ 40,977</u>	<u>\$ (1,112)</u>

City of Palm Coast, Florida
Police Automation
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2009

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 53,800	\$ 36,000	\$ 33,049	\$ (2,951)
Investment earnings	5,900	6,700	4,019	(2,681)
Total revenues	<u>59,700</u>	<u>42,700</u>	<u>37,068</u>	<u>(5,632)</u>
EXPENDITURES				
Current:				
Public safety	247,700	42,700	-	42,700
Total expenditures	<u>247,700</u>	<u>42,700</u>	<u>-</u>	<u>42,700</u>
Net change in fund balance	(188,000)	-	37,068	37,068
Fund balance - beginning	176,283	176,283	176,283	-
Fund balance - ending	<u>\$ (11,717)</u>	<u>\$ 176,283</u>	<u>\$ 213,351</u>	<u>\$ 37,068</u>

City of Palm Coast, Florida
Park Impact Fee
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2009

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental revenue	\$ 1,645,000	\$ -	\$ -	\$ -
Impact fees	316,300	175,000	142,410	(32,590)
Investment earnings	157,900	70,000	42,405	(27,595)
Total revenues	<u>2,119,200</u>	<u>245,000</u>	<u>184,815</u>	<u>(60,185)</u>
EXPENDITURES				
Current:				
Culture and recreation	15,000	15,000	17,964	(2,964)
Capital Outlay:				
Culture and recreation	4,530,000	1,345,500	1,305,761	39,739
Total expenditures	<u>4,545,000</u>	<u>1,360,500</u>	<u>1,323,725</u>	<u>36,775</u>
Net change in fund balance	(2,425,800)	(1,115,500)	(1,138,910)	(23,410)
Fund balance - beginning	<u>2,484,828</u>	<u>2,484,828</u>	<u>2,484,828</u>	-
Fund balance - ending	<u>\$ 59,028</u>	<u>\$ 1,369,328</u>	<u>\$ 1,345,918</u>	<u>\$ (23,410)</u>

City of Palm Coast, Florida
 Fire Impact Fee
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2009

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Impact fees	\$ 170,900	\$ 150,000	\$ 110,420	\$ (39,580)
Investment earnings	36,000	16,000	16,111	111
Total revenues	<u>206,900</u>	<u>166,000</u>	<u>126,531</u>	<u>(39,469)</u>
EXPENDITURES				
Current:				
Public Safety	1,630,000	1,366,000	1,249,553	116,447
Total expenditures	<u>1,630,000</u>	<u>1,366,000</u>	<u>1,249,553</u>	<u>116,447</u>
Net change in fund balance	(1,423,100)	(1,200,000)	(1,123,022)	76,978
Fund balance - beginning	913,115	913,115	913,115	-
Fund balance - ending	<u>\$ (509,985)</u>	<u>\$ (286,885)</u>	<u>\$ (209,907)</u>	<u>\$ 76,978</u>

City of Palm Coast, Florida
 Neighborhood Stabilization
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2009

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental revenue	\$ 6,000	\$ 6,000	\$ 5,856	\$ (144)
Total revenues	6,000	6,000	5,856	(144)
EXPENDITURES				
Current:				
General government	6,000	6,000	5,856	144
Total expenditures	6,000	6,000	5,856	144
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

City of Palm Coast, Florida
OKR Special Assessment Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2009

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Special assessments	\$ -	\$ -	\$ 38,701	\$ 38,701
Impact fees	-	-	3,742	3,742
Investment earnings	40,000	40,000	16,953	(23,047)
Total revenues	40,000	40,000	59,396	19,396
EXPENDITURES				
Capital Outlay:				
Transportation and physical environment	4,984,400	4,984,400	3,272,802	1,711,598
Debt Service:				
Interest and Other	-	-	38,701	(38,701)
Total expenditures	4,984,400	4,984,400	3,311,503	1,672,897
Excess (deficiency) of revenues over (under) expenditures	(4,944,400)	(4,944,400)	(3,252,107)	1,692,293
OTHER FINANCING SOURCES (USES)				
Issuance of long term debt	4,944,400	4,944,400	-	(4,944,400)
Total other financing sources (uses)	4,944,400	4,944,400	-	(4,944,400)
Net change in fund balance	-	-	(3,252,107)	(3,252,107)
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ (3,252,107)	\$ (3,252,107)



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**COMBINING NONMAJOR ENTERPRISE
FUND STATEMENTS**



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NONMAJOR ENTERPRISE FUNDS

Enterprise Funds account for the functions that are financed and operated in a manner similar to private business enterprises and where the costs of providing goods or services to the general public are recovered primarily through user charges, or where the City has decided that determination of net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Golf Course Fund -This fund accounts for the operations of the Palm Harbor Golf Course financed primarily by user fees.

Tennis Center Fund -This fund accounts for the operations of a tennis center financed primarily by user fees.

City of Palm Coast, Florida
Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2009

	Business-type		
	Activities-Enterprise Funds		
	Golf Course	Tennis Center	Totals
Assets:			
Current assets:			
Equity in pooled cash and investments	\$ 1,231,808	\$ 3,813	\$ 1,235,621
Prepaid Items	5,517	-	5,517
Restricted current assets:			
Land	2,214,627	-	2,214,627
Equipment	99,062	33,421	132,483
Less accumulated depreciation	(1,547)	(6,605)	(8,152)
Construction in progress	3,850,133	-	3,850,133
Total capital assets	<u>7,399,600</u>	<u>30,629</u>	<u>7,430,229</u>
Total assets	<u>\$ 7,399,600</u>	<u>\$ 30,629</u>	<u>\$ 7,430,229</u>
Liabilities:			
Current liabilities:			
Accounts payable	\$ 650,493	\$ 4,287	\$ 654,780
Compensated absences	-	4,749	4,749
Accrued liabilities	20,058	3,923	23,981
Deferred revenue	-	18,415	18,415
Current liabilities payable from rstrd assets:			
Compensated absences	-	7,259	7,259
Advances from other funds	4,500,000	-	4,500,000
Total noncurrent liabilities	<u>5,170,551</u>	<u>38,633</u>	<u>5,209,184</u>
Total liabilities	<u>5,170,551</u>	<u>38,633</u>	<u>5,209,184</u>
NET ASSETS			
Invested in capital assets, net of related debt	6,162,275	26,816	6,189,091
Unrestricted	<u>(3,933,226)</u>	<u>(34,820)</u>	<u>(3,968,046)</u>
Total net assets	<u>\$ 2,229,049</u>	<u>\$ (8,004)</u>	<u>\$ 2,221,045</u>

City of Palm Coast, Florida
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Nonmajor Enterprise Funds
For the Year Ended September 30, 2009

Business-type Activities - Enterprise Funds			
	Golf Course	Tennis Center	Totals
Operating Revenues:			
Charges for services:			
Tennis program charges	\$ -	\$ 153,925	\$ 153,925
Total operating revenues	-	153,925	153,925
Operating Expenses:			
Golf Course	82,672	-	82,672
Tennis Center	-	238,966	238,966
Depreciation	1,547	4,003	5,550
Total operating expenses	84,219	242,969	327,188
Operating income (loss)	(84,219)	(89,044)	(173,263)
Nonoperating Revenues (Expenses):			
Investment revenue	97,704	159	97,863
Total nonoperating revenues (expenses)	97,704	159	97,863
Income (loss) before capital contributions and transfers	13,485	(88,885)	(75,400)
TRANSFERS			
Transfers in	-	82,000	82,000
Transfers out	(4,500,000)	-	(4,500,000)
Total transfers	(4,500,000)	82,000	(4,418,000)
Change in net assets	(4,486,515)	(6,885)	(4,493,400)
NET ASSETS			
Total net assets - beginning	6,715,564	(1,119)	6,714,445
Total net assets - ending	\$ 2,229,049	\$ (8,004)	\$ 2,221,045

City of Palm Coast, Florida
Combining Statement of Cash Flows
Nonmajor Enterprise Funds Funds
For the Year Ended September 30, 2009

	Golf Course	Tennis Center	Totals
Cash flows from operating activities			
Cash received from customers	\$ -	\$ 145,054	\$ 145,054
Cash paid to suppliers	(45,967)	(94,828)	(140,795)
Cash paid to employees	(23,923)	(138,557)	(162,480)
Net cash provided by (used in) operating activities	(69,890)	(88,331)	(158,221)
Cash flow from noncapital financing activities			
Transfers in from other funds	-	82,000	82,000
Transfers out to other funds	(4,500,000)	-	(4,500,000)
Advances from other funds	4,500,000	-	4,500,000
Net cash provided by (used in) noncapital financing activities	-	82,000	82,000
Cash flow from capital and related financing activities			
Acquisition and construction of property, plant and equipment	(3,002,824)	(6,540)	(3,009,364)
Net cash provided by (used in) capital and related financing activities	(3,002,824)	(6,540)	(3,009,364)
Cash flow from investing activities			
Interest on investments	97,704	159	97,863
Net cash provided by (used in) investing activities	97,704	159	97,863
Net increase (decrease) in cash and cash equivalents	(2,975,010)	(12,712)	(2,987,722)
Beginning cash and cash equivalents	4,206,818	16,525	4,223,343
Ending cash and cash equivalents	\$ 1,231,808	\$ 3,813	\$ 1,235,621

(continued)

City of Palm Coast, Florida
Combining Statement of Cash Flows (continued)
Nonmajor Enterprise Funds Funds
For the Year Ended September 30, 2009

	Golf Course	Tennis Center	Totals
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ (84,219)	\$ (89,044)	\$ (173,263)
Adjustment to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	1,547	4,003	5,550
Change in assets and liabilities:			
Prepays	(5,517)	-	(5,517)
Accounts payable	-	(365)	(365)
Accrued liabilities	18,299	(8,360)	9,939
Compensated absences	-	5,435	5,435
Net cash provided by (used in) operating activities	\$ (69,890)	\$ (88,331)	\$ (158,221)
Cash and cash equivalents classified as:			
Equity in pooled cash and investments in current assets	\$ 1,231,808	\$ 3,813	\$ 1,235,621
Total cash and cash equivalents	\$ 1,231,808	\$ 3,813	\$ 1,235,621



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FIDUCIARY FUND SCHEDULES

FIDUCIARY FUNDS

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Agency funds are fiduciary funds that hold monies in an agency capacity for various governmental units, individuals or funds.

Coquina Coast Cooperative Agency Fund -This fund accounts for all cash contributed and disbursed on behalf of the Coquina Coast Cooperative desalinization project. This is a cooperative effort between regional governmental entities investigating the potential for a desalinization water plant.

City of Palm Coast, Florida
Schedule of Changes in Assets and Liabilities
Agency Funds
For the year ended September 30, 2009

	<u>Balance October 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2009</u>
Coquina Coast Cooperative				
Cash and investments	\$ -	\$ 763,988	\$ 205,332	\$ 558,656
Due from other governments	-	1,007,099	759,464	247,635
Total assets	<u>\$ -</u>	<u>\$ 1,771,087</u>	<u>\$ 964,796</u>	<u>\$ 806,291</u>
Accounts payable	\$ -	\$ 558,292	\$ 205,332	\$ 352,960
Deposits held in escrow	-	763,988	310,657	453,331
Total liabilities	<u>\$ -</u>	<u>\$ 1,322,280</u>	<u>\$ 515,989</u>	<u>\$ 806,291</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.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	111
Revenue Capacity These Schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes	116
Debt Capacity 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.	120
Demographic and Economic Information 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	125
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the city's financial information related to the services the City's provides and the activities it performs.	127

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



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Schedule 1
City of Palm Coast, Florida
Net Assets by Component,
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2000	2001	2002	2003	2004 (1)	2005 (2)	2006	2007	2008	2009
Governmental activities										
Invested in capital assets, net of related debt	\$382,928	\$4,763,505	\$167,192,568	\$171,361,402	\$180,740,187	\$188,058,574	\$200,311,305	\$228,447,143	\$267,361,577	\$296,098,069
Restricted	147,938	27,338	17,538	18,168	5,950,159	20,866,845	34,114,771	32,324,411	21,477,931	8,201,392
Unrestricted	1,107,096	7,355,731	13,041,435	14,698,845	9,707,728	13,953,120	21,046,064	15,686,738	16,811,638	19,321,526
Total governmental activities net assets	\$1,637,962	\$12,146,574	\$180,251,541	\$186,078,415	\$196,398,074	\$222,878,539	\$255,472,140	\$276,458,292	\$305,651,146	\$323,620,987
Business-type activities										
Invested in capital assets, net of related debt	-	-	-	-	\$1,704,059	\$13,854,695	\$20,287,134	\$36,693,625	\$49,857,685	\$60,854,530
Restricted	-	-	-	-	5,288,252	7,733,922	15,509,631	15,436,579	12,965,853	6,051,501
Unrestricted	-	-	-	-	\$3,745,088	\$9,345,746	\$9,897,342	\$11,234,724	\$11,746,111	\$11,977,264
Total business-type activities net assets	-	-	-	-	\$10,737,399	\$30,934,363	\$45,694,107	\$63,364,928	\$74,569,649	\$78,883,295
Primary government										
Invested in capital assets, net of related debt	\$382,928	\$4,763,505	\$167,192,568	\$171,361,402	\$182,444,246	\$201,913,269	\$220,598,439	\$265,140,768	\$317,219,262	\$356,952,599
Restricted	147,938	27,338	17,538	18,168	11,238,411	28,600,767	49,624,402	47,760,990	34,443,784	14,252,893
Unrestricted	1,107,096	7,355,731	13,041,435	14,698,845	13,452,816	23,298,866	30,943,406	26,921,462	28,557,749	31,298,790
Total primary government net assets	\$1,637,962	\$12,146,574	\$180,251,541	\$186,078,415	\$207,135,473	\$253,812,902	\$301,166,247	\$339,823,220	\$380,220,795	\$402,504,282

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

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

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

Schedule 2
City of Palm Coast, Florida
Changes in Net Assets,
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2000	2001	2002	2003	2004 (1)	2005 (2)	2006	2007	2008	2009
Expenses										
Governmental activities:										
General government	\$640,638	\$4,003,411	\$4,735,135	\$6,105,902	\$8,388,301	\$6,821,382	\$8,721,369	\$8,358,244	\$8,222,494	\$9,089,652
Public safety	1,148	2,229,349	2,391,106	2,837,067	3,643,368	4,450,045	6,339,499	7,749,060	8,270,787	9,558,547
Transportation and physical environment	-	1,617,073	5,003,610	5,449,800	6,589,005	7,054,196	8,776,023	9,535,259	10,580,806	12,035,335
Culture and recreation	-	442,020	723,718	687,477	1,047,729	1,696,730	2,101,421	2,535,047	2,692,254	2,710,434
Interest on long-term debt	657	10,296	84,073	39,515	17,983	39,017	19,208	291,244	264,240	314,337
Total governmental activities expenses	642,443	8,302,149	12,937,642	15,119,761	19,686,386	20,061,370	25,957,520	28,468,854	30,030,581	33,708,305
Business-type activities:										
Utility	-	-	-	-	15,619,664	18,667,179	22,329,065	24,748,547	27,047,807	32,873,576
Solid Waste	-	-	-	-	1,490,093	3,733,373	4,359,944	6,352,603	7,436,948	6,967,672
Stormwater	-	-	-	-	-	1,270,065	3,680,413	3,469,901	3,419,649	3,654,793
Golf Course	-	-	-	-	-	-	-	-	31,989	84,219
Tennis Center	-	-	-	-	-	-	-	-	226,646	242,969
Total business-type activities expenses	\$0	\$0	\$0	\$0	\$17,109,757	\$23,670,617	\$30,369,422	\$34,571,051	\$38,163,039	\$43,823,229
Total primary government expenses	\$642,443	\$8,302,149	\$12,937,642	\$15,119,761	\$36,796,143	\$43,731,987	\$56,326,942	\$63,039,905	\$68,193,620	\$77,531,534
Program Revenues										
Governmental activities:										
Charges for services:										
General government	30,330	\$1,866,209	\$3,197,287	\$5,157,949	\$6,960,846	\$7,723,865	\$8,477,215	\$3,631,863	\$3,575,723	\$2,409,425
Public safety	-	90,248	56,640	871,075	118,086	170,604	214,074	279,066	468,618	1,028,174
Transportation and physical environment	-	232,634	82,915	1,692,582	208,305	276,940	344,155	160,299	123,281	93,136
Culture and recreation	-	117,090	74,544	1,634,750	120,901	186,165	244,630	267,788	239,941	193,571
Operating grants and contributions	60,207	4,660	3,600	83,102	2,540,442	2,032,933	2,481,156	2,227,021	2,482,829	2,696,553
Capital grants and contributions	-	-	5,032,608	151,000	4,911,700	16,970,920	19,533,215	9,809,343	23,416,000	11,116,163
Total governmental activities program revenues	90,537	2,310,841	8,447,594	9,590,458	14,860,280	27,361,427	31,294,445	16,375,380	30,306,392	17,537,022
Business-type activities:										
Charges for services:										
Utility	-	-	-	-	16,005,064	21,204,365	25,503,330	25,893,437	24,401,358	27,690,432
Solid Waste	-	-	-	-	1,450,510	3,667,701	4,003,761	6,843,240	7,278,358	7,498,306
Stormwater	-	-	-	-	-	1,673,827	3,071,992	4,046,556	3,685,785	5,112,097
Golf Course	-	-	-	-	-	-	-	-	-	-
Tennis Center	-	-	-	-	-	-	-	-	109,791	153,925
Operating grants and contributions	-	-	-	-	-	-	2,673,226	-	-	-
Capital grants and contributions	-	-	-	-	10,011,548	17,760,957	9,743,906	15,174,755	9,175,206	12,605,884
Total business-type activities program revenues	-	-	-	-	27,467,122	44,306,850	44,996,215	51,957,988	44,650,498	53,060,644
Total primary government program revenues	\$90,537	\$2,310,841	\$8,447,594	\$9,590,458	\$42,327,402	\$71,668,277	\$76,290,660	\$68,333,368	\$74,956,890	\$70,597,666

	Fiscal Year									
	2000	2001	2002	2003	2004 (1)	2005 (2)	2006	2007	2008	2009
Net (Expense)/Revenue										
Governmental activities	(\$551,906)	(\$5,991,308)	(\$4,490,048)	(\$5,529,303)	(\$4,826,106)	\$7,300,057	\$5,336,925	(\$12,093,474)	\$275,811	(\$16,171,283)
Business-Type activities	-	-	-	-	10,357,365	20,636,233	14,626,793	17,386,937	6,487,459	9,237,415
Total primary government net expense	(\$551,906)	(\$5,991,308)	(\$4,490,048)	(\$5,529,303)	\$5,531,259	\$27,936,290	\$19,963,718	\$5,293,463	\$6,763,270	(\$6,933,868)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	-	\$4,882,939	\$5,981,826	\$6,539,567	\$7,855,523	\$10,218,772	\$14,720,753	\$19,902,970	\$20,620,265	\$18,211,813
Sales and use taxes	-	-	4,066,291	2,202,280	1,878,066	2,649,771	2,617,198	2,434,474	2,458,212	2,422,436
Telecommunication services tax	-	-	1,107,968	1,531,099	1,634,060	1,980,363	2,430,169	2,616,030	3,431,800	2,726,666
Franchise Fees	-	174,310	203,115	103,024	79,730	9,651	-	-	571,591	58,423
Intergovernmental revenue	1,872,119	8,869,143	3,319,553	2,016,034	2,128,690	2,730,825	3,310,749	3,095,179	3,364,679	3,310,696
Unrestricted investment earnings	13,096	236,059	176,256	186,128	197,427	750,053	2,358,173	3,515,416	2,132,333	1,244,703
Rental income	-	-	-	-	-	-	-	-	-	102,334
Miscellaneous	75	321,961	1,346,908	131,716	6,006	24,443	35,711	240,871	128,620	75,211
Gain (Loss) on sale of capital assets	-	-	-	(20,803)	8,895	93,575	25,115	66,891	14,653	231,860
Capital contributions not restricted to specific programs	304,578	2,015,508	156,393,098	-	-	-	802,047	61,260	-	-
Transfers	-	-	-	-	24,500	722,955	956,761	1,146,535	(3,805,110)	5,756,982
Total governmental activities	2,189,868	16,499,920	172,595,015	12,689,045	13,812,897	19,180,408	27,256,676	33,079,626	28,917,043	34,141,124
Business-type activities:										
Unrestricted investment earnings	-	-	-	-	148,549	539,671	1,089,712	1,430,419	912,152	833,213
Transfers	-	-	-	-	(24,500)	(722,955)	(956,761)	(1,146,535)	3,805,110	(5,756,982)
Total business-type activities	-	-	-	-	124,049	(183,284)	132,951	283,884	4,717,262	(4,923,769)
Total primary government	\$2,189,868	\$16,499,920	\$172,595,015	\$12,689,045	\$13,936,946	\$18,997,124	\$27,389,627	\$33,363,510	\$33,634,305	\$29,217,355
Change in Net Assets										
Governmental activities	\$1,637,962	\$10,508,612	\$168,104,967	\$7,159,742	\$8,986,791	\$26,480,465	\$32,593,601	\$20,986,152	\$29,192,854	\$17,969,841
Business-Type activities	-	-	-	-	10,481,414	20,452,949	14,759,744	17,670,821	11,204,721	4,313,646
Total primary government	\$1,637,962	\$10,508,612	\$168,104,967	\$7,159,742	\$19,468,205	\$46,933,414	\$47,353,345	\$38,656,973	\$40,397,575	\$22,283,487

Note: The City of Palm Coast was incorporated on December 31, 1999. The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2000. Capital contributions not restricted to specific programs totaling \$156,393,098 in fiscal year 2002 represents land and infrastructure contributed to the City by Flagler County

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

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

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$ -	\$ 288,747	\$ 847,267	\$ 820,575	\$ 605,668	\$ 1,443,695	\$ 1,103,293	\$ 2,933,294	\$ 2,106,699	\$ 7,141,109
Unreserved	1,242,949	2,661,069	2,763,569	3,714,792	5,849,129	9,168,444	13,572,557	10,210,163	13,023,776	10,033,713
Total general fund	\$1,242,949	\$2,949,816	\$3,610,836	\$4,535,367	\$6,454,797	\$10,612,139	\$14,675,850	\$13,143,457	\$15,130,475	\$17,174,822
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ 908,544	\$ 1,204,184	\$ 2,158,702	\$ 7,009,041	\$ 4,996,572	\$ 4,129,475	\$ -	\$4,500,000
Unreserved, reported in:										
Capital projects funds	-	4,246,865	6,871,420	4,746,588	2,633,691	2,656,158	6,313,502	9,341,010	7,899,230	7,517,095
Special revenue funds	12,085	337,578	1,949,095	4,840,163	5,693,586	15,638,859	29,286,584	21,725,136	14,071,339	(2,143,495)
Total all other governmental funds	\$12,085	\$4,584,443	\$9,729,059	\$10,790,935	\$10,485,979	\$25,304,058	\$40,596,658	\$35,195,621	\$21,970,569	\$9,873,600

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

Schedule 4
City of Palm Coast, Florida
Changes in Fund Balances, Governmental Funds,
Last Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Revenues								
Taxes	\$11,359,200	\$11,571,061	\$12,941,610	\$16,174,220	\$21,670,939	\$30,198,339	\$26,759,295	\$26,307,061
Licenses and permits	2,790,824	4,209,977	5,910,993	6,525,597	6,161,259	2,578,103	2,572,951	1,147,673
Intergovernmental revenues	8,355,761	2,140,974	3,374,899	5,004,586	4,522,431	828,706	9,512,770	4,843,895
Charges for services	478,571	846,087	1,574,693	2,667,712	3,952,844	4,712,369	5,295,879	4,197,416
Special assessments	-	-	-	-	-	-	-	38,701
Fines and forfeitures	90,795	159,381	129,910	227,706	868,468	767,936	805,046	1,398,511
Impact fees	-	2,313,325	4,002,575	15,220,838	11,503,871	4,608,972	3,270,897	1,281,486
Contributions	-	-	-	146,100	7,396,000	1,808,376	12,719	21,295
Rental income	-	-	-	-	-	-	-	102,334
Investment Earnings	173,786	186,128	197,186	741,840	2,326,074	3,449,378	2,075,610	1,203,109
Miscellaneous	1,316,955	247,616	6,006	14,968	34,831	249,308	118,941	75,211
Total revenues	24,565,892	21,674,549	28,137,872	46,723,567	58,436,717	49,201,487	50,424,108	40,616,692
Expenditures								
Current:								
General government	4,711,537	6,841,677	8,455,664	7,673,946	10,130,835	11,608,405	12,074,244	11,642,333
Public safety	2,288,508	2,681,225	3,549,167	4,280,179	6,189,208	7,530,760	8,003,618	9,820,736
Transportation and physical environment	4,869,617	3,365,153	4,476,099	4,357,076	5,657,983	6,162,459	6,530,163	7,014,650
Culture and recreation	712,316	602,408	1,002,543	1,536,105	1,773,901	2,054,595	2,097,824	1,991,501
Capital outlay	6,840,516	3,548,620	11,260,891	9,431,598	14,409,198	28,863,676	28,797,726	27,990,100
Debt Service:								
Principal	64,999	2,598,933	77,510	138,301	55,158	37,318	34,735	36,150
Interest and Other	84,073	33,037	17,983	23,109	9,634	286,954	264,240	314,337
Total expenditures	19,571,566	19,671,053	28,839,857	27,440,314	38,225,917	56,544,167	57,802,550	58,809,807
Excess of revenues over (under) expenditures	4,994,326	2,003,496	(701,985)	19,283,253	20,210,800	(7,342,680)	(7,378,442)	(18,193,115)
Other Financing Sources (Uses)								
Sale of capital assets	-	-	905,280	-	-	-	-	2,903,420
Loan and capital lease proceeds	954,279	98,811	53,811	-	-	-	-	-
Transfers In	900,216	980,622	904,436	973,133	819,193	1,051,078	1,112,077	5,792,243
Transfers Out	(1,043,185)	(1,096,522)	(879,936)	(1,280,965)	(1,673,682)	(641,829)	(4,971,669)	(555,170)
Total other financing sources (uses)	811,310	(17,089)	983,591	(307,832)	(854,489)	409,249	(3,859,592)	8,140,493
Net change in fund balances	\$5,805,636	\$1,986,407	\$281,606	\$18,975,421	\$19,356,311	(\$6,933,431)	(\$11,238,034)	(\$10,052,622)
Debt Service as a percentage of noncapital expenditures	1.18%	19.51%	0.55%	0.90%	0.27%	1.19%	1.04%	1.15%

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

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

Fiscal Year Ended September 30,	Residential Property	Commercial Property	Industrial Property	Agricultural Property	Institutional Property	Governmental Property	Other Property	Less: Homestead Exemption (1)	Less: Save our Homes (2)	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2003	\$2,051,254,318	\$194,862,777	\$26,395,838	\$5,798,060	\$39,438,049	\$100,525,175	\$196,993,077	\$321,753,386	\$92,574,202	\$217,199,078	\$1,983,740,628	\$3.40
2004	2,528,271,398	232,047,340	31,357,801	7,760,475	42,679,835	139,464,416	214,309,963	354,573,215	165,002,148	270,418,934	\$2,405,896,931	\$3.40
2005	3,454,001,811	254,715,262	30,507,106	8,346,686	26,661,862	180,732,585	259,118,929	393,810,094	347,134,776	378,735,156	\$3,094,404,215	\$3.40
2006	5,138,381,360	300,963,171	34,861,566	8,561,550	36,578,109	189,285,651	277,949,484	441,240,549	692,335,627	408,149,787	\$4,444,854,928	\$3.40
2007	7,209,873,840	395,823,530	39,036,957	22,762,740	43,289,461	212,526,036	365,126,897	486,806,902	1,075,079,176	486,558,894	\$6,239,994,489	\$3.25
2008	7,966,142,375	513,581,436	57,316,405	82,932,630	46,282,002	302,740,605	391,307,071	519,386,257	1,135,486,199	695,552,647	\$7,009,877,421	\$2.96
2009	7,048,853,617	626,574,296	56,439,734	64,271,265	63,863,079	344,342,373	425,467,243	1,153,749,410	693,792,399	650,304,629	\$6,131,965,169	\$2.96

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

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

(1) Every person who has legal or equitable title to real property in the State of Florida, who resides on the property and makes it their permanent home is entitled to a \$25,000 exemption for the tax years 2003-2007. Starting in tax year 2008, the exemption was increased to \$50,000, with an additional \$25,000 for ages 65 and older.

(2) The Florida Constitution has been amended effective January 1, 1995 to limit any annual increase in the assessed value of residential property with a Homestead Exemption to 3 percent or the Consumer Price Index percent change, whichever is lower. This limitation does not include any change, addition or improvement to a homestead.

Schedule 6
City of Palm Coast, Florida
Direct and Overlapping Property Tax Rates,
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

Fiscal Year	City Direct Rate (1)	Overlapping Rates (2)				
		School District	Flagler County	East Flagler Mosquito Control District	St Johns River Water Management District	Florida Inland Navigation District
2000	-	\$9.5870	\$5.5167	\$0.3420	\$0.4820	\$0.0440
2001	3.15000	9.46900	5.10910	0.33300	0.47200	0.04100
2002	3.50000	9.11900	5.29120	0.31500	0.46200	0.03850
2003	3.40000	9.04900	5.26700	0.29100	0.46200	0.03850
2004	3.40000	8.81700	5.39380	0.25200	0.46200	0.03850
2005	3.40000	8.61200	5.39380	0.23500	0.46200	0.03850
2006	3.40000	8.33600	4.98380	0.18600	0.46200	0.03850
2007	3.25000	7.71100	4.77160	0.16800	0.46200	0.03850
2008	2.96234	7.61800	4.33460	0.15500	0.41580	0.03450
2009	2.96230	7.31000	4.54450	0.17300	0.41580	0.03450

Source: Flagler County Tax Collector Note: The City of Palm Coast was incorporated on December 31, 1999.

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

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

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

Schedule 7
City of Palm Coast, Florida
Principal Property Tax Payers,
Current Year and Four Years Ago

Taxpayer	2009		2005		Percentage of Total City Taxable Assessed Value	
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value		Rank
PALM COAST HOLDINGS INC	\$19,844,821	1	0.32%	\$8,473,479	7	0.27%
FLORIDA LANDMARK COMMUNITIES	18,702,682	2	0.31%	-		-
PALM COAST CENTER LLC	16,712,523	3	0.27%	-		-
PALM COAST MEDICAL SPECIALISTS	15,675,899	4	0.26%	-		-
CENTEX HOMES	14,400,439	5	0.24%	-		-
HARBOR CLUB OWNERS ASSN, INC	13,564,800	6	0.22%	16,579,324	1	0.54%
APPLIED BUILDING DEVELOPMENT	13,489,000	7	0.22%	-		-
TARGET CORPORATION	13,045,387	8	0.21%	-		-
GINN-LA HAMMOCK BEACH LTD LLP	12,857,645	9	0.21%	-		-
RESERVE LLC	12,543,176	10	0.21%	-		-
GRAND CLUB LLC THE	-		-	11,241,803	3	0.36%
WAL-MART STORES, INC	-		-	9,089,406	5	0.29%
INTERVEST CONSTRUCTION INC	-		-	7,361,708	8	0.24%
COMMONWEALTH PALM COAST CORP	-		-	13,087,141	2	0.42%
WACHOVIA TRUST COMPANY	-		-	9,117,934	4	0.30%
CRESCENT RESOURCES INC	-		-	8,781,812	6	0.28%
LONGVIEW VILLAGE	-		-	6,940,340	9	0.22%
HOME DEPOT USA INC	-		-	6,201,085	10	0.20%
	<u>\$150,836,372</u>		<u>2.46%</u>	<u>\$96,874,032</u>		<u>3.13%</u>

Source: Flagler County Property Appraiser

Note: The City of Palm Coast was incorporated on December 31, 1999. Information from prior years is not available.

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

Fiscal Year Ended 30/Sep	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years (2)	Total Collections to Date	
		Amount	Percentage of Levy (1)		Amount	Percentage of Levy
2001	\$5,021,775	\$4,882,939	97.24%	-	\$4,882,939	97.24%
2002	6,206,826	5,981,826	96.37%	24,958	6,006,784	96.78%
2003	6,744,718	6,514,609	96.59%	-	6,514,609	96.59%
2004	8,174,413	7,855,523	96.10%	6,946	7,862,469	96.18%
2005	10,565,776	10,211,826	96.65%	29,558	10,241,384	96.93%
2006	15,112,507	14,602,739	96.63%	14,539	14,617,278	96.72%
2007	20,279,982	19,589,267	96.59%	13,873	19,603,140	96.66%
2008	20,765,640	20,101,446	96.80%	81,687	20,183,133	97.19%
2009	18,164,720	17,521,094	96.46%	-	17,521,094	96.46%

Source: Flagler County Property Appraiser

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

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

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

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

Fiscal Year	Governmental Activities					Business-type Activities				Total Primary Government	Taxable Assessed Value of Property	Percentage Taxable Assessed Value of Property	Personal Income (thousands of dollars)	Estimated Population	Percentage of Personal Income	
	Capital Leases	Local Government Pooled Loan	CDGB Loan	SRF Loan	Equipment Loan	Utility Revenue Bonds (a)	Utility SRF Loan (b)	Stormwater SRF Loan (b)	Stormwater Bank Loan (b)						Income (c)	Per Capita (c)
2000	\$86,467	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,467	\$ -	-	\$1,194,237	30,767	0.01%	\$ 3
2001	76,444	1,605,000	318,310	-	-	-	-	-	-	1,999,754	1,594,214,203	0.13%	1,282,887	32,732	0.16%	61
2002	77,967	2,520,000	291,067	-	-	-	-	-	-	2,889,034	1,773,378,865	0.16%	1,391,448	35,443	0.21%	82
2003	53,612	-	260,300	75,000	-	-	-	-	-	388,912	1,983,740,628	0.02%	1,555,403	38,348	0.03%	10
2004	59,520	-	230,693	75,000	156,230	96,650,000	-	-	-	97,171,443	2,405,896,931	4.04%	1,817,308	42,850	5.35%	2,268
2005	27,033	-	199,880	-	92,801	96,650,000	8,415,152	-	-	105,384,866	3,094,404,215	3.41%	2,139,000	50,484	4.93%	2,087
2006	3,944	-	167,812	-	228,072	94,805,000	16,074,494	2,769,785	-	114,049,107	4,444,854,928	2.57%	2,480,000	58,216	4.60%	1,959
2007	-	-	134,437	-	37,846	142,765,000	23,134,323	3,988,024	-	170,059,630	6,239,994,489	2.73%	2,731,000	67,832	6.23%	2,507
2008	-	-	99,702	-	-	140,845,000	27,939,573	3,919,270	-	172,803,545	7,009,877,421	2.47%	2,805,000	70,376	6.16%	2,455
2009	-	-	63,552	-	-	138,890,000	28,386,116	4,396,806	2,299,000	174,035,474	6,131,965,169	2.84%	-	74,590	-	2,333

Note: The City of Palm Coast was incorporated on December 31, 1999. No taxes were levied in fiscal year 2000. Details regarding the City's outstanding debt can be found in the notes to the financial statements. Population for calendar year 2000 from the U.S. Census Bureau. Population estimates for calendar year 2001-2009 by the Bureau of Economic and Business Research, University of Florida.

(a) The City purchased the local water and wastewater utility on October 30, 2003, issuing revenue bonds to fund the purchase. During fiscal year 2007, the City issued an additional \$49,840,000 in bonds to fund a new water treatment plant.

(b) The City obtained an SRF and bank loans to fund the expansion of the wastewater treatment plant, water distribution infrastructure and stormwater system improvements.

(c) Personal income data is for Flagler County 2000 - 2005. Personal income data is not available specifically for Palm Coast until 2006. See Demographic and Economic Statistics on page 103 for personal income and population data.

Schedule 10
City of Palm Coast, Florida
Ratios of General Bonded Debt Outstanding,
Last Ten Fiscal Years

General Bonded Debt Outstanding										
Fiscal Year	Local Government Pooled Loan (a)		Total	Taxable Assessed Value of Property	Percentage Taxable Assessed Value of Property	Estimated Population	Per Capita			
2000	\$	-	\$	-	\$	-	30,767	\$	-	
2001		1,605,000		1,605,000		1,594,214,203	0.10%		32,732	49.03
2002		2,520,000		2,520,000		1,773,378,865	0.14%		35,443	71.10
2003		-		-		1,983,740,628	-		38,348	-
2004		-		-		2,405,896,931	-		42,850	-
2005		-		-		3,094,404,215	-		50,484	-
2006		-		-		4,444,854,928	-		58,216	-
2007		-		-		6,239,994,489	-		67,832	-
2008		-		-		7,009,877,421	-		70,376	-
2009		-		-		6,131,965,169	-		74,590	-

Note: The City of Palm Coast was incorporated on December 31, 1999. No taxes were levied in fiscal year 2000. Details regarding the City's outstanding debt can be found in the notes to the financial statements. Population for calendar year 2000 from the U.S. Census Bureau. Population estimates for calendar year 2001-2009 by the Bureau of Economic and Business Research, University of Florida.

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

Schedule 11
City of Palm Coast, Florida
Direct and Overlapping Governmental Activities Debt
As of September 30, 2009

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Flagler County General Obligation Bonds, Series 2005	\$ 30,605,000	65.68%	\$ 20,101,420
Flagler County Capital Improvement Revenue Bonds, Series 2005	30,530,000	65.68%	20,052,160
Flagler County Limited Tax General Obligation Bonds, Series 2005	4,610,000	65.68%	3,027,856
Flagler County Limited Tax General Obligation Bonds, Series 2009	10,000,000	65.68%	6,568,018
Other debt			
Flagler County School Board District Certificates of Participation	79,475,000	60.67%	48,213,536
Flagler County School Board District State School Bonds	2,385,000	60.67%	1,446,861
Flagler County School Board District Sales Tax Revenue Bonds	7,495,000	60.67%	4,546,844
Flagler County School Board District Revenue Bonds	2,350,000	60.67%	1,425,628
Flagler County Notes Payable	10,260,000	65.68%	6,738,787
Subtotal, overlapping debt			112,121,112
City Direct Debt			63,552
Total Direct and overlapping debt			<u>\$112,184,664</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Flagler County Property Appraiser. Debt outstanding data provided by each governmental unit.

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

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

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

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

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

Utility Revenue Bonds								
Fiscal Year	Utility Service Charges (1)	Less: Operating Expenses (2)	Rate	Net Available Revenue	Debt Service		Coverage	
			Stabilization Transfers To/(From) (3)		Principal	Interest		
2000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	
2001	-	-	-	-	-	-	-	
2002	-	-	-	-	-	-	-	
2003	-	-	-	-	-	-	-	
2004	16,044,561	9,149,504	1,900,000	4,995,057	-	4,442,773	1.12	
2005	21,744,036	11,451,648	3,300,000	6,992,388	-	4,442,773	1.57	
2006	26,593,042	14,152,222	4,000,000	8,440,820	1,845,000	4,405,873	1.35	
2007	26,674,110	14,789,497	1,000,000	10,884,613	1,880,000	4,368,273	1.74	
2008	24,925,712	16,496,688	-	8,429,024	1,920,000	4,329,873	1.35	
2009	28,044,523	16,743,299	-	11,301,224	1,955,000	6,445,164	1.35	

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

- (1) Gross revenues include operating revenue of the system and interest earnings. Interest earnings from construction funds are excluded.
- (2) Operating expenses include operating and administrative expenses of the system.
- (3) Transfers to the Rate Stabilization account decrease net revenues and transfers from the Rate Stabilization account increase net revenues per the bond resolution

Schedule 14
City of Palm Coast, Florida
Demographic and Economic Statistics,
Last Nine Calendar Years

Calendar Year	Population	Personal Income (a) (thousands of dollars)	Per Capita Personal Income (a)	School Enrollment	Unemployment Rate
2000	30,767	\$1,194,237	\$23,622	6,160	3.60%
2001	32,732	1,282,887	23,884	6,607	4.60%
2002	35,443	1,391,448	24,227	7,054	5.40%
2003	38,348	1,555,403	25,026	7,596	5.60%
2004	42,850	1,817,308	26,632	8,464	5.10%
2005	50,484	2,139,000	28,393	9,626	4.40%
2006	58,216	2,480,000	30,140	10,973	4.20%
2007	67,832	2,731,000	30,973	12,800	6.50%
2008	70,376	2,805,000	30,746	12,738	11.80%

Sources: Population for calendar year 2000 from the U.S. Census Bureau. Population estimates for calendar year 2001-2008 by the Bureau of Economic and Business Research, University of Florida. Personal income data per the U.S. Bureau of Economic Analysis, and data for 2009 was not available as of the financial statement date. School enrollment data is from the Flagler County School Board. Unemployment rates are from the Florida Agency for Workforce Innovation.

(a) Personal income data is for Flagler County. Data is not available specifically for Palm Coast until 2006.

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

Schedule 15
City of Palm Coast, Florida
Principal Employers,
Previous Year and Six Years Ago

Employer	2008			2003		
	Employees	Rank	Percentage of Total County Employment (a)	Employees	Rank	Percentage of Total County Employment (a)
Flagler County Schools	1,800	1	5.64%	1,200	1	5.53%
Palm Coast Data	976	2	3.06%	1,032	2	4.75%
Florida Hospital-Flagler	645	3	2.02%	340	4	1.57%
Wal Mart Stores	575	4	1.80%	350	3	1.61%
Publix Supermarket	466	5	1.46%	190	5	0.88%
City of Palm Coast	392	6	1.23%	133	9	0.61%
Grand Oaks Health & Rehabilitation	200	7	0.63%	-	-	-
Albertson's	125	8	0.39%	-	-	-
FAA - Center for Management Development	115	9	0.36%	-	-	-
Kanthal Palm Coast	105	10	0.33%	-	-	-
Winn-Dixie Stores	-	-	-	170	6	0.78%
American Radionic Company, Inc.	-	-	-	137	7	0.63%
Beverly Health & Rehabilitation	-	-	-	135	8	0.62%
Ascom Energy Systems, Inc.	-	-	-	131	10	0.60%
Total	<u>5,399</u>		<u>16.92%</u>	<u>3,818</u>		<u>17.59%</u>

Source: Enterprise Flagler, Flagler County Chamber of Commerce, Florida Research and Economic database for civilian workforce

Note: Information for years prior to 2003, and subsequent to 2008 is unavailable.

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

Schedule 16
City of Palm Coast, Florida
Full-time-Equivalent City Government Employees by Function/Program,
Last Ten Fiscal Years

Full-time-Equivalent Employees as of September 30

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008 (a)	2009
General Government										
City Administration	-	-	2	2	4	4	4	4	22	22
Community Relations	-	-	-	-	-	3	4	4	-	0
City Attorney	-	-	-	-	-	-	-	1	1	1
City Clerk	-	-	1	1	1	3	4	5	-	0
Financial Services	15	9	10	9	10	15	15	17	14	9
Information Tech & Communications	-	-	-	1	2	7	12	14	15	15
Community Development	-	13	29	23	16	14	17	19	60	17
Building and Code Enforcement	-	-	-	4	21	55	54	51	-	45
Fire	-	25	30	33	36	37	44	46	58	67
Law Enforcement	-	-	-	-	-	-	1	1	1	1
Public Works	-	25	36	34	34	37	55	55	43	64
Engineering	-	-	-	-	-	-	6	7	18	17
Recreation and Athletics	-	3	10	15	17	23	32	40	31	27
Capital Projects	-	-	-	9	16	10	7	8	-	0
Water and Wastewater Utility (1)	-	-	-	-	67	81	101	112	106	116
Solid Waste	-	-	-	-	-	2	2	2	-	0
Stormwater Management (2)	-	-	-	-	-	16	17	20	16	30
Golf Course	-	-	-	-	-	-	-	-	1	0
Tennis Center	-	-	-	-	-	-	-	-	3	3
Fleet Management	-	-	-	2	4	4	5	5	3	3
Total	15	75	118	133	227	310	379	410	391	436

Source: City Budget

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

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

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

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

(a) General government departments and functions were reorganized for the year ended September 30, 2008.

Schedule 17
City of Palm Coast, Florida
Operating Indicators by Function/Program,
Last Eight Fiscal Years

Function/Program	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
General Government								
Building Permits Issued								
Residential	-	2,816	4,347	3,299	2,187	507	203	132
Commercial	-	77	97	130	56	83	100	17
Other	-	3,309	4,652	6,259	6,906	4,201	4,991	5,609
Total	5,363	6,202	9,096	9,688	9,149	4,791	5,294	5,758
Building Inspections	-	67,776	39,873	69,047	42,493	58,735	18,503	17,488
Code Violations								
Total Code Violations	3,934	9,395	10,897	14,528	15,743	14,775	19,789	18,775
Code Violations Cleared	2,271	3,594	2,791	7,756	9,820	12,226	14,335	13,028
Expenditures per Cleared Violation	-	\$126	\$206	\$111	\$119	\$168	\$140	\$143
Fire and Rescue								
Total Fire Calls	143	185	238	159	192	207	170	222
Total EMS Calls	1,559	1,866	2,592	3,050	2,419	3,311	4,501	4,860
% Responses under 5 Minutes	51%	50%	44%	52%	52%	63.10%	61%	56%
Public Works								
Refuse Collection (Annual Tons)	15,682	20,625	26,362	33,601	37,515	46,093	34,137	31,580
Recycle Collection (Annual Tons)	2,602	2,990	2,101	2,836	2,959	4,339	3,857	3,969
Street Rehabilitation (Expenditures per capita)	\$78	\$89	\$40	\$57	\$63	\$58	\$49	\$55
Potholes Repaired	397	695	454	404	790	1,790	1,210	350
Parks and Recreation								
Developed Park Acres/1000 population	2	1	4	3	4	5	4	4
Recreation Program Expenditures/1000 population	\$14,099	\$14,058	\$20,168	\$12,906	\$16,635	\$17,152	\$22,002	\$13,544
Total Recreation Revenues/1000 population	\$2,280	\$2,380	\$2,420	\$3,380	\$3,725	\$4,130	\$3,504	\$3,769
Engineering and Stormwater (1)								
Freshwater Canal Maintenance -								
100% Annual Service Required	-	-	-	-	60.20%	100%	100%	100%
Existing Swale Service -								
2% of Existing Swales Regraded Annually	-	-	-	-	2.80%	2%	2%	2%
Hazardous Drainage Conditions Resolved -								
100% Repaired in 24 Hours	-	-	-	-	85.70%	100%	100%	100%
Water (2)								
New Connections	-	-	3,745	3,751	1,603	1,599	481	201
Peak Daily Water Demand (Million gallons per day)	-	-	10	9	11	11	10	10
Wastewater (2)								
Peak Daily Wastewater Treated (Million gallons per day)	-	-	7	8	6	11	7	12

Sources: Various City departments

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

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

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

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

Function/Program	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Fire and Rescue								
Stations	2	2	3	3	3	3	3	5
Apparatus	11	14	9	12	12	15	15	15
Public Works								
Streets (miles)	1,032	1,032	1,077	1,078	1,222	1,222	1,234	1,234
Traffic Signals	-	26	26	29	36	41	43	47
Fleet Size	49	91	113	153	238	241	301	283
Parks and Recreation								
Acreage	481	481	602	602	647	672	672	746
Playgrounds	3	3	4	4	6	6	6	7
Athletic Fields	4	4	14	14	14	16	16	22
Community Centers	1	1	1	1	1	1	1	1
Stormwater (1)								
Swales (miles)	-	-	-	1,000	1,000	1,000	1,200	1,200
Drainage ditches (miles)	-	-	-	150	150	150	150	150
Canals (miles)	-	-	-	80	80	80	80	80
Water control structures	-	-	-	19	19	19	19	19
Water (2)								
Water Mains (miles)	-	-	623	623	648	648	648	679
Fire Hydrants	-	-	3,058	3,058	3,455	3,455	3,455	3,717
Capacity (millions of gallons per day)	-	-	12	12	12	12	12	15
Wastewater (2)								
Sewers (miles)	-	-	475	475	560	560	560	613
Treatment Capacity (millions of gallons per day)	-	-	5	5	7	7	7	7

Sources: Various City departments

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

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

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



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OTHER REPORTS



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

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

We have audited the financial statements of the City of Palm Coast, Florida (the City) as of and for the year ended September 30, 2009, and have issued our report thereon dated February 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. [2009-01 and 2009-02]

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Palm Coast, Florida in a separate letter dated February 25, 2010.

The City of Palm Coast, Florida's response to the finding identified in our audit is described in the accompanying response to internal control and management comments. We did not audit the City of Palm Coast, Florida's response and, accordingly, we express no opinion on it.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the State of Florida Office of the Auditor General, City Council, management, others within the City, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.C.

Daytona Beach, Florida
February 25 2010

**CITY OF PALM COAST, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE MATCHING OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

<u>Federal Agency/State Agency, Pass-Through Entity</u>	<u>CFDA Number</u>	<u>Contract/ Grant Number</u>	<u>Program Award Amount</u>	<u>Program Expenditures</u>
FEDERAL AWARDS				
U.S. Department of Housing and Urban Development				
Passed Through Florida Department of Community Affairs:				
Community Development Block Grants/State's Program	14.228	10DB-4X-04-28-02-F 20	\$ 2,664,903	\$ 5,856
Environmental Protection Agency				
Passed Through Florida Department of Environmental Protection:				
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS120001-050 / SW903040	4,750,359	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS120001-060 / WW903050	7,392,376	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS120001-060 / WW903060	2,312,720	1,404,248
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS120001-050 / SW903070	3,740,362	713,925
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS120001-060 / WW903080	6,793,716	323,147
			<u>24,989,533</u>	<u>2,441,320</u>
U.S. Department of Homeland Security				
Passed Through State of Florida, Division of Emergency Management				
Public Assistance Subgrant Agreement for May Rain Event	97.036	09-PA-035-54200-00	671,230	671,230
Total Expenditures of Federal Awards				<u><u>\$ 3,118,406</u></u>
STATE MATCHING OF FEDERAL AWARDS				
Division of Emergency Management				
Public Assistance Subgrant Agreement for May Rain Event	97.036	09-PA-035-54200-00	\$ 111,872	\$ 111,872
Total Expenditures of State Matching of Federal Awards				<u><u>\$ 111,872</u></u>
Total Expenditures of Federal Awards and State Matching of Federal Awards				<u><u>\$ 3,230,278</u></u>

CITY OF PALM COAST, FLORIDA
NOTED TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE
MATCHING OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

(1) Basis of Presentation:

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

(2) Loans payable:

The accompanying Schedule of Expenditures of Federal Awards and State Matching of Federal Awards includes expenditures from three Federal loans the City has through the Florida Department of Environmental Protection (FDEP) under CFDA 66.458. The loans will be repaid over forty semiannual payments. As of September 30, 2009, the City owed FDEP \$1,404,248, \$713,925, and \$5,667,491 respectively.

CITY OF PALM COAST, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARD PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

A. Summary of Auditors' Results:

Financial Statements:

- Type of audit report issued on the basic financial statements: *Unqualified.*

Internal control over financial reporting:

- Two significant deficiencies related to internal control over financial reporting were disclosed by the audit of the basic financial statements and none were reported as a material weakness.
- The audit did not disclose any noncompliance, which was material to the basic financial statements.

Federal Awards:

Internal control over major Federal programs:

- There were no significant deficiencies or material weaknesses related to internal control over major programs disclosed by the audit.
- Type of report issued on compliance for each major program: *Unqualified.*
- The audit did not disclose any audit findings, which are required to be reported under OMB Circular A-133.
- Major program identification:
CFDA Number 66.458 – Environmental Protection Agency, Capitalization Grants for Clean Water State Revolving Funds
- Dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- The City of Palm Coast, Florida did not qualify as a low-risk auditee.

B. Financial Statement Findings:

2009-01 Year End Closing Procedures

We proposed and management corrected two financial statement adjustments that were identified as a result of our audit procedures. The first was in the Streets Improvement Fund whereas the fourth quarter discretionary tax revenue and related receivable from the State of Florida was not recorded. The second was interest incurred on debt in the proprietary funds was not properly capitalized to construction projects as required by accounting standards. The finance department performs numerous closing entries and reconciliations that are done only once a year to ensure that the City's financial statements are in accordance with accounting principles generally accepted in the United States of America. We recommend the City develop a comprehensive year end checklist for these once a year entries. The City could use the Government Finance Officers Association Disclosure Checklist as a guide to ensure the checklist includes non-routine transactions as well as specific annual entries.

2009-02 Review Wage Rates and Salary Expense Allocation

We noted certain instances in which the City paid employees at the incorrect rate. These errors occurred due to the incorrect pay grade report being used to update the payroll system, which indicates a lack of supervision and review in the Human Resources Department. This error was also discovered by the City's Finance Department during an internal review of payroll. In addition, we noted two instances in which an employee's salary expense was not allocated to the proper department within the City. Although the items discovered were not material to the financial statements, this incorrect coding could become material if an employee's salary was coded to a fund or department with restricted resources. To prevent such errors, we recommend that all pay rate changes be reviewed by a supervisor prior to the payroll being processed. In addition, we recommend that the City conduct periodic reviews of each employee's salary allocation to determine its appropriateness to the department and fund being charged.

- C. **Federal Award and State Financial Assistance Findings and Questioned Costs:** None
- D. **Prior Audit Findings:** No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs.
- E. **Corrective Action Plan:** There was no corrective action plan necessary for the year ended September 30, 2009, since there were no audit findings related to federal programs.

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

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

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

Compliance

We have audited the compliance of the City of Palm Coast, Florida, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the State of Florida Office of the Auditor General, City Council, management, others within the City, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.C.

Daytona Beach, Florida
February 25, 2010

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

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

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

We have audited the basic financial statements of the City of Palm Coast, Florida (the City), as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated February 25, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 25, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

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

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

The Rules of the Auditor General (Sections 10.554(1)(i) 3. and 4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on internal control over financial reporting and on compliance and other matters: (1) recommendations to improve financial management and (2) violations of provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statement amounts that is less than material but more than inconsequential. The following is our recommendation to management not included in our Report on Internal Control Over Financial Reporting and on Compliance and Other

Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

2009-03 Investment Account Transfer Policies

During the course of our audit, we noted weaknesses in the City's policies regarding transfers out of the City's investment account. During the year ended September 30, 2009, the Custody Agreement with the investment holder did not specify the need for authorized signers for transfers of cash or securities. The City is currently in the process of amending this Custody Agreement to disallow the transfer of securities in any form and to require the signature of the City Manager and the Finance Director for any cash transfer. The Custody Agreement is also being amended such that cash transfers can only be made to a pre-approved list of City bank accounts that can be changed only with the authorization of both the City Manager and the Finance Director.

The Rules of the Auditor General (Section 10.554(1)(i) 5.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on internal control over financial reporting and on compliance and other matters. For matters that have an effect on financial statement amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse that have occurred, or were likely to have occurred, and (2) control deficiencies that are not significant deficiencies. Our audit disclosed none of these matters not already addressed in our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

The Rules of the Auditor General (Section 10.554 (1)(i) 6.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity as defined in publications cited in Rule 10.553 be disclosed, unless disclosed in the notes to the financial statements. The City of Palm Coast, Florida was incorporated on December 31, 1999 under Chapter 99-448, Laws of the State of Florida. There are no component units related to the City as of September 30, 2009.

The Rules of the Auditor General (Section 10.554(1)(i) 7.a.), require that we comment as to whether or not one or more of the conditions described in Section 218.503(1), Florida Statutes, regarding determination of financial emergency have been met. In connection with our audit, we determined that the City, did not meet one or more of the conditions described in Section 218.503(1), Florida Statutes. The City reported deficit unrestricted net assets of \$4,019,173, \$3,933,226, and \$34,820 in its storm water, golf course, and tennis center funds, respectively, and negative fund balances of \$5,584,055, \$209,907, and \$3,252,107 in its SR100 CRA, fire impact fee, and OKR special assessment funds, respectively, as of September 30, 2009. However, the City had unrestricted net assets and unreserved fund balances in other funds that can be used by the funds with deficits and had unrestricted capital assets available to cover the reported deficits and the disposal of such assets would not impair the City's ability to carry out its functions.

The Rules of the Auditor General (Section 10.554(1)(i) 7.b.), require that we comment as to whether or not the annual financial report for the City for the fiscal year ended September 30, 2009, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2009. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report.

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

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the State of Florida Office of the Auditor General, City Council, management, others within the City, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.

Daytona Beach, Florida
February 25, 2010



FINANCIAL SERVICES DEPARTMENT

RESPONSE TO INTERNAL CONTROL AND MANAGEMENT COMMENTS

Honorable Mayor and City Council Members:

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

1. Year End Closing Procedures

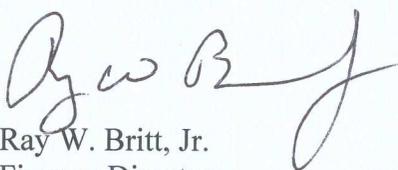
The Financial Services Department has compiled a comprehensive year end checklist to facilitate preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. This checklist will serve as a guide to be sure all annual entries as well as non-routine transactions are properly recorded.

2. Review Wage Rates and Salary Expense Allocation

Modified procedures are now being followed in order to identify potential errors in pay grades and rates prior to posting to the payroll system. In addition to supervisory review in the Human Resources Department, the Financial Services Department will review all rates and grades for accuracy and policy compliance. This same system will be used to ensure employee's salary is coded to the proper fund or department.

3. Investment Account Transfer Policies

The Custody Agreement with our investment holder has been modified for all transactions to require the signatures of both the Finance Director and City Manager, with the Mayor as an alternate. Cash transfers have been restricted to a specific City account, and transfers of securities strictly prohibited.



Ray W. Britt, Jr.
Finance Director
February 25, 2010