

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



This page intentionally left blank

INDEPENDENT AUDITORS' REPORT



This page intentionally left blank

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.C.

Daytona Beach, Florida
February 25, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS



This page intentionally left blank

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.

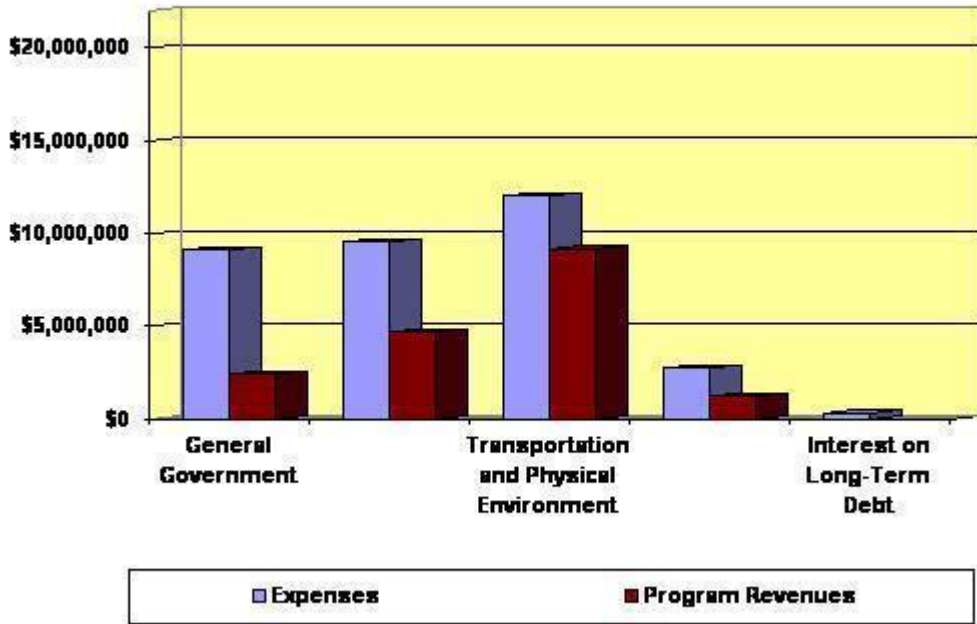
Business-type Activities

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.

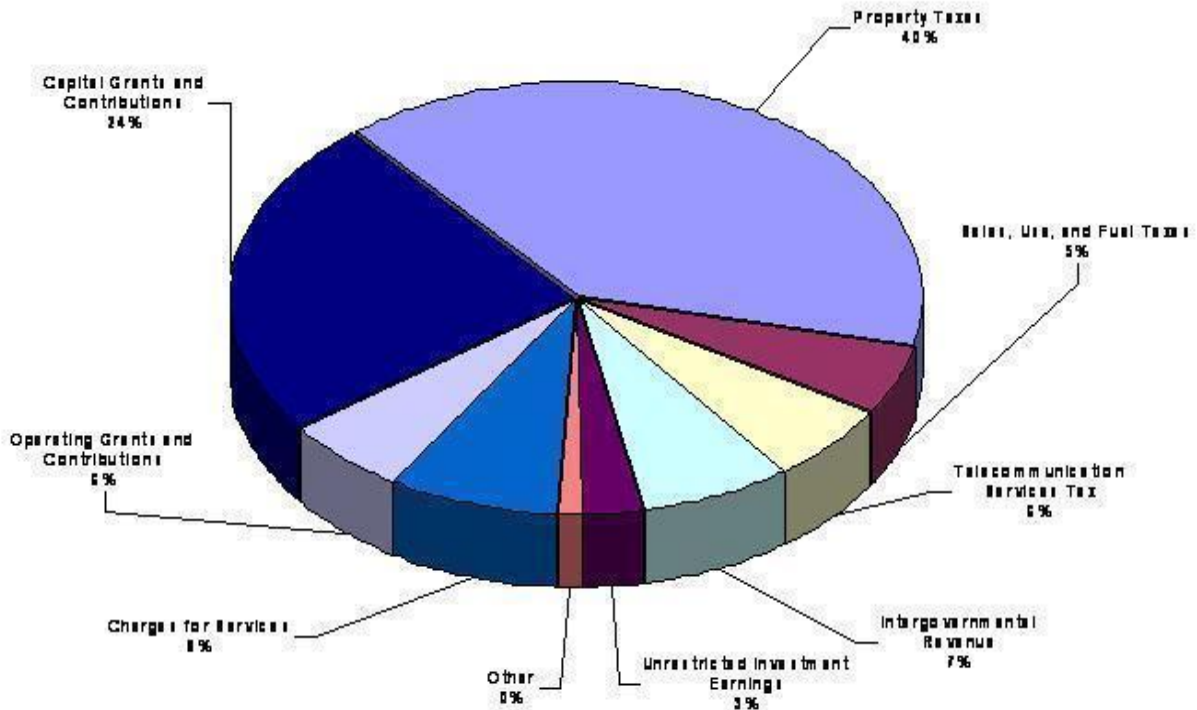
Table II
City of Palm Coast's Changes in Net Assets

	<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

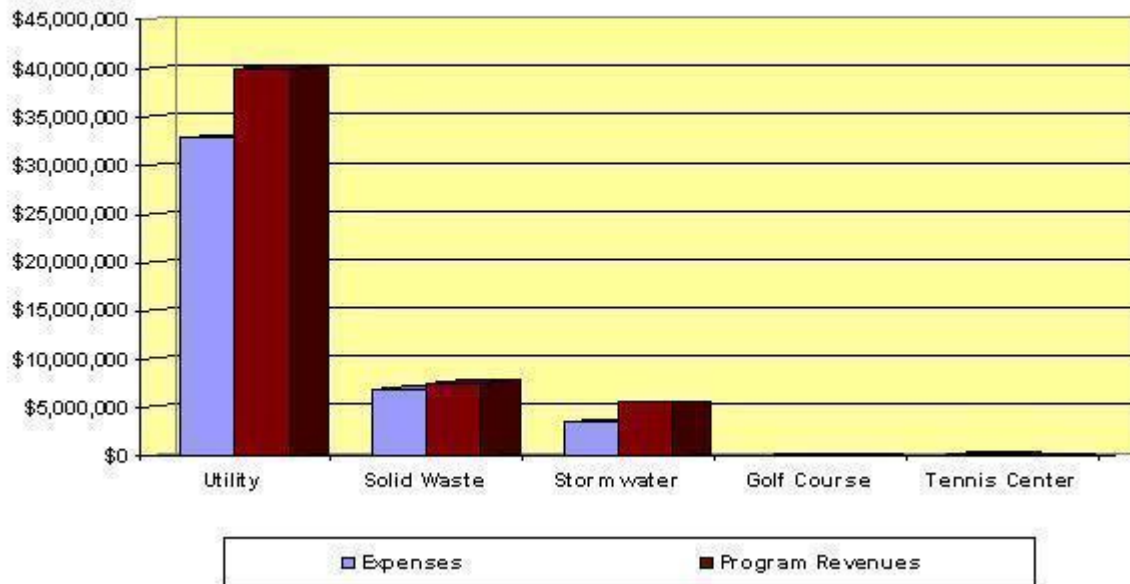
Expenses and Program Revenues - Governmental Activities



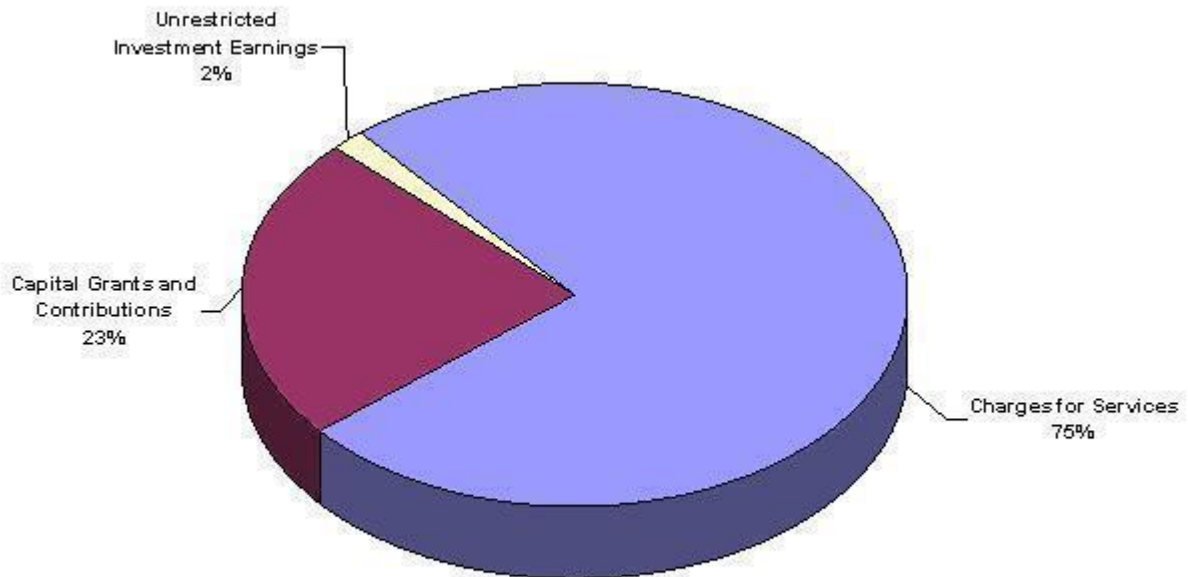
Revenues by Source - Governmental Activities



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.

Balance of this page intentionally left blank.

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



This page intentionally left blank

BASIC FINANCIAL STATEMENTS



This page intentionally left blank

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.



This page intentionally left blank

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.



This page intentionally left blank

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

<u>Business-type Activities - Enterprise Funds</u>						
	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	78,117,946	\$ 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

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

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

City of Palm Coast, Florida
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
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.



This page intentionally left blank

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</u> <u>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

Balance of this page intentionally left blank.

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>	<u>Principal</u>	<u>Interest</u>
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>	<u>Interest Rate</u>	<u>Disbursable Amount</u>	<u>Amount Funded</u>	<u>Repayment Date</u>	<u>Semi-Annual Payment</u>	<u>Term (Years)</u>
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	<u>\$1,588,301</u>	<u>\$1,102,976</u>	<u>(\$885,543)</u>	<u>\$1,805,734</u>	<u>\$658,548</u>
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	<u>\$173,488,694</u>	<u>\$5,368,984</u>	<u>(\$3,967,806)</u>	<u>\$174,889,872</u>	<u>\$4,914,427</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$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**



This page intentionally left blank

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.



This page intentionally left blank

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)



This page intentionally left blank

**COMBINING NONMAJOR ENTERPRISE
FUND STATEMENTS**



This page intentionally left blank

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



This page intentionally left blank

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>



This page intentionally left blank