

**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 (the City), as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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.

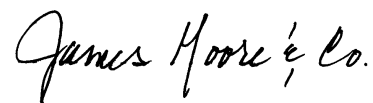
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palm Coast, Florida, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the financial statements, the fiscal year ended September 30, 2009 financial statements have been restated to correct certain contributions of land at the inception of the City that were recorded in error.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2011, on our consideration of the City'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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express and opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the City of Palm Coast, Florida's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, fiduciary fund schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Palm Coast, Florida. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, fiduciary fund schedules, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

Daytona Beach, Florida  
February 10, 2011

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Palm Coast, we offer readers of the City of Palm Coast's financial statements this narrative overview and analysis of the financial activities of the City of Palm Coast for the fiscal year ended September 30, 2010. 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 2010 by \$401,782,166. Of this amount, \$16,912,957 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$4,045,536. 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 2010, the City's governmental funds reported combined ending fund balances of \$13,807,000 a decrease of \$13,241,422 over the prior year. This amount includes negative unassigned fund balance of \$10,168,202 which was due to capital expenditures in advance of related revenues.
- At the end of fiscal year 2010, unassigned fund balance in the general fund was \$2,393,217 or 9% of total general fund expenditures.
- The City of Palm Coast's total debt increased by \$5,556,820 during the current fiscal year. The City continued to draw on loans to improve the stormwater system that serves the community, and obtained CRA revenue note for land purchases. These were partially offset by principal payments 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, building permits and inspections, information technology and communications (IT&C), 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, building permits and inspections, information technology and communications (IT&C), 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 Coasts various functions. The City of Palm Coast uses internal service funds to account for its fleet of vehicles and self-insured health program. Because these service predominantly benefit governmental rather than business-type functions, they have 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 building permits and inspections, information technology and communications (IT&C), 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 funds are also presented in the proprietary fund financial statements, but not included in the totals for proprietary funds. Individual fund data for internal service funds is provided in the form of combining statements elsewhere in this report.

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 40-76 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 78-84 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 \$401,782,166 at the close of the most recent fiscal year.

Of the net assets, 4.2% falls in the unrestricted category. These may be used to meet ongoing obligations to citizens and creditors. Approximately 1.2% 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 (94.6%) 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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$24,772,671	\$37,439,732	\$39,081,179	\$45,592,070	\$63,853,850	\$83,031,802
Capital assets	308,499,420	291,330,417	230,625,949	218,059,729	539,125,369	509,390,146
Total assets	333,272,091	328,770,149	269,707,128	263,651,799	602,979,219	592,421,948
Long-term liabilities	5,314,716	1,805,734	174,764,586	174,889,872	180,079,302	176,695,606
Other liabilities	8,826,869	8,111,080	12,290,882	9,878,632	21,117,751	17,989,712
Total liabilities	14,141,585	9,916,814	187,055,468	184,768,504	201,197,053	194,685,318
Net assets:						
Invested in capital assets, net						
of related debt	307,069,337	291,330,417	72,856,080	60,854,530	379,925,417	352,184,947
Restricted	919,709	8,201,392	4,024,083	6,051,501	4,943,792	14,252,893
Unrestricted	11,141,460	19,321,526	5,771,497	11,977,264	16,912,957	31,298,790
Total net assets	\$319,130,506	\$318,853,335	\$82,651,660	\$78,883,295	\$401,782,166	\$397,736,630

## Governmental Activities

Governmental activities increased the City of Palm Coast's net assets by \$277,171 during the current fiscal year. This represents 6.9% of the total growth in net assets for the City. Increases in franchise fees are the primary factor for the increase in net assets. Restricted net assets decreased by \$7,281,683 during the fiscal year. This change is primarily due to decreased impact fee collections from depressed demand for residential building permits, and



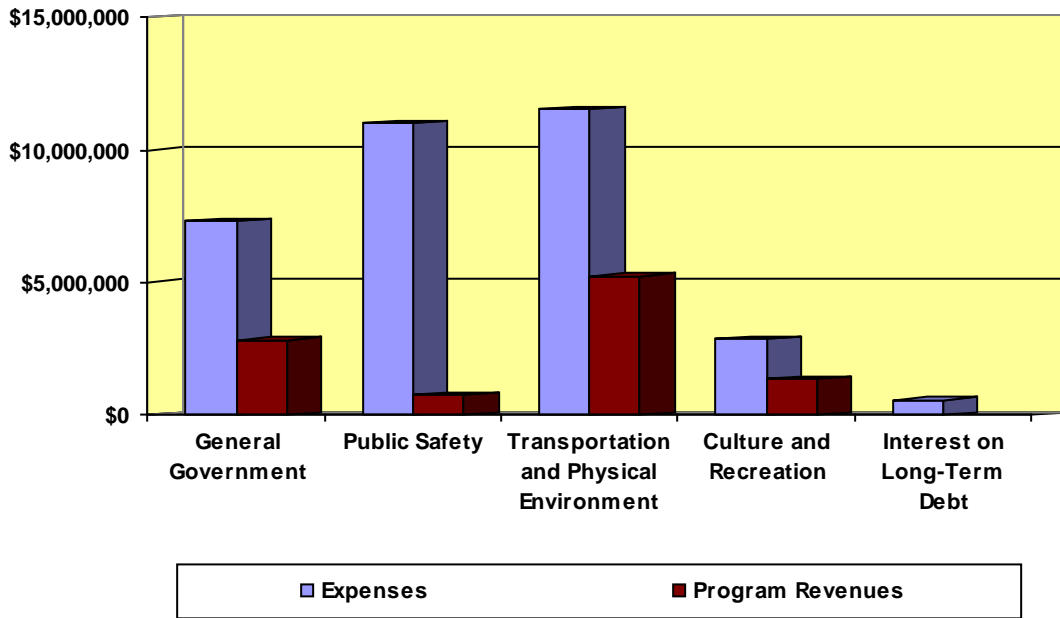
ongoing construction of infrastructure. Governmental activities unrestricted net assets decreased by \$8,180,066. Amounts restricted for enabling legislation of approximately \$1.3 million and unrestricted net assets of approximately \$4.65 million were transferred to establish the building permits and inspections enterprise fund. Construction spending in advance of revenues in the transportation impact fee special revenue fund primarily constitutes the balance of the decrease. Public safety expenditures increased nearly \$1.5 million over fiscal year 2009. This was the direct result of the full year effect of two new fire stations opening.

Ending governmental activities net assets for fiscal year 2009 have been restated. Additional information is available in Note 15 on page 74 of this report.

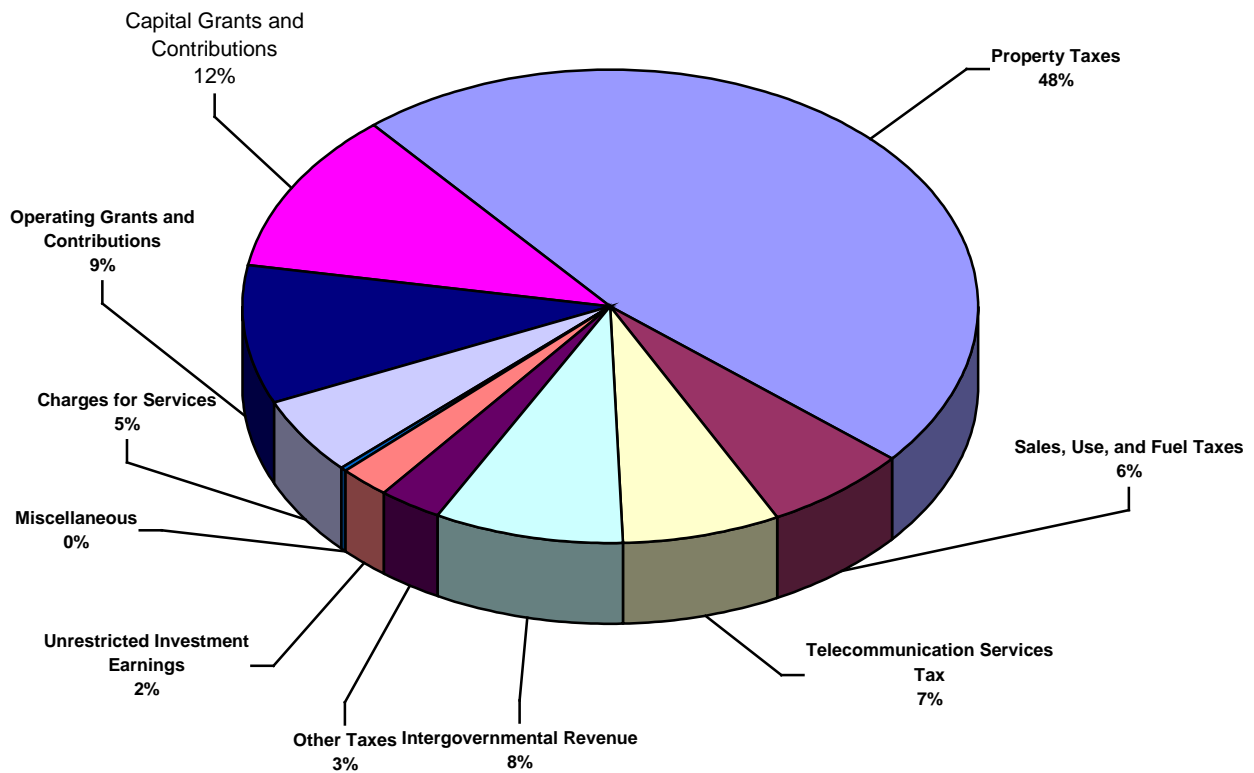
Table II  
City of Palm Coast's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$2,078,464	\$3,724,306	\$42,774,407	\$40,454,760	\$44,852,871	\$44,179,066
Operating grants and contributions	3,661,398	2,696,553	-	-	3,661,398	2,696,553
Capital grants and contributions	4,401,134	11,116,163	2,940,853	12,605,884	7,341,987	23,722,047
General revenues:						
Property taxes	18,614,730	18,211,813	-	-	18,614,730	18,211,813
Other taxes	6,392,215	5,149,102	-	-	6,392,215	5,149,102
Intergovernmental	3,253,543	3,310,696	-	-	3,253,543	3,310,696
Other	991,681	1,712,531	647,219	1,358,094	1,638,900	3,070,625
Total revenues	39,393,165	45,921,164	46,362,479	54,418,738	85,755,644	100,339,902
Expenses:						
General government	7,291,611	9,089,652	-	-	7,291,611	9,089,652
Public safety	11,029,379	9,558,547	-	-	11,029,379	9,558,547
Transportation and physical environment	11,552,570	12,035,335	-	-	11,552,570	12,035,335
Culture & recreation	2,874,115	2,710,434	-	-	2,874,115	2,710,434
Utility	-	-	32,414,733	32,873,576	32,414,733	32,873,576
Solid Waste	-	-	7,557,209	7,492,553	7,557,209	7,492,553
Stormwater	-	-	4,339,649	3,654,793	4,339,649	3,654,793
Building Permits and Inspections	-	-	1,787,281	-	1,787,281	-
IT&C	-	-	157,268	-	157,268	-
Golf Course	-	-	1,876,394	84,219	1,876,394	84,219
Tennis Center	-	-	284,483	242,969	284,483	242,969
Interest on long-term debt	545,416	314,337	-	-	545,416	314,337
Total expenses	33,293,091	33,708,305	48,417,017	44,348,110	81,710,108	78,056,415
Increase (decrease) in net assets before transfers	6,100,074	12,212,859	(2,054,538)	10,070,628	4,045,536	22,283,487
Transfers	(5,822,903)	5,756,982	5,822,903	(5,756,982)	-	-
Increase (decrease) in net assets	277,171	17,969,841	3,768,365	4,313,646	4,045,536	22,283,487
Net assets - beginning, restated	318,853,335	305,651,146	78,883,295	74,569,649	397,736,630	380,220,795
Net assets - ending	\$319,130,506	\$323,620,987	\$82,651,660	\$78,883,295	\$401,782,166	\$402,504,282

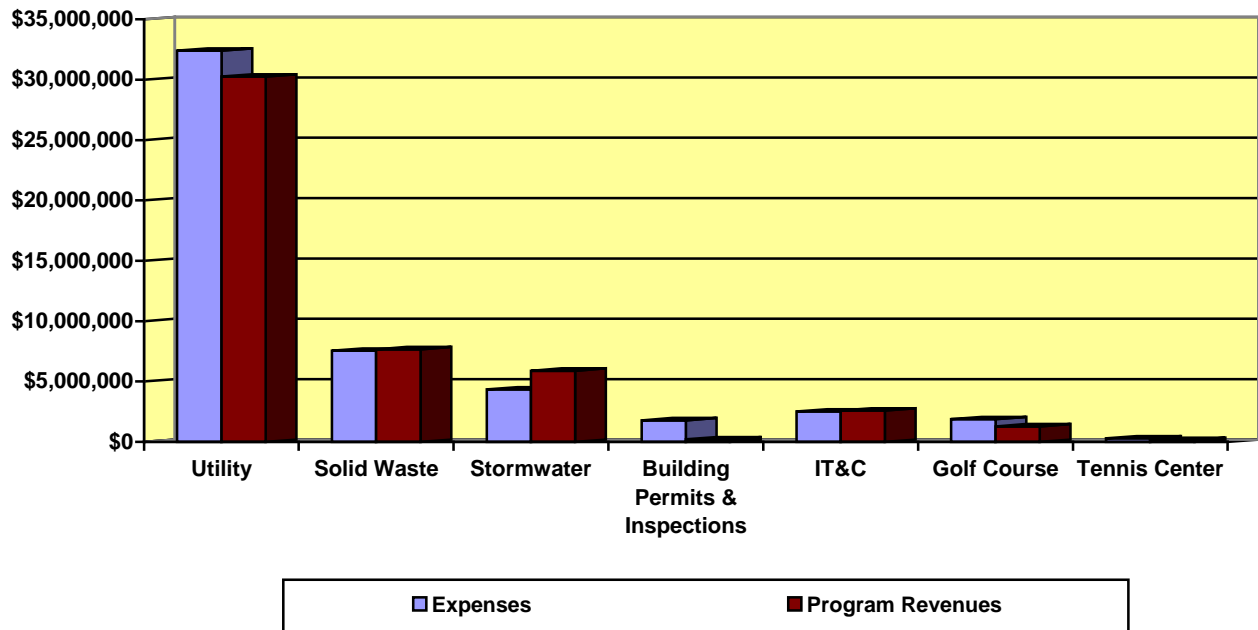
## Expenses and Program Revenues - Governmental Activities



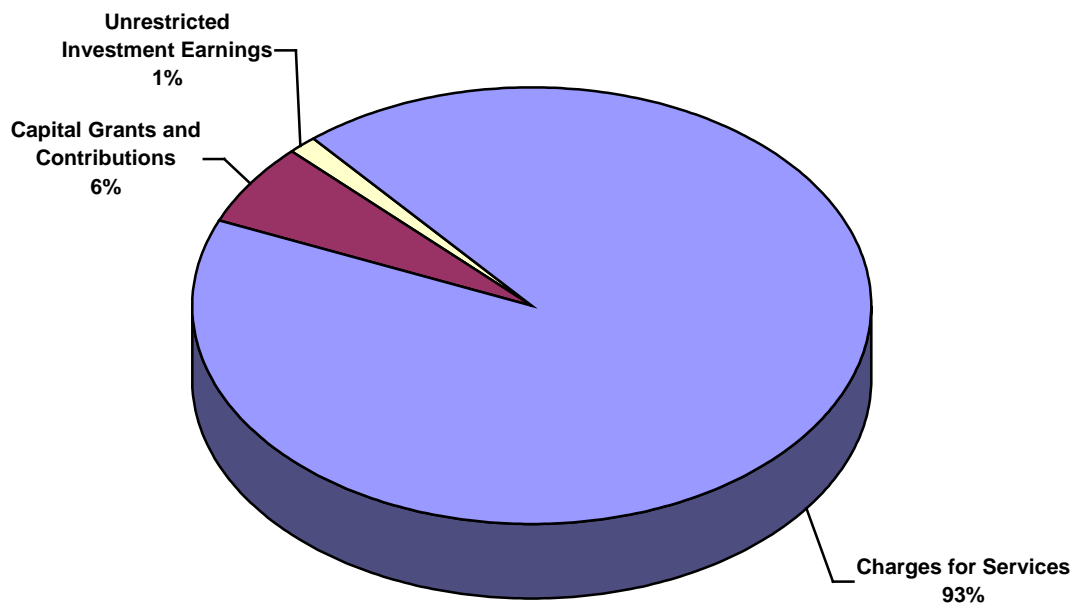
## Revenues by Source - Governmental Activities



## Expenses and Program Revenues - Business-type Activities



## Revenues by Source - Business-type Activities



## **Business-type Activities**

Business-type activities increased the City of Palm Coast's net assets by \$3,768,365 or 93.1% of the total growth in net assets. The increase in net assets was primarily attributable to capital grants and contributions. Approximately \$1.35 million of the capital grants and contributions for the year are from developer infrastructure contributions. Business-type activities unrestricted net assets decreased by \$6,205,767 for the year. The decrease in unrestricted net assets was primarily due to a loss before capital contributions in the utility fund of approximately \$4.3 million with the balance attributable to a loss before capital contributions in the nonmajor enterprise funds.

## **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, unassigned fund balance in the general fund was \$2,393,217, with an additional \$2,171,614 committed as a disaster reserve. The total fund balance stood at \$10,540,407. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and total fund balance to fund expenditures. Unassigned fund balance represents approximately 9% of total general fund expenditures versus 13% for fiscal year 2009. Total fund balance represents approximately 40% of the total general fund expenditures versus 57% for fiscal year 2009.

The fund balance of the City of Palm Coast's general fund decreased by \$6,634,415 during the current fiscal year. Key factors in this decrease are as follows:

The primary driver for the overall decrease in the fund balance is related to the establishment of a building permits and inspections proprietary fund and related transfer out of approximately \$6 million. Overall general fund revenues decreased over \$3.5 million, but expenses were nearly \$4 million less than in 2009. The revenue decreases are primarily due to decreases in construction related revenues, charges for services, and intergovernmental revenue. The decrease in expenses are primarily in the general government function due to a reorganization and related cost control program.

The capital projects fund has a total fund balance of \$14,092,639, an increase of \$2,075,544. A portion of the total property tax revenue is allocated to this fund to cover capital expenditures. Tax collections increased nearly \$500,000 due to a decrease in the amount of tax revenue collected and allocated to this fund. Proceeds from the sale of capital assets are primarily responsible for the increase in fund balance during the fiscal year. This relates to the sale of fiber optic assets as part of the Fibernet project throughout the City. The transportation impact fee fund balance was (\$4,867,803), a decrease of \$6,068,379. 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 \$1,153,751 representing a decrease of \$2,948,001. Investment in infrastructure in advance of related revenues is the primary reason for the decrease. The SR100 CRA fund balance was (\$2,585,777), an increase of \$2,998,278. Debt proceeds of \$4 million for future land acquisition is the primary factor for the increase.

The other governmental funds have a total fund balance (\$4,526,217). This was a decrease of \$2,664,449 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 \$7,895,341 at the end of the year, with the total fund balance at \$66,962,715. The unrestricted net assets decreased \$10,906,409 for the year. Nearly \$4.3 million of the change was due to a loss before capital contributions. The balance of the decrease is due to increased capital investment in lieu of decreasing impact fee collections.

Unrestricted net assets of the solid waste fund were \$508,139, which represents an increase of \$110,755. An ongoing revenue maximization program is the primary factor for the change.

Unrestricted net assets of the stormwater fund were (\$817,118), which represents an increase of \$3,202,055. This increase is primarily due to the partial repayment of an interfund loan.

Unrestricted net assets in the golf course fund were (\$5,602,756), which represents a decrease of \$1,669,530. This decrease is primarily due to investment in renovation of the golf course, and a first year operating loss and transfers out of nearly \$1 million.

Unrestricted net assets in the tennis center fund were (\$35,444), which represents a decrease of \$624. This decrease is primarily due to operating expenses in excess of operating revenues.

Unrestricted net assets in the building permits and inspections fund were \$4,492,123. This is the first year for this fund and represents the net of the operating loss for year of approximately \$1.5 million and a transfer in to establish the fund of nearly \$6 million.

Unrestricted net assets in the information technology and communications fund (IT&C) were (\$1,661,702). This is the first year for this fund. Investment in infrastructure assets is the primary driver behind the negative unrestricted net assets.

### **Fund Balance Policy Compliance**

**Governmental funds.** The general fund adjusted unassigned fund balance exceeds the policy target by approximately \$2.9 million. The City Council has chosen to leave this excess in place to hedge against anticipated future revenue decreases.

**Proprietary funds.** The utility fund unreserved fund balance exceeds the policy target by approximately \$1.6 million. The fiscal year 2011 budget includes a transfer for capital expenditures to address this excess. The stormwater, golf course, and tennis center fund unrestricted net assets are all below the minimum fund balance threshold. A plan is currently in place to return unrestricted net assets to the minimum threshold within three years.

Additional information relating to the fund balance policy can be found in Note 16 on pages 74-76 of this report.

## General Fund Budgetary Highlights

Differences between the original budget and the final amended budgeted expenses and transfers out totaled an increase of \$2,968,644. The change was due to net budget revisions in various departments as part of our ongoing cost reduction and reallocation program and an increase to transfers out to establish the building permits and inspections fund. During the year, final amended expenditures exceeded the revenues budget by \$2,904,730. This was the result of budgeted utilization of accumulated fund balance. Actual expenditures were less than the final amended budget by \$3,102,891. The overall cost reduction program is the primary reason for this difference.

## Capital Asset and Debt Administration

**Capital assets.** The City of Palm Coast's investment in capital assets as of September 30, 2010, amounts to \$539,125,369 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment. This is an increase of \$24,967,571 for the current fiscal year. Approximately 33% 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	
	2010	2009	2010	2009	2010	2009
Land	\$84,521,638	\$84,141,419	\$16,051,194	\$15,894,216	\$100,572,832	\$100,035,635
Buildings and improvements						
other than buildings	26,761,352	25,285,161	73,644,398	69,807,638	100,405,750	95,092,799
Infrastructure	181,637,131	141,343,955	134,689,541	121,809,302	316,326,672	263,153,257
Equipment	8,424,507	7,797,650	1,226,355	971,814	9,650,862	8,769,464
Construction in progress	7,154,792	32,762,232	5,014,461	9,576,759	12,169,253	42,338,991
Total	\$308,499,420	\$291,330,417	\$230,625,949	\$218,059,729	\$539,125,369	\$509,390,146

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 \$133,746,906 in revenue bonds, net of premiums and bond costs, used for the purchase and expansion of the utility system. There is a CDBG loan with a balance of \$25,929 and State Revolving Fund loans of \$31,572,319 for utility and stormwater improvements. There is also a line of credit to finance stormwater improvements with a balance of \$7,982,812. The City also obtained a CRA revenue loan during the fiscal year with a balance of \$3,770,000 at year end. The remainder of the long-term debt is made up of compensated absences, capital leases, and an unfunded net OPEB liability. The total long-term debt of the City is \$180,079,302.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Loans from other governments	\$25,929	\$63,552	\$31,572,319	\$32,782,922	\$31,598,248	\$32,846,474
Loans from financial institutions	3,770,000	-	7,982,812	2,299,000	11,752,812	2,299,000
Revenue bonds, net	-	-	133,746,906	136,661,196	133,746,906	136,661,196
Capital leases	-	-	252,015	-	252,015	-
Net OPEB liability	144,000	71,000	50,000	27,000	194,000	98,000
Compensated absences	1,374,787	1,671,182	1,160,534	890,950	2,535,321	2,562,132
<b>Total</b>	<b>\$5,314,716</b>	<b>\$1,805,734</b>	<b>\$174,764,586</b>	<b>\$172,661,068</b>	<b>\$180,079,302</b>	<b>\$174,466,802</b>

Additional information on the City of Palm Coast's long-term debt can be found in Note 9 beginning on pages 56-65 of this report.

### Next Year's Budget and Rates

During the current fiscal year, unassigned fund balance in the General Fund decreased to \$2,393,217. The available fund balance, as a percentage of prior year expenditures and transfers out is approximately 7%.

The City Council approved a millage rate of 3.500 mills for fiscal year 2011.

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 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 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 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 approximately 16%. New construction added a little over 1% to the taxable value, so the City had a net 14.9% 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@palmcoastgov.com](mailto:rbritt@palmcoastgov.com)



## **BASIC FINANCIAL STATEMENTS**



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City of Palm Coast, Florida  
Statement of Net Assets  
September 30, 2010

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Equity in pooled cash and investments	\$ 18,680,549	\$ 11,257,832	\$ 29,938,381
Accounts receivable - net	1,421,030	7,149,300	8,570,330
Due from other governments	4,364,086	-	4,364,086
Prepaid items	246,625	81,583	328,208
Inventories	60,381	588,199	648,580
Unamortized debt issuance costs	-	633,245	633,245
Restricted assets:			
Equity in pooled cash and investments	-	19,176,350	19,176,350
Due from other governments	-	194,670	194,670
Capital assets (net of accumulated depreciation):			
Land	84,521,638	16,051,194	100,572,832
Building and improvements other than buildings	26,761,352	73,644,398	100,405,750
Infrastructure	181,637,131	134,689,541	316,326,672
Equipment	8,424,507	1,226,355	9,650,862
Construction in progress	7,154,792	5,014,461	12,169,253
Total assets	<u>333,272,091</u>	<u>269,707,128</u>	<u>602,979,219</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	9,414,505	2,523,989	11,938,494
Due to other governments	91,505	3,871	95,376
Due to other funds	111,970	-	111,970
Internal balances	(1,130,917)	1,130,917	-
Accrued loan interest payable	-	7,927	7,927
Customer deposits	333,373	3,153,800	3,487,173
Unearned revenue	6,433	22,193	28,626
Payable from restricted assets:			
Accrued bond interest payable	-	3,176,182	3,176,182
Accrued loan interest payable	-	296,734	296,734
Accounts payable	-	1,785,289	1,785,289
Contracts payable	-	189,980	189,980
Noncurrent liabilities:			
Due within one year	727,646	5,216,480	5,944,126
Due in more than one year	4,587,070	169,548,106	174,135,176
Total liabilities	<u>14,141,585</u>	<u>187,055,468</u>	<u>201,197,053</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	307,069,337	72,856,080	379,925,417
Restricted for:			
Construction	650,876	86,605	737,481
Debt service	-	3,937,478	3,937,478
Public safety	268,833	-	268,833
Unrestricted	<u>11,141,460</u>	<u>5,771,497</u>	<u>16,912,957</u>
Total Net Assets	<u>\$ 319,130,506</u>	<u>\$ 82,651,660</u>	<u>\$ 401,782,166</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, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
General government	\$ 7,291,611	\$ 1,147,521	\$ 1,664,826	\$ -	\$ (4,479,264)	\$ -	\$ (4,479,264)
Public safety	11,029,379	679,557	10,095	61,359	(10,278,368)	-	(10,278,368)
Transportation and physical environment	11,552,570	92,840	1,972,129	3,175,703	(6,311,898)	-	(6,311,898)
Culture and recreation	2,874,115	158,546	14,348	1,164,072	(1,537,149)	-	(1,537,149)
Interest on long-term debt	545,416	-	-	-	(545,416)	-	(545,416)
<b>Total governmental activities</b>	<b>33,293,091</b>	<b>2,078,464</b>	<b>3,661,398</b>	<b>4,401,134</b>	<b>(23,152,095)</b>	<b>-</b>	<b>(23,152,095)</b>
Business-Type Activities							
Utility	32,414,733	27,771,725	-	2,488,974	-	(2,154,034)	(2,154,034)
Solid Waste	7,557,209	7,667,964	-	-	-	110,755	110,755
Stormwater	4,339,649	5,509,260	-	382,765	-	1,552,376	1,552,376
Building Permits & Inspections	1,787,281	201,626	-	-	-	(1,585,655)	(1,585,655)
Information Technology & Communication	157,268	246,094	-	-	-	88,826	88,826
Golf Course	1,876,394	1,213,334	-	67,854	-	(595,206)	(595,206)
Tennis Center	284,483	164,404	-	1,260	-	(118,819)	(118,819)
<b>Total Business-Type Activities</b>	<b>48,417,017</b>	<b>42,774,407</b>	<b>-</b>	<b>2,940,853</b>	<b>-</b>	<b>(2,701,757)</b>	<b>(2,701,757)</b>
<b>Total Primary Government</b>	<b>\$ 81,710,108</b>	<b>\$ 44,852,871</b>	<b>\$ 3,661,398</b>	<b>\$ 7,341,987</b>	<b>(23,152,095)</b>	<b>(2,701,757)</b>	<b>(25,853,852)</b>
General revenues:							
Property taxes					18,614,730	-	18,614,730
Sales and use taxes					2,495,167	-	2,495,167
Telecommunication services tax					2,748,010	-	2,748,010
Franchise fees					744,353	-	744,353
Other Local Taxes					404,685	-	404,685
Intergovernmental Revenue, non-program					3,253,543	-	3,253,543
Unrestricted investment earnings					888,531	647,219	1,535,750
Miscellaneous					21,425	-	21,425
Gain on sale of capital assets					81,725	-	81,725
Transfers					(5,822,903)	5,822,903	-
<b>Total general revenues and transfers</b>					<b>23,429,266</b>	<b>6,470,122</b>	<b>29,899,388</b>
Change in Net Assets					277,171	3,768,365	4,045,536
Net assets - beginning of year, restated					318,853,335	78,883,295	397,736,630
Net assets - end of year					<b>\$ 319,130,506</b>	<b>\$ 82,651,660</b>	<b>\$ 401,782,166</b>

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



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City of Palm Coast, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2010

	General Fund	Capital Projects Fund	Transportation Impact Fee Fund	Streets Improvement Fund	SR100 CRA Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Equity in pooled cash and investments	\$ 5,213,218	\$ 4,857,131	\$ 23,976	\$ 1,929,454	\$ 3,224,630	\$ 487,029	\$ 15,735,438
Accounts receivable - net	1,150,165	39,139	-	42,440	-	-	1,231,744
Special Assessment receivable - net	-	-	-	-	-	131,047	131,047
Prepaid items	183,047	-	-	-	-	-	183,047
Notes receivable - current	25,929	-	-	-	-	-	25,929
Due from other governments	1,126,051	725,586	366,687	952,161	-	1,193,601	4,364,086
Due from other funds	-	430,000	-	-	-	-	430,000
Advances to other funds	5,792,529	9,425,998	-	-	-	-	15,218,527
<b>Total assets</b>	<b>\$ 13,490,939</b>	<b>\$ 15,477,854</b>	<b>\$ 390,663</b>	<b>\$ 2,924,055</b>	<b>\$ 3,224,630</b>	<b>\$ 1,811,677</b>	<b>\$ 37,319,818</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 752,076	\$ 1,385,215	\$ 3,183,466	\$ 1,727,864	\$ 17,878	\$ 674,294	\$ 7,740,793
Accrued liabilities	429,347	-	-	-	-	-	429,347
Due to other governments	91,505	-	-	-	-	-	91,505
Deferred revenue	1,232,261	-	-	42,440	-	6,433	1,281,134
Customer deposits	333,373	-	-	-	-	-	333,373
Due to other funds	111,970	-	-	-	-	430,000	541,970
Advances from other funds	-	-	2,075,000	-	5,792,529	5,227,167	13,094,696
Non-Spendable							
<b>Total liabilities</b>	<b>2,950,532</b>	<b>1,385,215</b>	<b>5,258,466</b>	<b>1,770,304</b>	<b>5,810,407</b>	<b>6,337,894</b>	<b>23,512,818</b>
Fund Balances:							
Nonspendable							
Prepaid items	183,047	-	-	-	-	-	183,047
Advances to other funds	5,792,529	-	-	-	-	-	5,792,529
Restricted for							
Public safety	-	-	-	-	-	268,833	268,833
Construction	-	338,087	-	-	-	312,789	650,876
Committed for							
Disaster Reserve	2,171,614	-	-	-	-	-	2,171,614
Construction	-	13,754,552	-	1,153,751	-	-	14,908,303
Unassigned	2,393,217	-	(4,867,803)	-	(2,585,777)	(5,107,839)	(10,168,202)
<b>Total fund balances</b>	<b>10,540,407</b>	<b>14,092,639</b>	<b>(4,867,803)</b>	<b>1,153,751</b>	<b>(2,585,777)</b>	<b>(4,526,217)</b>	<b>13,807,000</b>
<b>Total liabilities and fund balances</b>	<b>\$ 13,490,939</b>	<b>\$ 15,477,854</b>	<b>\$ 390,663</b>	<b>\$ 2,924,055</b>	<b>\$ 3,224,630</b>	<b>\$ 1,811,677</b>	<b>\$ 37,319,818</b>

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

**City of Palm Coast, Florida**  
**Reconciliation of the Balance Sheet to the Statement of Net Assets**  
**Governmental Funds**  
**September 30, 2010**

Fund balances - total governmental funds	\$	13,807,000
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.		301,710,587
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds.		1,274,701
Internal services funds are used by management to charge the costs of fleet leases and maintenance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		7,638,771
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(5,300,553)
		(5,300,553)
Net assets of governmental activities	\$	319,130,506

City of Palm Coast, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended September 30, 2010

	General Fund	Capital Projects Fund	Transportation Impact Fee Fund	Streets Improvement Fund	SR100 CRA Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes	\$ 19,544,242	\$ 2,631,273	\$ -	\$ 4,084,768	\$ 786,325	\$ -	\$ 27,046,608
Licenses and permits	391,479	-	-	-	-	-	391,479
Intergovernmental revenue	1,967,830	1,431,161	366,687	1,624,916	-	2,549,075	7,939,669
Charges for services	2,444,783	108,120	-	-	-	-	2,552,903
Special assessments	-	-	-	-	-	219,391	219,391
Fines and forfeitures	387,000	-	-	626,952	-	29,143	1,043,095
Impact fees	-	-	886,171	-	-	330,490	1,216,661
Contributions	5,350	8,998	-	-	-	-	14,348
Investment earnings	469,223	158,684	15,842	66,594	83,602	39,644	833,589
Miscellaneous	21,255	-	-	170	-	-	21,425
Total revenues	25,231,162	4,338,236	1,268,700	6,403,400	869,927	3,167,743	41,279,168
<b>EXPENDITURES</b>							
Current:							
General government	7,266,784	494,912	-	-	-	1,652,210	9,413,906
Public safety	10,448,326	-	-	249,749	-	21,314	10,719,389
Transportation and physical environment	6,361,631	-	-	-	39,409	-	6,401,040
Culture and recreation	1,878,028	-	-	-	-	-	1,878,028
Capital outlay:							
General Government	-	22,515	-	-	-	-	22,515
Public Safety	48,522	42,411	-	-	-	3,925	94,858
Transportation and physical environment	32,819	2,164,074	10,937,079	5,501,652	1,746,032	2,004,611	22,386,267
Culture and recreation	20,550	379,106	-	-	-	2,262,979	2,662,635
Debt service:							
Principal	37,623	-	-	-	230,000	-	267,623
Interest and Other	1,857	-	-	-	456,406	87,153	545,416
Total expenditures	26,096,140	3,103,018	10,937,079	5,751,401	2,471,847	6,032,192	54,391,677
Excess (deficiency) of revenues over (under) expenditures	(864,978)	1,235,218	(9,668,379)	651,999	(1,601,920)	(2,864,449)	(13,112,509)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	785,401	85,000	3,600,000	-	600,198	200,000	5,270,599
Transfers out	(6,587,620)	(1,039,172)	-	(3,600,000)	-	-	(11,226,792)
Sale of Capital Assets	32,782	1,794,498	-	-	-	-	1,827,280
Issuance of long term debt	-	-	-	-	4,000,000	-	4,000,000
Total other financing sources (uses)	(5,769,437)	840,326	3,600,000	(3,600,000)	4,600,198	200,000	(128,913)
Net change in fund balances	(6,634,415)	2,075,544	(6,068,379)	(2,948,001)	2,998,278	(2,664,449)	(13,241,422)
Fund balances - beginning	17,174,822	12,017,095	1,200,576	4,101,752	(5,584,055)	(1,861,768)	27,048,422
Fund balances - ending	\$ 10,540,407	\$ 14,092,639	\$ (4,867,803)	\$ 1,153,751	\$ (2,585,777)	\$ (4,526,217)	\$ 13,807,000

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, 2010**

Net change in fund balances - total governmental funds	\$	(13,241,422)
<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	25,166,275	
Less current year depreciation	(6,914,821)	18,251,454
<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		18,630
Change in revenue collections expected after 60 days		62,412
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and adjustments) is to decrease net assets.</p>		
		(2,449,865)
<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>		
		(3,732,377)
<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		301,832
Annual OPEB Cost		(73,000)
<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>		
		1,139,507
Change in net assets of governmental activities.	\$	277,171

City of Palm Coast, Florida  
Statement of Net Assets  
Proprietary Funds  
September 30, 2010

<b>Business-type Activities-Enterprise Funds</b>						
	<b>Utility Fund</b>	<b>Solid Waste Fund</b>	<b>Stormwater Fund</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Governmental Activities - Internal Service Funds</b>
<b>ASSETS</b>						
Current assets:						
Equity in pooled cash and investments	\$ 5,838,572	\$ -	\$ -	\$ 5,419,260	\$ 11,257,832	\$ 2,945,111
Accounts receivable - net	4,300,588	1,410,204	1,431,506	7,002	7,149,300	32,310
Inventories	562,140	-	-	26,059	588,199	60,381
Prepaid Items	39,136	-	15,817	26,630	81,583	63,578
Restricted current assets:						
Cash with fiscal agent	6,236,182	-	-	-	6,236,182	-
Due from other governments	-	-	194,670	-	194,670	-
<b>Total current assets</b>	<b>16,976,618</b>	<b>1,410,204</b>	<b>1,641,993</b>	<b>5,478,951</b>	<b>25,507,766</b>	<b>3,101,380</b>
Noncurrent assets:						
Restricted assets:						
Debt Service	1,033,307	-	140,905	-	1,174,212	-
Impact Fees	951,847	-	-	-	951,847	-
Bond proceeds	10,814,109	-	-	-	10,814,109	-
<b>Total restricted assets</b>	<b>12,799,263</b>	<b>-</b>	<b>140,905</b>	<b>-</b>	<b>12,940,168</b>	<b>-</b>
Capital assets:						
Land	12,920,099	-	848,614	2,282,481	16,051,194	-
Building and improvements other than buildings	89,029,086	-	-	387,554	89,416,640	1,097,144
Infrastructure	128,076,277	-	22,475,154	7,591,821	158,143,252	-
Equipment	913,663	-	717,539	704,628	2,335,830	11,299,484
Less accumulated depreciation	(36,775,501)	-	(3,028,120)	(531,807)	(40,335,428)	(5,607,795)
Construction in progress	4,928,190	-	86,271	-	5,014,461	-
<b>Total capital assets</b>	<b>199,091,814</b>	<b>-</b>	<b>21,099,458</b>	<b>10,434,677</b>	<b>230,625,949</b>	<b>6,788,833</b>
Due from other funds	1,917,011	-	-	-	1,917,011	-
Advances to other funds	5,227,167	-	-	-	5,227,167	-
Loan acquisition costs	481,500	-	151,745	-	633,245	-
<b>Total assets</b>	<b>\$ 236,493,373</b>	<b>\$ 1,410,204</b>	<b>\$ 23,034,101</b>	<b>\$ 15,913,628</b>	<b>\$ 276,851,306</b>	<b>\$ 9,890,213</b>

City of Palm Coast, Florida  
Statement of Net Assets (continued)  
Proprietary Funds  
September 30, 2010

<u>Business-type Activities-Enterprise Funds</u>						
	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$ 611,118	\$ 582,662	\$ 410,189	\$ 595,603	\$ 2,199,572	\$ 889,961
Claims Payable	-	-	-	-	-	349,314
Due to Other Governments	-	-	-	3,871	3,871	-
Loans payable	1,234,671	-	347,880	126,973	1,709,524	-
Compensated absences	298,573	-	75,504	72,879	446,956	3,454
Accrued liabilities	181,356	-	45,650	97,411	324,417	5,090
Accrued loan interest payable	-	-	-	7,927	7,927	-
Customer deposits	3,153,800	-	-	-	3,153,800	-
Deferred revenue	-	-	-	22,193	22,193	-
Current liabilities payable from rstrd assets:						
Current maturities of bonds payable	3,060,000	-	-	-	3,060,000	-
Accrued bond interest payable	3,176,182	-	-	-	3,176,182	-
Accrued loan interest payable	194,296	-	102,438	-	296,734	-
Accounts payable	1,785,289	-	-	-	1,785,289	-
Contract payable	164,961	-	25,019	-	189,980	-
Total current liabilities	13,860,246	582,662	1,006,680	926,857	16,376,445	1,247,819
Noncurrent liabilities:						
Compensated absences	475,259	-	102,471	135,848	713,578	10,709
Net OPEB Obligation	42,000	-	8,000	-	50,000	-
Bonds payable	130,686,906	-	-	-	130,686,906	-
Loans payable	24,466,247	-	13,366,856	264,519	38,097,622	-
Due to other funds	-	319,403	1,597,608	-	1,917,011	-
Advances from other funds	-	-	-	7,350,998	7,350,998	-
Total noncurrent liabilities	155,670,412	319,403	15,074,935	7,751,365	178,816,115	10,709
Total liabilities	169,530,658	902,065	16,081,615	8,678,222	195,192,560	1,258,528
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	55,081,758	-	7,731,137	10,043,185	72,856,080	6,788,833
Restricted for construction	86,605	-	-	-	86,605	-
Restricted for debt service	3,899,011	-	38,467	-	3,937,478	-
Unrestricted	7,895,341	508,139	(817,118)	(2,807,779)	4,778,583	1,842,852
Total net assets	<u>\$ 66,962,715</u>	<u>\$ 508,139</u>	<u>\$ 6,952,486</u>	<u>\$ 7,235,406</u>	<u>81,658,746</u>	<u>\$ 8,631,685</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					992,914	
					<u>\$82,651,660</u>	

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



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City of Palm Coast, Florida  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Funds  
For the Year Ended September 30, 2010

**Business-type Activities - Enterprise Funds**

	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES</b>						
Charges for services:						
Water sales	\$ 16,546,126	\$ -	\$ -	\$ -	\$ 16,546,126	\$ -
Sewer charges	10,060,446	-	-	-	10,060,446	-
Garbage charges	-	7,667,964	-	-	7,667,964	-
Stormwater charges	-	-	5,509,260	-	5,509,260	-
Tennis program charges	-	-	-	164,404	164,404	-
Golf Course charges	-	-	-	1,213,334	1,213,334	-
Building Permit & Inspection Charges	-	-	-	201,626	201,626	-
IT&C Charges	-	-	-	2,604,275	2,604,275	-
Miscellaneous	1,165,153	-	-	-	1,165,153	4,000,350
<b>Total operating revenues</b>	<b>27,771,725</b>	<b>7,667,964</b>	<b>5,509,260</b>	<b>4,183,639</b>	<b>45,132,588</b>	<b>4,000,350</b>
<b>OPERATING EXPENSES</b>						
Administrative	4,765,725	-	-	-	4,765,725	2,431,470
Water system	7,714,832	-	-	-	7,714,832	-
Sewer system	4,690,206	-	-	-	4,690,206	-
Solid waste system	-	7,550,827	-	-	7,550,827	-
Stormwater system	-	-	3,076,204	-	3,076,204	-
Golf Course	-	-	-	1,626,517	1,626,517	-
Tennis Center	-	-	-	281,361	281,361	-
Building Permits and Inspections	-	-	-	1,796,345	1,796,345	-
IT&C	-	-	-	2,241,757	2,241,757	-
Depreciation	8,428,115	-	1,077,467	523,653	10,029,235	1,086,913
<b>Total operating expenses</b>	<b>25,598,878</b>	<b>7,550,827</b>	<b>4,153,671</b>	<b>6,469,633</b>	<b>43,773,009</b>	<b>3,518,383</b>
Operating income (loss)	2,172,847	117,137	1,355,589	(2,285,994)	1,359,579	481,967
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment revenue	503,736	-	-	143,483	647,219	54,942
Interest/amortization expense	(6,971,542)	(6,382)	(240,650)	(11,180)	(7,229,754)	-
Other	-	-	136,918	-	136,918	48,943
<b>Total nonoperating revenues (expenses)</b>	<b>(6,467,806)</b>	<b>(6,382)</b>	<b>(103,732)</b>	<b>132,303</b>	<b>(6,445,617)</b>	<b>103,885</b>
Income (loss) before capital contributions and transfers	(4,294,959)	110,755	1,251,857	(2,153,691)	(5,086,038)	585,852
<b>TRANSFERS AND CONTRIBUTIONS</b>						
Capital grants and contributions	2,488,974	-	245,847	717,044	3,451,865	-
Transfers in	-	-	-	6,826,594	6,826,594	781,220
Transfers out	(884,585)	-	(391,450)	(375,586)	(1,651,621)	-
<b>Total transfers and contributions</b>	<b>1,604,389</b>	<b>-</b>	<b>(145,603)</b>	<b>7,168,052</b>	<b>8,626,838</b>	<b>781,220</b>
Change in net assets	(2,690,570)	110,755	1,106,254	5,014,361	3,540,800	1,367,072
Total net assets - beginning	69,653,285	397,384	5,846,232	2,221,045	7,264,613	7,264,613
Total net assets - ending	\$ 66,962,715	\$ 508,139	\$ 6,952,486	\$ 7,235,406	\$ 8,631,685	\$ 8,631,685
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					227,565	
					<u>\$3,768,365</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, 2010**

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Utility	Solid Waste	Storm Water	Nonmajor Enterprise	Totals	
<b>Cash flows from operating activities</b>						
Cash received from customers	\$27,385,817	\$7,512,058	\$5,212,550	\$4,180,415	\$44,290,840	\$3,985,860
Cash paid to suppliers	(11,983,582)	(7,543,555)	(2,472,965)	(2,654,555)	(24,654,657)	(2,003,041)
Cash paid to employees	(5,081,714)	-	(603,340)	(2,473,261)	(8,158,315)	(131,409)
Net cash provided by (used in) operating activities	10,320,521	(31,497)	2,136,245	(947,401)	11,477,868	1,851,410
<b>Cash flow from noncapital financing activities</b>						
Transfers in from other funds	-	-	-	6,826,594	6,826,594	781,220
Transfers out to other funds	(884,585)	-	(391,450)	(375,586)	(1,651,621)	-
Advances to other funds	-	-	(2,379,521)	-	2,097,642	-
Advances from other funds	2,097,642	37,879	-	2,850,998	509,356	-
Net cash provided by (used in) noncapital financing activities	1,213,057	37,879	(2,770,971)	9,302,006	7,781,971	781,220
<b>Cash flow from capital and related financing activities</b>						
Proceeds from issuance of long-term debt	46,385	-	8,006,593	535,023	8,588,001	-
Loan Principal Payments	(4,713,594)	-	(331,261)	(143,531)	(5,188,386)	-
Interest paid	(7,085,586)	(6,382)	(304,230)	(3,253)	(7,399,451)	-
Acquisition and construction of property, plant and equipment	(9,443,666)	-	(6,931,408)	(5,351,878)	(21,726,952)	(2,423,992)
Proceeds from the sale of capital assets	-	-	-	-	-	37,238
Impact fees and contributions	1,257,897	-	196,087	649,190	2,103,174	-
Net cash provided by (used in) capital and related financing activities	(19,938,564)	(6,382)	635,781	(4,314,449)	(23,623,614)	(2,386,754)
<b>Cash flow from investing activities</b>						
Interest on investments	503,736	-	-	143,483	647,219	54,942
Net cash provided by (used in) investing activities	503,736	-	-	143,483	647,219	54,942
Net increase (decrease) in cash and cash equivalents	(7,901,250)	-	1,055	4,183,639	(3,716,556)	300,818
Beginning cash and cash equivalents	32,775,267	-	139,850	1,235,621	34,150,738	2,644,293
Ending cash and cash equivalents	\$24,874,017	\$ -	\$140,905	\$5,419,260	\$30,434,182	\$2,945,111

(continued)

**City of Palm Coast, Florida**  
**Statement of Cash Flows (continued)**  
**Proprietary Funds**  
**For the Year Ended September 30, 2010**

	Business-type Activities - Enterprise Funds				Totals	Governmental Activities - Internal Service Funds
	Utility	Solid Waste	Storm Water	Nonmajor Enterprise		
<b>Reconciliation of operating income to net cash provided by operating activities</b>						
Operating income (loss)	\$2,172,847	\$117,137	\$1,355,589	(\$2,285,994)	\$1,359,579	\$481,967
Adjustment to reconcile operating income to net cash provided by operating activities						
Depreciation and amortization	8,428,115	-	1,077,467	523,653	10,029,235	1,086,913
Change in assets and liabilities:				-		
Accounts receivable	(455,767)	(155,906)	(296,710)	(7,002)	(915,385)	(14,490)
Inventories	60,313	-	-	(26,059)	34,254	(25,771)
Prepays	-	-	(15,817)	(21,113)	(36,930)	(63,578)
Accounts payable	6,708	7,272	(54,176)	595,187	554,991	379,373
Accrued liabilities	55,910	-	18,699	77,208	151,817	1,559
Customer deposits	30,723	-	-	-	30,723	-
Compensated absences	21,672	-	51,193	196,719	269,584	5,437
Net cash provided by (used in) operating activities	\$10,320,521	(\$31,497)	\$2,136,245	(\$947,401)	\$11,477,868	\$1,851,410
<b>Cash and cash equivalents classified as:</b>						
Equity in pooled cash and investments in current assets	\$5,838,572	\$ -	\$ -	\$5,419,260	\$11,257,832	\$2,945,111
Restricted equity in pooled cash and investments						
Cash with fiscal agent	6,236,182	-	-	-	6,236,182	-
Debt service	1,033,307	-	140,905	-	1,174,212	-
Impact fees	951,847	-	-	-	951,847	-
Bond proceeds	10,814,109	-	-	-	10,814,109	-
Total restricted equity in pooled cash and investments	19,035,445	-	140,905	-	19,176,350	-
Total cash and cash equivalents	\$24,874,017	\$ -	\$140,905	\$5,419,260	\$30,434,182	\$2,945,111
<b>Noncash capital and related financing activities:</b>						
Developer contributions of capital assets	1,231,077	-	49,760	67,854	1,348,691	-

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, 2010

	<u>Volunteer Firefighter Pension Fund</u>	<u>Coquina Coast Agency Fund</u>
<b>ASSETS</b>		
Cash	\$ 360	\$ 1,668,059
Pension Investments		
External investment pools	1,708,316	-
Due from other funds	<u>111,970</u>	<u>-</u>
Total assets	<u>\$ 1,820,646</u>	<u>\$ 1,668,059</u>
<b>LIABILITIES</b>		
Accounts payable	-	63,206
Deposits held in escrow	<u>-</u>	<u>1,604,853</u>
Total liabilities	<u>-</u>	<u>\$ 1,668,059</u>
<b>NET ASSETS</b>		
Held in Trust for Pension Benefits and Other Purposes	<u>\$ 1,820,646</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, 2010**

	<b>Volunteer Firefighter Pension Fund</b>
<b>ADDITIONS</b>	
Contributions:	
State contributions	\$ 339,247
Total contributions	339,247
Investment earnings:	
Interest	116,473
Total investment earnings	116,473
Total additions	455,720
<b>DEDUCTIONS</b>	
Administrative Expenses	16,236
Benefit Distributions	38,492
Total deductions	54,728
<b>Net Increase (Decrease)</b>	400,992
Net assets - beginning	1,419,654
Net assets - ending	\$ 1,820,646

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



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**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2010**

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**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, 2010**

**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 treatment and 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, 2010**

**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 funds account for a self-insured employee medical insurance program and 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, stormwater, and information technology and communications (IT&C) 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, 2010**

**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 19%, 16% and 62%, 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, 2010**

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

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

The property tax calendar is as follows:

Valuation Date January 1, 2009

Property Appraiser prepares the assessment roll with values as of January 1, 2009, submits this preliminary roll for approval by the State and notifies each taxing authority of their respective valuations. July 1, 2009

City Council holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year. September 2009

Property Appraiser certifies the assessment roll and all real and tangible personal property taxes are due and payable (Levy Date). November 1, 2009

A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November 2009 through March 2010, with the following applicable discounts:

<u>Month Paid</u>	<u>Discount (%)</u>	
November	4	
December	3	November 1, 2009
January	2	through
February	1	March 31, 2010
March	0	

All unpaid taxes on real and tangible personal property become delinquent. April 1, 2010

A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised. April and May 2010

Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien Date). June 1, 2010

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, 2010



**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2010**

**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 are reflected 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, 2010**

**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***

Beginning with fiscal year 2010, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance - amounts that are not in spendable form (such as prepaid expenses and advances due from other funds) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or as delegated to the City Manager.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the City Council through adoption or amendment of the budget and through delegation to the City Manager.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2010**

**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 not reported in the funds.” The details of this \$301,710,587 difference are as follows:

Capital assets	\$328,510,268
Less: Accumulated Depreciation	(33,954,474)
Construction in progress	7,154,793
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$301,710,587

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 \$5,300,553 difference are as follows:

Loans payable	\$3,795,929
Net OPEB liability	144,000
Compensated absences	1,360,624
Net adjustment to decrease <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$5,300,553

***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 \$3,732,377 difference are as follows:

Debt issued:	
SR100 CRA Revenue Note	\$4,000,000
Principal payments:	
CDBG Loan	(37,623)
SR100 CRA Revenue Note	(230,000)
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$3,732,377

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2010**

**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 Area Fund had a deficit fund balance of \$2,585,777 as of September 30, 2010. This fund incurred redevelopment expenditures in advance of future anticipated property tax revenues. The Transportation Impact Fee and OKR Special Assessment special revenue funds had deficit fund balances of \$4,867,803 and \$5,107,839, respectively. These funds incurred construction expenses in excess of current revenues and transfers. The Tennis Center proprietary fund had deficit net assets of \$12,686. This fund incurred expenses in excess of current revenues and transfers.

***Excess of Expenditures over Appropriations***

For the year ended September 30, 2010, no departments exceeded appropriations.

***Budgetary Information***

The City follows these procedures in adopting the budget:

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

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2010**

**Note 4 – Deposits and Investments**

***Deposits***

At year-end, the carrying amount of the City's deposits was \$3,409,415 and the bank balance was \$3,329,470. 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 \$12,045 in petty cash. In addition, the City has a money market cash balance of \$2,326,898 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, 2010, the City has the following investments:

Investment Type	Fair Value	Percentage of Total	Average Maturities
Florida SBA LGIP	\$13,734,343	36.98%	52 Days
Florida SBA LGIP Fund B	1,067,973	2.88%	7.49 Years
U.S. Government Agencies	16,523,463	44.49%	1-4 Years
U.S. Treasuries	1,811,190	4.88%	1-3 Years
Corporate Notes	1,775,706	4.78%	1-3 Years
Commercial Paper	1,521,839	4.09%	90 Days
Municipal Bonds	707,722	1.90%	1-3 Years
	<u>\$37,142,236</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, 2010**

**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 Surplus Funds Trust Fund (Florida PRIME), 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, 2010, Standard and Poor's Ratings Services assigned its "AAAm" principal stability fund rating to Florida PRIME.

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, 2010 was .707058094. 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, 2010, the City's investments in U.S. Government Agencies were rated AAA, commercial paper rated A-1+, and corporate and municipal bonds rated AA+ to AAA by Standard & Poor's.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2010**

**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, 2010, the City's largest agency investment is in Fannie Mae (FNMA) and Freddie Mac (FHLMC). These securities represent 22 and 17 percent, respectively, of the City's total investments.

Cash with fiscal agent as of September 30, 2010 totaled \$6,236,182. 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, 2010:

	Accounts Receivable	Special Assessments Receivable	Notes Receivable - Current	Allowance for Doubtful Accounts	Totals
General Fund	\$ 1,150,165	\$ -	\$ 25,929	\$ -	\$1,176,094
Capital Projects Fund	39,139	-	-	-	39,139
Streets Improvement Fund	42,440	-	-	-	42,440
Nonmajor Governmental Funds	-	131,047	-	-	131,047
Utility Fund	5,335,738	-	-	(1,035,150)	4,300,588
Solid Waste Fund	1,672,587	-	-	(262,383)	1,410,204
Stormwater Fund	3,796,991	-	-	(2,365,485)	1,431,506
Nonmajor Enterprise Funds	7,002	-	-	-	7,002
Fleet Management Fund	32,310	-	-	-	32,310
Totals	<u>\$12,076,372</u>	<u>\$131,047</u>	<u>\$25,929</u>	<u>\$(3,663,018)</u>	<u>\$8,570,330</u>

Notes receivable 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, 2010 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 \$1,281,134. Of this amount, \$1,274,701 represents amounts that are deferred solely because they are not yet considered to be available. Therefore, \$6,433 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, 2010**

**Note 6 – Capital Assets**

Capital asset activity for the year ended September 30, 2010 was as follows:

	Balance 9/30/2009	Increases	Decreases	Balance 9/30/2010
<b>A. Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 88,909,071	\$ 1,729,509	\$ (6,116,942)	\$ 84,521,638
Construction in progress	32,762,232	23,649,961	(49,257,401)	7,154,792
Total capital assets, not being depreciated	121,671,303	25,379,470	(55,374,343)	91,676,430
Capital assets, being depreciated:				
Buildings and improvements other than buildings	27,917,078	2,782,447	-	30,699,525
Infrastructure	162,234,068	47,824,244	(2,635,102)	207,423,210
Equipment	16,165,483	2,469,840	(372,798)	18,262,525
Total capital assets, being depreciated	206,316,629	53,076,531	(3,007,900)	256,385,260
Less accumulated depreciation for:				
Buildings and improvements other than buildings	(2,631,917)	(1,306,256)	-	(3,938,173)
Infrastructure	(20,890,110)	(5,088,640)	192,671	(25,786,079)
Equipment	(8,367,833)	(1,606,838)	136,653	(9,838,018)
Total accumulated depreciation	(31,889,860)	(8,001,734)	329,324	(39,562,270)
Total capital assets, being depreciated, net	174,426,769	45,074,797	(2,678,576)	216,822,990
Governmental activities capital assets, net	\$ 296,098,072	\$ 70,454,267	\$ (58,052,919)	\$ 308,499,420

	Balance 9/30/2009	Increases	Decreases	Balance 9/30/2010
<b>B. Business-type Activities</b>				
Capital assets, not being depreciated:				
Land	\$15,894,216	\$156,978	\$ -	\$16,051,194
Construction in progress	9,576,759	18,071,200	(22,633,498)	5,014,461
Total capital assets, not being depreciated	25,470,975	18,228,178	(22,633,498)	21,065,655
Capital assets, being depreciated:				
Buildings and improvements other than buildings	82,123,404	7,293,236	-	89,416,640
Infrastructure	139,058,047	19,085,205	-	158,143,252
Equipment	1,718,522	617,308	-	2,335,830
Total capital assets, being depreciated	222,899,973	26,995,749	-	249,895,722
Less accumulated depreciation for:				
Buildings and improvements other than buildings	(12,315,766)	(3,456,476)	-	(15,772,242)
Infrastructure	(17,248,743)	(6,204,968)	-	(23,453,711)
Equipment	(746,708)	(367,791)	5,024	(1,109,475)
Total accumulated depreciation	(30,311,217)	(10,029,235)	5,024	(40,335,428)
Total capital assets, being depreciated, net	192,588,756	16,966,514	5,024	209,560,294
Business-type activities capital assets, net	\$218,059,731	\$35,194,692	(\$22,628,474)	\$230,625,949



**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
SEPTEMBER 30, 2010**

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

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

Governmental activities:		
General government		\$ 229,436
Public safety		406,008
Transportation and physical environment		5,268,896
Culture and recreation		1,010,481
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		<u>1,086,913</u>
Total depreciation expense - governmental activities		<u><u>\$8,001,734</u></u>
Business activities:		
Utility		\$ 8,428,115
Stormwater		1,077,467
Information Technology and Communication (IT&C)		269,718
Golf Course		249,877
Tennis Center		<u>4,058</u>
Total depreciation expense - business activities		<u><u>\$10,029,235</u></u>

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

The composition of interfund balances as of September 30, 2010, is as follows:

Due from/to other funds:			
Receivable Fund	Payable Fund	Purpose	Amount
Volunteer Fire Fighter Pension Fund	General Fund	Annual pension contribution	\$ 111,970
Capital Projects Fund	Neighborhood Stabilization Fund	Supplement operating cash flow	430,000
Utility Fund	Solid Waste Fund	Supplement operating cash flow	319,403
Utility Fund	Stormwater Fund	Supplement operating cash flow	<u>1,597,608</u>
		Total	<u><u>\$2,458,981</u></u>

The outstanding balance between the Volunteer Fire Fighter Pension Fund and the General Fund are for State contributions due to the Volunteer Fire Fighter Pension Fund as of September 30, 2010. The remaining 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, 2010**

**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	5,556,500
Capital Projects Fund	IT&C Fund	Purchase of Fiber Optic infrastructure	1,794,498
Capital Projects Fund	Transportation Impact Fee Fund	Expansion and realignment of road	2,075,000
Utility Fund	OKR Special Assessment Fund	Expansion and realignment of road	5,227,167
			\$20,445,694

The advances from the General Fund relate to working capital loans made to the SR100 CRA Fund upon its creation. The Capital Projects Fund loans are to renovate a donated golf course for public use, purchase a fiber optic network, and fund a major road expansion. 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	Transportation Impact Fee Fund	SR 100 CRA Fund	Nonmajor Governmental	Nonmajor Proprietary	Internal Service	
General Fund	\$ -	\$ -	\$ -	\$ 511,026	\$ -	\$ 6,076,594	\$ -	\$ 6,587,620
Utility Fund	749,401	77,000	-	-	-	-	58,184	884,585
Streets Improvement Fund	-	-	3,600,000	-	-	-	-	3,600,000
Capital Projects Fund	-	-	-	89,172	200,000	750,000	-	1,039,172
Stormwater Fund	28,000	5,000	-	-	-	-	358,450	391,450
Nonmajor Proprietary	8,000	3,000	-	-	-	-	364,586	375,586
Total transfers out	\$ 785,401	\$ 85,000	\$ 3,600,000	\$ 600,198	\$ 200,000	\$ 6,826,594	\$ 781,220	\$ 12,878,413

Transfers from the General Fund are generally made to establish reserves for future capital expenditures and possible emergency related expenditures. For the year ended September 30, 2010, there was also a transfer of \$5,959,594 to establish the Building Permits and Inspections nonmajor enterprise fund. Transfers to the CRA Fund represent base property tax collections within the redevelopment area. Transfers from the Utility Fund and Nonmajor Proprietary Funds are in lieu of tax transfers, maintenance transfers, and to establish reserves for future capital expenditures. Transfers from the Stormwater Fund are in lieu of tax transfers, 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. Transfers to Nonmajor Governmental and the Transportation Impact Fee Funds are for expenditures related to capital projects.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2010**

**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 2010 the total cost was \$2,599,691 and provided 27 additional personnel.

Lease of City Owned Facilities

The City leases various facilities to telecommunications companies, who provide wireless phone and Internet access to the public. The leases are for a five year period, with renewal options for an additional five years. Annual lease payments increase by the U.S. Consumer Price Index or 3 to 4%, whichever is greater. For fiscal year 2010, the total amount of lease payments received was \$182,658.

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, 2010 was \$240,000. The future minimum lease payments are as follows:

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

Operating 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. The future minimum lease payments are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2011	\$ 65,388
2012	65,388
2013	65,388
	<hr/>
	\$196,164
	<hr/> <hr/>

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2010**

**Note 9 – Long-Term Debt**

**A. Governmental Activities**

***CDBG Loan***

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

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

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

Year Ending September 30, 2011	Principal	Interest
	\$25,929	\$391
	\$25,929	\$391

***SR100 CRA Redevelopment Revenue Note, Series 2009***

During year ended September 30, 2010, the City executed an agreement with BB&T Bank for the purpose of purchasing properties within the redevelopment area. The loan principal of \$4,000,000 is payable annually in accordance with the schedule below at an interest rate 4.34% through October 1, 2024.

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

Year Ending September 30,	Principal	Interest
2011	\$ 230,000	\$ 163,618
2012	200,000	154,938
2013	210,000	145,824
2014	220,000	136,276
2015	230,000	126,294
2016-2020	1,305,000	466,333
2021-2025	1,605,000	145,390
	\$ 4,000,000	\$ 1,338,673

The 2011 principal payment was made during the year ended September 30, 2010, leaving a principal balance of \$3,770,000 payable at the end of the fiscal year.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
SEPTEMBER 30, 2010**

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

**B. Business Activities**

**Utility System Long-term Debt**

***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, 2010, 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. 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, 2010**

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

**Early Redemption**

**A. Optional Redemption**

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

**Debt Service**

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

Year Ending September 30,	Principal	Interest
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	2,355,000	3,816,663
2016-2020	13,670,000	17,058,513
2021-2025	17,610,000	12,931,913
2026-2030	22,490,000	7,845,738
2031-2035	22,290,000	1,739,996
	\$ 87,050,000	\$ 59,610,085

**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, 2010**

**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, 2010, 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. 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, 2010**

**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>	<u>Principal</u>	<u>Interest</u>
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	1,175,000	1,908,906
2016-2020	6,615,000	8,755,956
2021-2025	8,140,000	7,130,106
2026-2030	10,180,000	5,028,806
2031-2035	12,620,000	2,455,194
2036-2040	5,865,000	131,033
	<u>\$ 48,870,000</u>	<u>\$ 33,487,525</u>

***State Revolving Fund Loans***

During year ended September 30, 2005, the City executed an agreement with the Florida Department of Environmental Protection to borrow through the State Revolving Fund loan program, for the purpose of lift station and force main improvements (WW90302S). 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>	<u>Principal</u>	<u>Interest</u>
2011	\$ 117,524	\$ 59,648
2012	120,731	56,441
2013	124,025	53,147
2014	127,409	49,763
2015	130,885	46,287
2016-2020	709,978	175,882
2021-2025	812,263	73,597
2026-2030	87,400	1,186
	<u>\$ 2,230,215</u>	<u>\$ 515,951</u>



**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2010**

**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 (WW90303S). 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
2011	\$ 565,028	\$ 283,680
2012	579,814	268,894
2013	594,987	253,721
2014	610,558	238,150
2015	626,535	222,173
2016-2020	3,387,365	856,175
2021-2025	3,854,397	389,143
2026-2030	832,442	16,266
	\$ 11,051,126	\$ 2,528,202

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 (WW903050). On January 30, 2008, the loan principal was amended to \$7,668,560. The loan principal is payable semi-annually in the amount of \$245,558 at an interest rate 2.54% through June 15, 2028.

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

Year Ending September 30,	Principal	Interest
2011	\$ 313,845	\$ 177,271
2012	321,800	169,316
2013	330,025	161,091
2014	338,461	152,655
2015	347,113	144,003
2016-2020	1,873,277	582,303
2021-2025	2,125,250	330,330
2026-2030	1,410,015	63,333
	\$ 7,059,786	\$ 1,780,302

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2010**

**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 (WW903080). On June 23, 2010 the loan principal was amended to \$5,999,136. The loan principal is payable semi-annually in the amount of \$186,428 at an interest rate 2.54% through June 15, 2028.

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

Year Ending <u>September 30,</u>	Principal	Interest
2011	\$ 238,273	\$ 134,583
2012	244,310	128,546
2013	250,555	122,301
2014	256,960	115,896
2015	263,528	109,328
2016-2020	1,422,192	442,088
2021-2025	1,613,490	250,790
2026-2030	1,070,483	48,085
	<u>\$ 5,359,791</u>	<u>\$ 1,351,617</u>

**Stormwater System Long-Term Debt**

***State Revolving Fund Loans***

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 (SW903040). On August 10, 2007, the loan amount was amended to \$4,847,060 with the additional principal bearing an interest rate of 2.43%. On June 7, 2010 the loan principal was amended a second time to \$4,822,150. The loan principal is payable semi-annually in the amount of \$151,585 at an interest rate 2.5282% through August 15, 2026.

**CITY OF PALM COAST, FL**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2010**

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

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

Year Ending September 30,	Principal	Interest
2011	\$ 203,906	\$ 99,264
2012	209,107	94,063
2013	214,439	88,731
2014	219,908	83,262
2015	225,517	77,653
2016-2020	1,216,847	299,003
2021-2025	1,380,141	135,709
2026-2030	297,503	5,667
	<b>\$ 3,967,368</b>	<b>\$ 883,352</b>

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 (SW903070). As of September 30, 2010 the amount expended and received on this loan was \$1,976,258.

Description	Interest Rate	Disbursable Amount	Amount Funded	Repayment Date	Semi-Annual Payment	Term (Years)
Stormwater system improvements	3.17%	\$3,740,362	\$1,976,258	9/15/2010	\$131,132	20

**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, 2010 this rate was 2.30156%. The total amount of funding received on this loan was \$5,544,335 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	\$7,843,335	10/1/2011	tbd	15

**CITY OF PALM COAST, FL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2010**

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

**Information Technology and Communications (IT&C) Long-Term Debt**

***Capital Leases***

During year ended September 30, 2010, the City executed an agreement with Dell Financial Services to lease computer equipment for use on the city-wide network.. The non-cancelable capital lease principal of \$85,120 is payable annually in the amount of \$21,986 at an interest rate of 2.20% through October 1, 2012.

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

Year Ending <u>September 30,</u>	Principal	Interest
2011	\$ 20,598	\$ 1,388
2012	21,051	935
2013	21,485	473
	\$ 63,134	\$ 2,796

During year ended September 30, 2010, the City executed an agreement with Key Government Finance to lease computer equipment for use on the fiber optic network. The non-cancelable capital lease principal of \$285,130 is payable annually in the amount of \$99,501 at an interest rate of 2.39% through October 1, 2011.

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

Year Ending <u>September 30,</u>	Principal	Interest
2011	\$ 92,963	\$ 6,538
2012	95,918	3,583
	\$ 188,881	\$ 10,121

***Loan***

During year ended September 30, 2009, the City executed an agreement with MetroPCS Florida, LLC to purchase a wireless communications tower built on City land. MetroPCS Florida, LLC would construct the tower and lease space on the tower for its operations (see Note 8). The City agreed to apply fifty percent of the tower lease payments towards repayment of the cost of the tower in the amount of \$164,773 with principal only payable annually according to the schedule below.

**CITY OF PALM COAST, FL**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2010**

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

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

Year Ending <u>September 30,</u>	Principal	Interest
2011	\$ 13,412	\$ -
2012	13,948	-
2013	14,506	-
2014	15,087	-
2015	15,690	-
2016-2020	66,834	-
	<u>\$ 139,477</u>	<u>\$ -</u>

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

During the year ended September 30, 2010, the following changes in long-term debt occurred:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
CDBG Loan	\$ 63,552	\$ -	\$ (37,623)	\$ 25,929	\$ 25,929
SR100 CRA Loan	-	4,000,000	(230,000)	3,770,000	200,000
Net OPEB Liability	71,000	73,000	-	144,000	-
Compensated Absences	1,671,182	800,254	(1,096,649)	1,374,787	501,717
Long-term debt	<u>\$1,805,734</u>	<u>\$4,873,254</u>	<u>\$(1,364,272)</u>	<u>\$5,314,716</u>	<u>\$727,646</u>
 Business Type Activities:					
Utility Revenue Bonds	\$138,890,000	\$ -	\$(2,970,000)	\$135,920,000	\$3,060,000
Deferred Amounts:					
Plus: issuance premiums	1,435,336	-	(92,859)	1,342,477	-
Less: issuance costs	(3,664,140)	-	148,569	(3,515,571)	-
Total Revenue Bonds	136,661,196	-	(2,914,290)	133,746,906	3,060,000
State Revolving Fund Loans	32,782,922	1,805,855	(3,016,458)	31,572,319	1,582,551
Bank and Other Loans	2,299,000	5,709,108	(25,296)	7,982,812	13,412
Net OPEB Liability	27,000	23,000	-	50,000	-
Capital Leases	-	370,250	(118,235)	252,015	113,561
Compensated Absences	890,950	822,014	(552,430)	1,160,534	446,956
Long-term debt	<u>\$172,661,068</u>	<u>\$8,730,227</u>	<u>\$(6,626,709)</u>	<u>\$174,764,586</u>	<u>\$5,216,480</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, \$14,163 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, 2010**

**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, 2010, 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, 2010, contributions to this plan totaled \$1,887,543.

***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, 2010**

**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:

	10/1/2009
	<u>09/30/2010</u>
Regular employees – members not qualifying for other classes	10.77%
Special Risk Employees – members employed as law enforcement officers and firefighters	23.25%
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>
09/30/2008	\$298,771	100%
09/30/2009	300,683	100%
09/30/2010	317,139	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, 2010**

**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, 2010 was \$339,247. 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 47 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, 2009. 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, 2010**

**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 Florida Local Government Surplus Funds Trust Fund Investment Pool administered by the Florida State Board of Administration (SBA) and the Florida Municipal Pension Trust Fund administered by the Florida League of Cities. Both of these funds are external investment pools and are reported at fair value.

The total invested with the SBA in the Local Government Surplus Funds Trust Fund (Florida PRIME) and Fund B as of September 30, 2010 was \$3,839 and \$11,106 respectively. See Note 4 for a further disclosures relating to the SBA.

The total invested with the Florida Municipal Pension Trust Fund (FMPTF) administered by the Florida League of Cities as of September 30, 2010 was \$1,693,371. The City’s investments in the Florida Municipal Pension Trust Fund, a Securities and Exchange Commission rule 2a7-like external investment pool, are beneficial interests in shares of portfolios, not the individual securities held within each portfolio.

*Interest Rate Risk.* The FMPTF includes the following fixed income funds.

<u>Fixed Income Fund</u>	<u>Effective Duration (Years)</u>	<u>Weighted Average Maturity (Years)</u>
FMIvT 0-2 Year High Quality Bond	0.70	0.78
FMIvT Broad Market High Quality Bond	3.70	4.90

*Credit Risk.* The fixed income funds in the chart above are rated AAf/S1 by Standard and Poors and AA/V4 by Fitch, respectively. There are also a number of equity portfolios within the investment pool which are not rated.

***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 was an increase from the original minimum benefit accrual rate of \$35 per month. The change was adopted by ordinance during the fiscal year ended September 30, 2009. Volunteers do not contribute to the plan.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2010**

**Note 10 – Retirement Plans (Continued)**

***Volunteer Firefighters’ Pension Plan (Continued)***

Three Year Trend Information			
Fiscal Year Ending	Actuarially Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
9/30/2009	\$0	100%	\$0
9/30/2008	0	100%	0
9/30/2007	0	100%	0

***Funded Status and Funding Progress***

As of October 1, 2009, the most recent actuarial valuation update, the plan was 111 percent funded. The actuarial accrued liability for benefits was \$1,352,993 and the actuarial value of assets was \$1,503,874 resulting in an unfunded actuarial accrued liability (UAAL) of (\$150,882).

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.

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**CITY OF PALM COAST, FL**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2010**

**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, 2010, 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, 2010**

**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 (level dollar) 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. Amortizations are open ended in that they begin a new amortization base at each valuation date. 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)	\$105,000
Interest on Plan Obligation	4,000
Adjustment to ARC	<u>(4,000)</u>
Annual Plan OPEB Cost	105,000
Contributions Made	<u>(9,000)</u>
Change in OPEB Obligation	96,000
Net OPEB Obligation Beginning of year	<u>98,000</u>
Net OPEB Obligation End of year	<u><u>\$194,000</u></u>

As of September 30, 2010, the City accrued \$194,000 in the Government-Wide Statement of Net Assets, with \$50,000 in the Proprietary Funds Statement of Net Assets.

**CITY OF PALM COAST, FL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2010**

**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, 2010, the amount of prepaid impact fees is estimated to be \$21,408,000.

**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.

***Self Insurance Program***

The City is also exposed to risks for losses related to health and other medical benefits it provides to its employees. A self insurance program was created July 1, 2010 to handle these risks. The Self Insured Health Fund (internal service fund) was established to account for medical insurance claims of City employees and their covered dependents. Under this program, the fund provides the employee with a lifetime maximum benefit of \$2,000,000. Retention limits of \$125,000 for specific claims have been set. Commercial insurance for specific loss claims in excess of the coverage provided by the fund is supplied by Aetna Insurance at a monthly rate of \$48.99 per participating employee. The City has contracted with various agencies to perform certain administrative functions, such as monitoring, reviewing, and paying claims. Settled claims have not exceeded the excess insurance limits.

All funds of the City that carry employees participate in the program and make payments to the Self Insured Health Fund based on actuarial estimates of the amounts needed to pay prior and current year claims, claims reserves, and administrative costs.

A liability for claims is reported if it is probable that a liability has occurred and the amount is estimable. As a result, a liability of \$349,314 is reported in the fund at September 30, 2010.

Change in the fund's claims liability amount in fiscal year 2010 were:

<u>Changes in Claims Liability</u>	<u>2010</u>
Beginning fiscal year liability	\$ -
Current year claims and changes in estimates	425,220
Claim payments	<u>(75,906)</u>
Balance at fiscal year end	<u>\$ 349,314</u>

**CITY OF PALM COAST, FL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2010**

**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, 2010, the fund received \$786,325 in property tax revenue, a \$600,198 transfer from the general fund, and \$83,602 in investment earnings. The fund also received \$4,000,000 in proceeds from a revenue note towards redevelopment costs (see Note 9). Expenditures for the fiscal year of \$2,471,847 are for the purchases of land, related redevelopment costs and debt service.

**Note 15 – Prior Years Restatement**

Governmental activities net assets were restated for the year ended September 30, 2009. The restatement resulted in a decrease to net assets. Certain contributions of land at the inception of the City were recorded in error.

	<u>Governmental</u>
	<u>Activities</u>
Net Assets - September 30, 2009	\$323,620,987
Land contributions recorded in error	<u>(4,767,652)</u>
Restated Net Assets	<u><u>\$318,853,335</u></u>

**Note 16 – Fund Balance Policy**

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

**General Fund**

Adjusted unassigned fund balance (includes nonspendable advances to other funds less next fiscal year appropriations, if any), at year end, will be between ten percent and twenty percent of the following year’s budgeted expenditures. Adjusted unassigned fund balance over twenty percent may be transferred to the Disaster Reserve to meet funding goals, or to the Capital Projects Fund, if necessary. If the adjusted unassigned 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 unassigned fund balance to ten percent or greater within three years.

**CITY OF PALM COAST, FL**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2010**

**Note 16 – Fund Balance Policy (Continued)**

***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 may 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 may 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 may 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.

***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 may 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 committed 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 this balance is below the minimum amount at year end, an additional amount should be committed from the General Fund unassigned fund balance in an amount sufficient to increase the Disaster Reserve above the minimum amount, within two years.

**CITY OF PALM COAST, FL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2010**

**Note 16 – Fund Balance Policy (Continued)**

***Other Funds***

All other funds, including Special Revenue Funds, Capital Project Funds, certain Nonmajor Enterprise 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.

**Note 17 – Subsequent Events**

***SR100 CRA Land Purchase***

In October 2010, land was purchased in the amount of \$1,150,000. The purchase was for a total of seven lots that are part of the overall redevelopment plan.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF PALM COAST, FL  
REQUIRED SUPPLEMENTARY INFORMATION  
VOLUNTEER FIREFIGHTERS PENSION PLAN  
SEPTEMBER 30, 2010**

**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)
10/1/2009	\$1,503,874	\$1,352,993	\$ (150,882)	111.15%	\$0	N/A
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

**Schedule of Employer and Other Contributing Entities**

Year Ended September 30,	Annual Required Contributions	City Contribution	State Contribution	Percentage Contributed
2009	\$108,698	\$0	\$164,879	100
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, 2010 \$602,652 of accumulated state contributions were reserved for future benefit improvements.

**CITY OF PALM COAST, FL  
 REQUIRED SUPPLEMENTARY INFORMATION  
 POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)  
 SEPTEMBER 30, 2010**

**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
2010	\$ 105,000	8.6%	0.1%
2009	98,000	0%	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, 2010

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 19,352,700	\$ 19,379,800	\$ 19,544,242	\$ 164,442
Licenses and permits	389,600	450,100	391,479	(58,621)
Intergovernmental revenue	2,061,800	2,034,100	1,967,830	(66,270)
Charges for services	3,174,201	3,174,201	2,444,783	(729,418)
Fines and forfeitures	853,600	828,900	387,000	(441,900)
Contributions	-	-	5,350	5,350
Investment earnings	561,700	390,200	469,223	79,023
Miscellaneous	16,600	37,000	21,255	(15,745)
Total revenues	<u>26,410,201</u>	<u>26,294,301</u>	<u>25,231,162</u>	<u>(1,063,139)</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Major and Council	85,258	85,200	83,221	1,979
City Administration	2,790,892	2,513,781	2,388,645	125,136
City Attorney	341,332	342,500	337,778	4,722
Financial Services	777,281	763,065	763,014	51
Community Development	5,374,617	3,526,418	3,523,949	2,469
Nondepartmental	670,000	240,000	209,657	30,343
Total general government	<u>10,039,380</u>	<u>7,470,964</u>	<u>7,306,264</u>	<u>164,700</u>
Public safety:				
Fire	7,868,166	7,901,267	7,897,128	4,139
Law Enforcement	2,599,863	2,599,911	2,599,720	191
Total public safety	<u>10,468,029</u>	<u>10,501,178</u>	<u>10,496,848</u>	<u>4,330</u>
Transportation & physical environment:				
Streets and Drainage	7,794,026	7,637,111	5,159,597	2,477,514
Engineering	1,444,885	1,315,743	1,234,853	80,890
Total transportation & physical environment	<u>9,238,911</u>	<u>8,952,854</u>	<u>6,394,450</u>	<u>2,558,404</u>
Culture and recreation	2,506,717	2,274,035	1,898,578	375,457
Total expenditures	<u>32,253,037</u>	<u>29,199,031</u>	<u>26,096,140</u>	<u>3,102,891</u>
Excess (deficiency) of revenues over (under) expenditures	(5,842,836)	(2,904,730)	(864,978)	2,039,752
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	909,695	414,501	785,401	370,900
Transfers out	(572,971)	(6,595,621)	(6,587,620)	8,001
Sale of Capital Assets	-	-	32,782	32,782
Total other financing sources (uses)	<u>336,724</u>	<u>(6,181,120)</u>	<u>(5,769,437)</u>	<u>411,683</u>
Net change in fund balance	(5,506,112)	(9,085,850)	(6,634,415)	2,451,435
Fund balance - beginning	<u>17,174,822</u>	<u>17,174,822</u>	<u>17,174,822</u>	<u>-</u>
Fund balance - ending	<u>\$ 11,668,710</u>	<u>\$ 8,088,972</u>	<u>\$ 10,540,407</u>	<u>\$ 2,451,435</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, 2010

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenue	\$ 450,000	\$ -	\$ 366,687	\$ 366,687
Impact fees	2,459,900	883,900	886,171	2,271
Investment earnings	404,200	31,600	15,842	(15,758)
Total revenues	<u>3,314,100</u>	<u>915,500</u>	<u>1,268,700</u>	<u>353,200</u>
<b>EXPENDITURES</b>				
Capital Outlay:				
Transportation and physical environment	14,154,200	12,409,700	10,937,079	1,472,621
Total expenditures	<u>14,154,200</u>	<u>12,409,700</u>	<u>10,937,079</u>	<u>1,472,621</u>
Excess (deficiency) of revenues over (under) expenditures	(10,840,100)	(11,494,200)	(9,668,379)	1,825,821
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	4,000,000	3,000,000	3,600,000	600,000
Total other financing sources (uses)	<u>4,000,000</u>	<u>3,000,000</u>	<u>3,600,000</u>	<u>600,000</u>
Net change in fund balance	(6,840,100)	(8,494,200)	(6,068,379)	2,425,821
Fund balance - beginning	1,200,576	1,200,576	1,200,576	-
Fund balance - ending	<u>\$ (5,639,524)</u>	<u>\$ (7,293,624)</u>	<u>\$ (4,867,803)</u>	<u>\$ 2,425,821</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, 2010

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 3,894,400	\$ 3,936,800	\$ 4,084,768	\$ 147,968
Intergovernmental revenue	1,387,300	1,647,900	1,624,916	(22,984)
Fines and forfeitures	1,080,000	650,000	626,952	(23,048)
Investment earnings	134,900	76,100	66,594	(9,506)
Miscellaneous	-	100	170	70
Total revenues	<u>6,496,600</u>	<u>6,310,900</u>	<u>6,403,400</u>	<u>92,500</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	420,600	310,000	249,749	60,251
Capital Outlay:				
Transportation and physical environment	9,987,300	5,515,200	5,501,652	13,548
Total expenditures	<u>10,407,900</u>	<u>5,825,200</u>	<u>5,751,401</u>	<u>73,799</u>
Excess (deficiency) of revenues over (under) expenditures	(3,911,300)	485,700	651,999	166,299
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	(3,600,000)	(3,600,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(3,600,000)</u>	<u>(3,600,000)</u>	<u>-</u>
Net change in fund balance	(3,911,300)	(3,114,300)	(2,948,001)	166,299
Fund balance - beginning	4,101,752	4,101,752	4,101,752	-
Fund balance - ending	<u>\$ 190,452</u>	<u>\$ 987,452</u>	<u>\$ 1,153,751</u>	<u>\$ 166,299</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, 2010

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 736,700	\$ 820,300	\$ 786,325	\$ (33,975)
Investment earnings	4,900	25,900	83,602	57,702
Total revenues	741,600	846,200	869,927	23,727
<b>EXPENDITURES</b>				
Current:				
Transportation and physical environment	100,000	41,000	39,409	1,591
Capital Outlay:				
Transportation and physical environment	4,649,591	4,718,800	1,746,032	2,972,768
Debt Service:				
Principal	6,000,000	230,000	230,000	-
Interest and Other	500,000	456,500	456,406	94
Total expenditures	11,249,591	5,446,300	2,471,847	2,974,453
Excess (deficiency) of revenues over (under) expenditures	(10,507,991)	(4,600,100)	(1,601,920)	2,998,180
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	507,991	600,100	600,198	98
Issuance of long term debt	10,000,000	4,000,000	4,000,000	-
Total other financing sources (uses)	10,507,991	4,600,100	4,600,198	98
Net change in fund balance	-	-	2,998,278	2,998,278
Fund balance - beginning	(5,584,055)	(5,584,055)	(5,584,055)	-
Fund balance - ending	\$ (5,584,055)	\$ (5,584,055)	\$ (2,585,777)	\$ 2,998,278

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, SR100 CRA special revenue fund, streets improvement special revenue fund and the transportation impact fee special revenue fund. Encumbrance accounting is employed. Unexpended and unencumbered appropriations lapse at the end of the fiscal year and may be reappropriated in the ensuing year.



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



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## CAPITAL PROJECTS FUNDS

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

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

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

**Police Education Fund** -This fund accounts for the costs of educational expenses for police officers. Revenues come from fines and forfeitures.

**Police Automation Fund** -This fund accounts for funds collected and disbursements made for the purpose of acquisition of equipment to upgrade the technology of existing police equipment.

**Park Impact Fee Fund** -This fund accounts for fees collected from new development for the purpose of funding capital costs related to park land acquisition and improvements, and to track the related expenditures.

**Fire Impact Fee Fund** -This fund accounts for fees collected from new development for the purpose of funding capital costs related to expanding fire services, and to track the related expenditures.

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

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



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City of Palm Coast, Florida  
 Capital Projects  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended September 30, 2010

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 2,657,900	\$ 2,671,000	\$ 2,631,273	\$ (39,727)
Intergovernmental revenue	2,137,000	1,542,900	1,431,161	(111,739)
Charges for services	25,000	75,000	108,120	33,120
Contributions	-	-	8,998	8,998
Investment earnings	337,600	105,800	158,684	52,884
Miscellaneous	-	21,400	-	(21,400)
Total revenues	<u>5,157,500</u>	<u>4,416,100</u>	<u>4,338,236</u>	<u>(77,864)</u>
<b>EXPENDITURES</b>				
Current:				
General government	342,200	495,328	494,912	416
Capital Outlay:				
General government	7,757,000	98,300	22,515	75,785
Public Safety	-	50,000	42,411	7,589
Transportation and physical environment	2,650,000	2,300,000	2,164,074	135,926
Culture and recreation	-	400,000	379,106	20,894
Total expenditures	<u>10,749,200</u>	<u>3,343,628</u>	<u>3,103,018</u>	<u>240,610</u>
Excess (deficiency) of revenues over (under) expenditures	(5,591,700)	1,072,472	1,235,218	162,746
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	58,000	85,000	85,000	-
Transfers out	(1,110,020)	(2,839,172)	(1,039,172)	1,800,000
Sale of Capital Assets	-	-	1,794,498	1,794,498
Total other financing sources (uses)	<u>(1,052,020)</u>	<u>(2,754,172)</u>	<u>840,326</u>	<u>3,594,498</u>
Net change in fund balance	(6,643,720)	(1,681,700)	2,075,544	3,757,244
Fund balance - beginning	12,017,095	12,017,095	12,017,095	-
Fund balance - ending	<u>\$ 5,373,375</u>	<u>\$ 10,335,395</u>	<u>\$ 14,092,639</u>	<u>\$ 3,757,244</u>

City of Palm Coast, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2010

	Special Revenue Funds							
	Police Education Fund	Police Automation Fund	Park Impact Fee Fund	Fire Impact Fee Fund	Neighborhood Stabilization Fund	OKR Special Assessment Fund	Total Nonmajor Governmental Funds	
<b>ASSETS</b>								
Equity in pooled cash and investments	\$ 27,677	\$ 241,156	\$ 167,087	\$ 47,437	\$ 3,610	\$ 62	\$ 487,029	
Special Assessment receivable - net	-	-	-	-	-	131,047	131,047	
Due from other governments	-	-	681,396	-	512,205	-	1,193,601	
<b>Total assets</b>	<b>\$ 27,677</b>	<b>\$ 241,156</b>	<b>\$ 848,483</b>	<b>\$ 47,437</b>	<b>\$ 515,815</b>	<b>\$ 131,109</b>	<b>\$ 1,811,677</b>	
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ 583,131	\$ -	\$ 85,815	\$ 5,348	\$ 674,294	
Deferred revenue	-	-	-	-	-	6,433	6,433	
Due to other funds	-	-	-	-	430,000	-	430,000	
Advances from other funds	-	-	-	-	-	5,227,167	5,227,167	
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>583,131</b>	<b>-</b>	<b>515,815</b>	<b>5,238,948</b>	<b>6,337,894</b>	
Fund Balances:								
Restricted for								
Public safety	27,677	241,156	-	-	-	-	268,833	
Construction	-	-	265,352	47,437	-	-	312,789	
Unassigned	-	-	-	-	-	(5,107,839)	(5,107,839)	
<b>Total fund balances</b>	<b>27,677</b>	<b>241,156</b>	<b>265,352</b>	<b>47,437</b>	<b>-</b>	<b>(5,107,839)</b>	<b>(4,526,217)</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 27,677</b>	<b>\$ 241,156</b>	<b>\$ 848,483</b>	<b>\$ 47,437</b>	<b>\$ 515,815</b>	<b>\$ 131,109</b>	<b>\$ 1,811,677</b>	

City of Palm Coast, Florida  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended September 30, 2010

	Special Revenue Funds						
	Police Education Fund	Police Automation Fund	Park Impact Fee Fund	Fire Impact Fee Fund	Neighborhood Stabilization Fund	OKR Special Assessment Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>							
Intergovernmental revenue	\$ -	\$ -	\$ 896,865	\$ -	\$ 1,652,210	\$ -	\$ 2,549,075
Special assessments	-	-	-	-	-	219,391	219,391
Fines and forfeitures	7,024	22,119	-	-	-	-	29,143
Impact fees	-	-	267,207	61,359	-	1,924	330,490
Investment earnings	990	5,686	18,341	-	-	14,627	39,644
Total revenues	8,014	27,805	1,182,413	61,359	1,652,210	235,942	3,167,743
<b>EXPENDITURES</b>							
Current:							
General government	-	-	-	-	1,652,210	-	1,652,210
Public safety	21,314	-	-	-	-	-	21,314
Capital outlay:							
Public Safety	-	-	-	3,925	-	-	3,925
Transportation and physical environment	-	-	-	-	-	2,004,611	2,004,611
Culture and recreation	-	-	2,262,979	-	-	-	2,262,979
Debt Service:							
Interest and Other	-	-	-	90	-	87,063	87,153
Total expenditures	21,314	-	2,262,979	4,015	1,652,210	2,091,674	6,032,192
Excess (deficiency) of revenues over (under) expenditures	(13,300)	27,805	(1,080,566)	57,344	-	(1,855,732)	(2,864,449)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	-	200,000	-	-	200,000
Total other financing sources (uses)	-	-	-	200,000	-	-	200,000
Net change in fund balances	(13,300)	27,805	(1,080,566)	257,344	-	(1,855,732)	(2,664,449)
Fund balances - beginning	40,977	213,351	1,345,918	(209,907)	-	(3,252,107)	(1,861,768)
Fund balances - ending	\$ 27,677	\$ 241,156	\$ 265,352	\$ 47,437	\$ -	\$ (5,107,839)	\$ (4,526,217)

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, 2010

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Fines and forfeitures	\$ 8,500	\$ 7,100	\$ 7,024	\$ (76)
Investment earnings	2,000	1,000	990	(10)
Total revenues	10,500	8,100	8,014	(86)
<b>EXPENDITURES</b>				
Current:				
Public safety	76,500	49,000	21,314	27,686
Total expenditures	76,500	49,000	21,314	27,686
Net change in fund balance	(66,000)	(40,900)	(13,300)	27,600
Fund balance - beginning	40,977	40,977	40,977	-
Fund balance - ending	\$ (25,023)	\$ 77	\$ 27,677	\$ 27,600



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, 2010

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Fines and forfeitures	\$ 36,000	\$ 27,200	\$ 22,119	\$ (5,081)
Investment earnings	6,900	4,100	5,686	1,586
Total revenues	42,900	31,300	27,805	(3,495)
<b>EXPENDITURES</b>				
Current:				
Public safety	261,800	244,600	-	244,600
Total expenditures	261,800	244,600	-	244,600
Net change in fund balance	(218,900)	(213,300)	27,805	241,105
Fund balance - beginning	213,351	213,351	213,351	-
Fund balance - ending	\$ (5,549)	\$ 51	\$ 241,156	\$ 241,105

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, 2010

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenue	\$ 987,000	\$ 1,000,900	\$ 896,865	\$ (104,035)
Impact fees	272,600	276,900	267,207	(9,693)
Investment earnings	112,200	51,300	18,341	(32,959)
Total revenues	1,371,800	1,329,100	1,182,413	(146,687)
<b>EXPENDITURES</b>				
Capital Outlay:				
Culture and recreation	2,500,000	2,275,000	2,262,979	12,021
Total expenditures	2,500,000	2,275,000	2,262,979	12,021
Net change in fund balance	(1,128,200)	(945,900)	(1,080,566)	(134,666)
Fund balance - beginning	1,345,918	1,345,918	1,345,918	-
Fund balance - ending	\$ 217,718	\$ 400,018	\$ 265,352	\$ (134,666)

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, 2010

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Impact fees	\$ 107,300	\$ 78,300	\$ 61,359	\$ (16,941)
Investment earnings	10,000	3,600	-	(3,600)
Total revenues	117,300	81,900	61,359	(20,541)
<b>EXPENDITURES</b>				
Capital Outlay:				
Public Safety	117,300	281,800	3,925	277,875
Debt Service:				
Interest and Other	-	100	90	10
Total expenditures	117,300	281,900	4,015	277,885
Excess (deficiency) of revenues over (under) expenditures	-	(200,000)	57,344	257,344
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	200,000	200,000	-
Total other financing sources (uses)	-	200,000	200,000	-
Net change in fund balance	-	-	257,344	257,344
Fund balance - beginning	(209,907)	(209,907)	(209,907)	-
Fund balance - ending	\$ (209,907)	\$ (209,907)	\$ 47,437	\$ 257,344

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, 2010

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenue	\$ -	\$ 2,131,900	\$ 1,652,210	\$ (479,690)
Miscellaneous	-	176,300	-	(176,300)
Total revenues	-	2,308,200	1,652,210	(655,990)
<b>EXPENDITURES</b>				
Current:				
General government	-	2,308,200	1,652,210	655,990
Total expenditures	-	2,308,200	1,652,210	655,990
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, 2010

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Special assessments	\$ -	\$ 88,900	\$ 219,391	\$ 130,491
Impact fees	-	-	1,924	1,924
Investment earnings	-	20,000	14,627	(5,373)
Total revenues	-	108,900	235,942	127,042
<b>EXPENDITURES</b>				
Capital Outlay:				
Transportation and physical environment	46,000,000	2,094,000	2,004,611	89,389
Debt Service:				
Interest and Other	-	87,100	87,063	37
Total expenditures	46,000,000	2,181,100	2,091,674	89,426
Excess (deficiency) of revenues over (under) expenditures	(46,000,000)	(2,072,200)	(1,855,732)	216,468
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(4,000,000)	-	-	-
Issuance of long term debt	50,000,000	-	-	-
Total other financing sources (uses)	46,000,000	-	-	-
Net change in fund balance	-	(2,072,200)	(1,855,732)	216,468
Fund balance - beginning	(3,252,107)	(3,252,107)	(3,252,107)	-
Fund balance - ending	\$ (3,252,107)	\$ (5,324,307)	\$ (5,107,839)	\$ 216,468



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**COMBINING NONMAJOR ENTERPRISE  
FUND STATEMENTS**



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## NONMAJOR ENTERPRISE FUNDS

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

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

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

***Building Permits & Inspections Fund*** -This fund accounts for the operations and enforcement of State and local building regulations financed primarily by user fees.

***Information Technology & Communications (IT&C)*** -This fund accounts for the fiber optic network and wireless communications provided to external users, and technology support and implementation for internal users. This is financed through a combination of user fees and internal charges.

City of Palm Coast, Florida  
Combining Statement of Net Assets  
Nonmajor Enterprise Funds  
September 30, 2010

	<u>Business-type Activities-Enterprise Funds</u>				
	Golf Course Fund	Tennis Center Fund	Building Permits & Inspections Fund	IT&C Fund	Total Nonmajor Enterprise Funds
<b>Assets:</b>					
Current assets:					
Equity in pooled cash and investments	\$ 292	\$ 4,292	\$ 4,657,085	\$ 757,591	\$ 5,419,260
Accounts receivable - net	6,207	-	-	795	7,002
Inventories	26,059	-	-	-	26,059
Prepaid Items	17,033	550	3,767	5,280	26,630
Land	2,282,481	-	-	-	2,282,481
Building and improvements other than buildings	387,554	-	-	-	387,554
Infrastructure	4,257,411	-	-	3,334,410	7,591,821
Equipment	191,188	33,421	-	480,019	704,628
Less accumulated depreciation	(251,426)	(10,663)	-	(269,718)	(531,807)
<b>Total assets</b>	<b>\$ 6,916,799</b>	<b>\$ 27,600</b>	<b>\$ 4,660,852</b>	<b>\$ 4,308,377</b>	<b>\$ 15,913,628</b>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	\$ 69,341	\$ 3,561	\$ 3,234	\$ 519,467	\$ 595,603
Due to Other Governments	-	-	3,871	-	3,871
Loans payable	-	-	-	126,973	126,973
Compensated absences	-	-	46,380	26,499	72,879
Accrued liabilities	14,521	26,517	34,975	21,398	97,411
Accrued loan interest payable	-	-	-	7,927	7,927
Deferred revenue	11,985	10,208	-	-	22,193
<b>Total current liabilities</b>	<b>95,847</b>	<b>40,286</b>	<b>88,460</b>	<b>702,264</b>	<b>926,857</b>
Noncurrent liabilities:					
Compensated absences	-	-	80,269	55,579	135,848
Loans payable	-	-	-	264,519	264,519
Advances from other funds	5,556,500	-	-	1,794,498	7,350,998
<b>Total noncurrent liabilities</b>	<b>5,556,500</b>	<b>-</b>	<b>80,269</b>	<b>2,114,596</b>	<b>7,751,365</b>
<b>Total liabilities</b>	<b>5,652,347</b>	<b>40,286</b>	<b>168,729</b>	<b>2,816,860</b>	<b>8,678,222</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	6,867,208	22,758	-	3,153,219	10,043,185
Unrestricted	(5,602,756)	(35,444)	4,492,123	(1,661,702)	(2,807,779)
<b>Total net assets</b>	<b>\$ 1,264,452</b>	<b>\$ (12,686)</b>	<b>\$ 4,492,123</b>	<b>\$ 1,491,517</b>	<b>\$ 7,235,406</b>

City of Palm Coast, Florida  
Combining Statement of Revenues, Expenses, and Changes in Net Assets  
Nonmajor Enterprise Funds  
For the Year Ended September 30, 2010

Business-type Activities - Enterprise Funds					
	Golf Course Fund	Tennis Center Fund	Building Permits & Inspections Fund	IT&C Fund	Total Nonmajor Enterprise Funds
<b>Operating Revenues:</b>					
Charges for services:					
Tennis program charges	\$ -	\$ 164,404	\$ -	\$ -	\$ 164,404
Golf Course charges	1,213,334	-	-	-	1,213,334
Building Permit & Inspection Charges	-	-	201,626	-	201,626
IT&C Charges	-	-	-	2,604,275	2,604,275
Total operating revenues	1,213,334	164,404	201,626	2,604,275	4,183,639
<b>Operating Expenses:</b>					
Golf Course	1,626,517	-	-	-	1,626,517
Tennis Center	-	281,361	-	-	281,361
Building Permits and Inspections	-	-	1,796,345	-	1,796,345
IT&C	-	-	-	2,241,757	2,241,757
Depreciation	249,877	4,058	-	269,718	523,653
Total operating expenses	1,876,394	285,419	1,796,345	2,511,475	6,469,633
Operating income (loss)	(663,060)	(121,015)	(1,594,719)	92,800	(2,285,994)
<b>Nonoperating Revenues (Expenses):</b>					
Investment revenue	4,195	73	127,248	11,967	143,483
Interest/amortization expense	-	-	-	(11,180)	(11,180)
Total nonoperating revenues (expenses)	4,195	73	127,248	787	132,303
Income (loss) before capital contributions and transfers	(658,865)	(120,942)	(1,467,471)	93,587	(2,153,691)
<b>TRANSFERS AND CONTRIBUTIONS</b>					
Capital grants and contributions	67,854	1,260	-	647,930	717,044
Transfers in	-	117,000	5,959,594	750,000	6,826,594
Transfers out	(373,586)	(2,000)	-	-	(375,586)
Total transfers and contributions	(305,732)	116,260	5,959,594	1,397,930	7,168,052
Change in net assets	(964,597)	(4,682)	4,492,123	1,491,517	5,014,361
<b>NET ASSETS</b>					
Total net assets - beginning	2,229,049	(8,004)	-	-	2,221,045
Total net assets - ending	\$ 1,264,452	\$ (12,686)	\$ 4,492,123	\$ 1,491,517	\$ 7,235,406

**Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended September 30, 2010**

<b>Cash flows from operating activities</b>	<b>Golf Course</b>	<b>Tennis Center</b>	<b>Building Permits &amp; Inspections</b>	<b>IT&amp;C</b>	<b>Totals</b>
Cash received from customers	\$ 1,219,112	\$ 156,197	\$ 201,626	\$ 2,603,480	\$ 4,180,415
Cash paid to suppliers	(896,677)	(125,760)	(726,619)	(905,499)	(2,654,555)
Cash paid to employees	(703,611)	(146,291)	(904,764)	(718,595)	(2,473,261)
Net cash provided by (used in) operating activities	(381,176)	(115,854)	(1,429,757)	979,386	(947,401)
<b>Cash flow from noncapital financing activities</b>					
Transfers in from other funds	-	117,000	5,959,594	750,000	6,826,594
Transfers out to other funds	(373,586)	(2,000)	-	-	(375,586)
Advances from other funds	1,056,500	-	-	1,794,498	2,850,998
Net cash provided by (used in) noncapital financing activities	682,914	115,000	5,959,594	2,544,498	9,302,006
<b>Cash flow from capital and related financing activities</b>					
Proceeds from issuance of long-term debt	-	-	-	535,023	535,023
Loan principal payments	-	-	-	(143,531)	(143,531)
Interest paid	-	-	-	(3,253)	(3,253)
Acquisition and construction of property, plant and equipment	(1,537,449)	-	-	(3,814,429)	(5,351,878)
Impact fees and contributions	-	1,260	-	647,930	649,190
Net cash provided by (used in) capital and related financing activities	(1,537,449)	1,260	-	(2,778,260)	(4,314,449)
<b>Cash flow from investing activities</b>					
Interest on investments	4,195	73	127,248	11,967	143,483
Net cash provided by (used in) investing activities	4,195	73	127,248	11,967	143,483
Net increase (decrease) in cash and cash equivalents	(1,231,516)	479	4,657,085	757,591	4,183,639
Beginning cash and cash equivalents	1,231,808	3,813	-	-	1,235,621
Ending cash and cash equivalents	\$ 292	\$ 4,292	\$ 4,657,085	\$757,591	\$ 5,419,260

(continued)

**City of Palm Coast, Florida**  
**Combining Statement of Cash Flows (continued)**  
**Nonmajor Enterprise Funds**  
**For the Year Ended September 30, 2010**

	Golf Course	Tennis Center	Building Permits & Inspections	IT&C	Totals
<b>Reconciliation of operating income to net cash provided by operating activities</b>					
Operating income (loss)	\$ (663,060)	\$ (121,015)	\$ (1,594,719)	\$ 92,800	\$ (2,285,994)
Adjustment to reconcile operating income to net cash provided by operating activities					
Depreciation and amortization	249,877	4,058	-	269,718	523,653
Change in assets and liabilities:					
Accounts receivable	(6,207)	-	-	(795)	(7,002)
Inventories	(26,059)	-	-	-	(26,059)
Prepays	(11,516)	(550)	(3,767)	(5,280)	(21,113)
Accounts payable	69,341	(726)	7,105	519,467	595,187
Accrued liabilities	6,448	14,387	34,975	21,398	77,208
Compensated absences	-	(12,008)	126,649	82,078	196,719
Net cash provided by (used in) operating activities	\$ (381,176)	\$ (115,854)	\$ (1,429,757)	\$ 979,386	\$ (947,401)
<b>Cash and cash equivalents classified as:</b>					
Equity in pooled cash and investments in current assets	\$ 292	\$ 4,292	\$ 4,657,085	\$ 757,591	\$ 5,419,260
Total cash and cash equivalents	\$ 292	\$ 4,292	\$ 4,657,085	\$ 757,591	\$ 5,419,260



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## **INTERNAL SERVICE FUNDS**

## INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

***Fleet Management Fund*** -This fund is used to account for the leasing of motor vehicles and heavy equipment to other departments as well as related maintenance and replacement costs.

***Self Insured Health Fund*** -This fund accounts for the management and allocation of costs associated with the self insured health benefits program for eligible employees and their dependents.



City of Palm Coast, Florida  
Combining Statement of Net Assets  
Internal Service Funds  
September 30, 2010

	Internal Service Funds		
	Self Insured Health Fund	Fleet Fund	Total Internal Service Funds
<b>Assets:</b>			
Current assets:			
Equity in pooled cash and investments	\$ 443,856	\$ 2,501,255	\$ 2,945,111
Accounts receivable - net	-	32,310	32,310
Inventories	-	60,381	60,381
Prepaid Items	49,316	14,262	63,578
Building and improvements other than buildings	-	1,097,144	1,097,144
Equipment	-	11,299,484	11,299,484
Less accumulated depreciation	-	(5,607,795)	(5,607,795)
Total assets	\$ 493,172	\$ 9,397,041	\$ 9,890,213
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 18,299	\$ 871,662	\$ 889,961
Claims Payable	349,314	-	349,314
Compensated absences	-	3,454	3,454
Accrued liabilities	-	5,090	5,090
Compensated absences	-	10,709	10,709
Total liabilities	367,613	890,915	1,258,528
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	6,788,833	6,788,833
Unrestricted	125,559	1,717,293	1,842,852
Total net assets	\$ 125,559	\$ 8,506,126	\$ 8,631,685

City of Palm Coast, Florida  
Combining Statement of Revenues, Expenses, and Changes in Net Assets  
Internal Service Funds  
For the Year Ended September 30, 2010

	<u>Internal Service Funds</u>		
	<u>Self Insured Health Fund</u>	<u>Fleet Fund</u>	<u>Total Internal Service Funds</u>
<b>Operating Revenues:</b>			
Charges for services:			
Miscellaneous	\$ 676,032	\$ 3,324,318	\$ 4,000,350
Total operating revenues	676,032	3,324,318	4,000,350
<b>Operating Expenses:</b>			
Administrative	554,003	1,877,467	2,431,470
Depreciation	-	1,086,913	1,086,913
Total operating expenses	554,003	2,964,380	3,518,383
Operating income (loss)	122,029	359,938	481,967
<b>Nonoperating Revenues (Expenses):</b>			
Investment revenue	3,530	51,412	54,942
Other	-	48,943	48,943
Total nonoperating revenues (expenses)	3,530	100,355	103,885
Income (loss) before capital contributions and transfers	125,559	460,293	585,852
<b>TRANSFERS AND CONTRIBUTIONS</b>			
Transfers in	-	781,220	781,220
Total transfers and contributions	-	781,220	781,220
Change in net assets	125,559	1,241,513	1,367,072
<b>NET ASSETS</b>			
Total net assets - beginning	-	7,264,613	7,264,613
Total net assets - ending	\$ 125,559	\$ 8,506,126	\$ 8,631,685

**Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended September 30, 2010**

	Self Insured		Totals
	Health	Fleet	
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 676,032	\$ 3,309,828	\$ 3,985,860
Cash paid to suppliers	(235,706)	(1,767,335)	(2,003,041)
Cash paid to employees	-	(131,409)	(131,409)
Net cash provided by (used in) operating activities	440,326	1,411,084	1,851,410
<b>Cash flow from noncapital financing activities</b>			
Transfer in from other funds	-	781,220	781,220
Net cash provided by (used in) noncapital financing activities	-	781,220	781,220
<b>Cash flow from capital and related financing activities</b>			
Acquisition and construction of property, plant and equipment	-	(2,423,992)	(2,423,992)
Proceeds from the sale of capital assets	-	37,238	37,238
Net cash provided by (used in) capital and related financing activities	-	(2,386,754)	(2,386,754)
<b>Cash flow from investing activities</b>			
Interest on investments	3,530	51,412	54,942
Net cash provided by (used in) investing activities	3,530	51,412	54,942
Net increase (decrease) in cash and cash equivalents	443,856	(143,038)	300,818
Beginning cash and cash equivalents	-	2,644,293	2,644,293
Ending cash and cash equivalents	\$ 443,856	\$ 2,501,255	\$ 2,945,111

(continued)

**City of Palm Coast, Florida**  
**Combining Statement of Cash Flows (continued)**  
**Internal Service Funds**  
**For the Year Ended September 30, 2010**

	Self Insured		Totals
	Health	Fleet	
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income (loss)	\$ 122,029	\$ 359,938	\$ 481,967
Adjustment to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	-	1,086,913	1,086,913
Change in assets and liabilities:			
Accounts receivable	-	(14,490)	(14,490)
Inventories	-	(25,771)	(25,771)
Prepays	(49,316)	(14,262)	(63,578)
Accounts payable	367,613	11,760	379,373
Accrued liabilities	-	1,559	1,559
Compensated absences	-	5,437	5,437
Net cash provided by (used in) operating activities	\$ 440,326	\$ 1,411,084	\$ 1,851,410
<b>Cash and cash equivalents classified as:</b>			
Equity in pooled cash and investments in current assets	\$ 443,856	\$ 2,501,255	\$ 2,945,111
Total cash and cash equivalents	\$ 443,856	\$ 2,501,255	\$ 2,945,111

## **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, 2010**

	<b>Balance October 1, 2009</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance September 30, 2010</b>
<b>Coquina Coast Cooperative</b>				
Cash and investments	\$ 558,656	\$ 1,830,581	\$ 721,178	\$ 1,668,059
Due from other governments	247,635	-	247,635	-
Total assets	<u>\$ 806,291</u>	<u>\$ 1,830,581</u>	<u>\$ 968,813</u>	<u>\$ 1,668,059</u>
Accounts payable	\$ 352,960	\$ 529,937	\$ 819,691	\$63,206
Deposits held in escrow	453,331	1,582,945	431,423	1,604,853
Total liabilities	<u>\$ 806,291</u>	<u>\$ 2,112,882</u>	<u>\$ 1,251,114</u>	<u>\$ 1,668,059</u>



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