

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, 2011, 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.

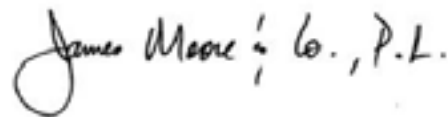
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2012, 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 an 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. 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 them.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
February 10, 2012

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, 2011. 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 2011 by \$400,232,933. Of this amount, \$10,874,369 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$1,549,233. Nearly the entire amount of this decrease was attributable to a planned use of the accumulated Building Permits & Inspections Fund unrestricted net assets through a fee reduction program.
- As of the close of fiscal year 2011, the City's governmental funds reported combined ending fund balances of \$13,328,522 a decrease of \$478,478 over the prior year. This amount includes negative unassigned fund balance of \$10,811,389 which was due to capital expenditures in advance of related revenues.
- At the end of fiscal year 2011, unassigned fund balance in the general fund was \$3,049,181 or 12.3% of total general fund expenditures.
- The City of Palm Coast's total debt decreased by \$2,604,346 during the current fiscal year. The City finalized draws on loans to improve the stormwater system. These draws were 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 services 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 40-78 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 80-81 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 \$400,232,933 at the close of the most recent fiscal year.

Of the net assets, 2.7% falls in the unrestricted category. These may be used to meet ongoing obligations to citizens and creditors. Approximately 3.7% 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 (93.6%) 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 for the government as a whole. Under the business-type activities, unrestricted net assets have a negative balance. All three categories, both for the government as a whole, as well as its separate governmental and business-type activities, were positive for the prior fiscal year.

City of Palm Coast's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 18,857,457	\$ 24,772,671	\$ 35,076,760	\$ 39,081,179	\$ 53,934,217	\$ 63,853,850
Capital assets	308,941,111	308,499,420	228,333,646	230,625,949	537,274,757	539,125,369
Total assets	327,798,568	333,272,091	263,410,406	269,707,128	591,208,974	602,979,219
Long-term liabilities	5,212,079	5,314,716	172,262,877	174,764,586	177,474,956	180,079,302
Other liabilities	3,058,227	8,826,869	10,442,858	12,290,882	13,501,085	21,117,751
Total liabilities	8,270,306	14,141,585	182,705,735	187,055,468	190,976,041	201,197,053
Net assets:						
Invested in capital assets, net						
of related debt	306,530,353	307,069,337	68,014,427	72,856,080	374,544,780	379,925,417
Restricted	1,097,652	919,709	13,716,132	4,024,083	14,813,784	4,943,792
Unrestricted	11,900,257	11,141,460	(1,025,888)	5,771,497	10,874,369	16,912,957
Total net assets	\$ 319,528,262	\$ 319,130,506	\$ 80,704,671	\$ 82,651,660	\$ 400,232,933	\$ 401,782,166

Governmental Activities

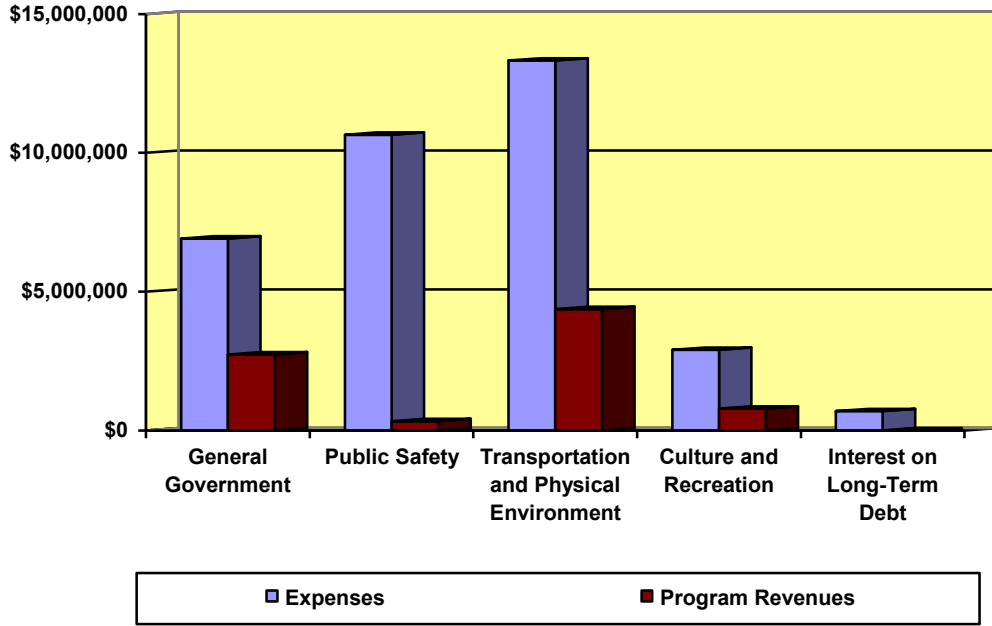
Governmental activities increased the City of Palm Coast's net assets by \$397,756 during the current fiscal year. Restricted net assets increased by \$177,943 during the fiscal year. This change is primarily due to restrictions relating to grant funding. Governmental activities unrestricted net assets increased by \$758,797. Decreases in operating expenses due to a comprehensive cost savings program is the primary driver of this change. Current and other assets along with other liabilities decreased approximately \$5.8 million. This was primarily due

to funds being expended for various capital project invoices outstanding as of end of fiscal year 2010. Property taxes decreased \$2,645,793 from the previous year. This was due to nearly a 15% decrease in taxable value within the City, as well as the suspension of allocating a portion of property taxes to capital projects. Capital grants and contributions decreased \$1,721,470 due to decreasing impact fees and developer contributions relating to the effects of the economy on construction activity in the City. Transfers increased over \$6 million primarily due to a one time transfer in fiscal year 2010 from the General Fund to establish the Building Permits and Inspections enterprise fund.

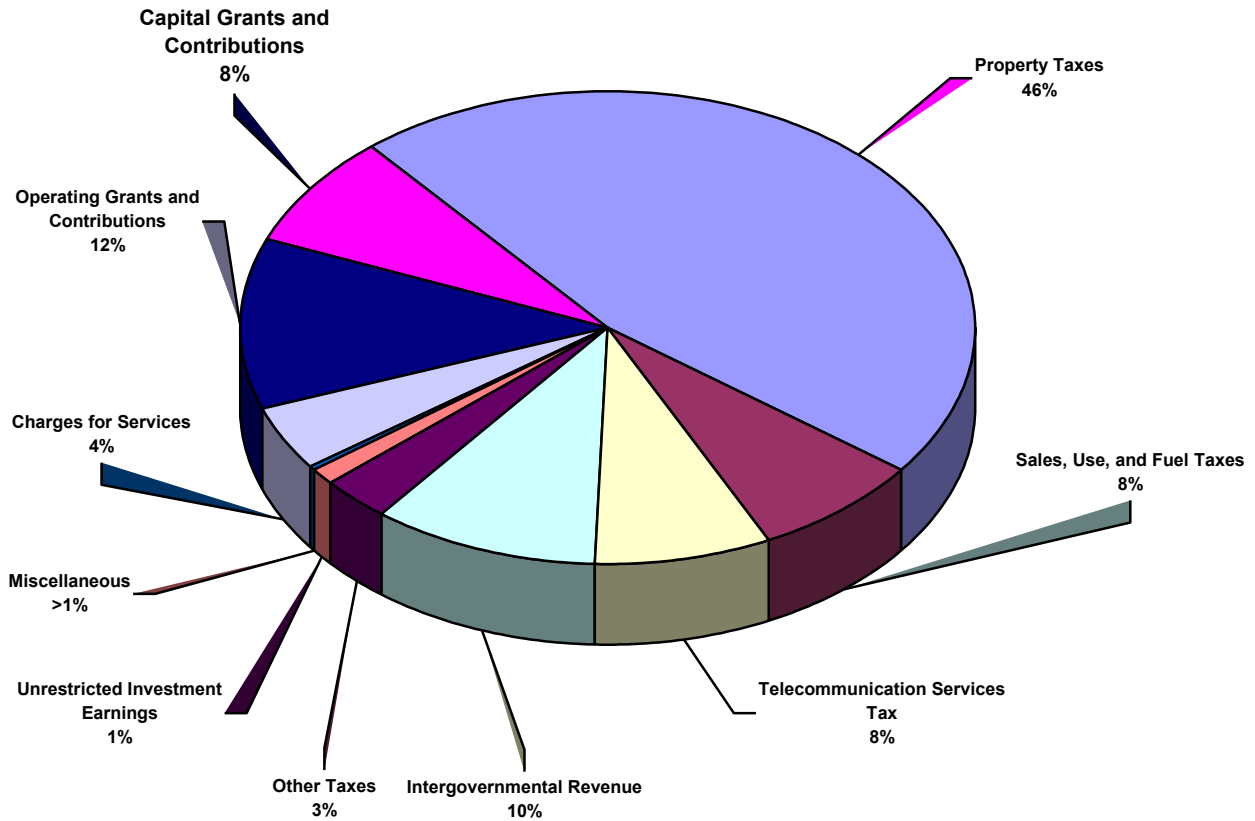
Table II
City of Palm Coast's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 1,504,375	\$ 2,078,464	\$ 44,005,616	\$ 42,774,407	\$ 45,509,991	\$ 44,852,871
Operating grants and contributions	4,053,082	3,661,398	-	-	4,053,082	3,661,398
Capital grants and contributions	2,679,664	4,401,134	1,047,855	2,940,853	3,727,519	7,341,987
General revenues:					-	-
Property taxes	15,968,937	18,614,730	-	-	15,968,937	18,614,730
Other taxes	6,339,778	6,392,215	-	-	6,339,778	6,392,215
Intergovernmental	3,405,849	3,253,543	-	-	3,405,849	3,253,543
Other	431,727	991,681	467,954	647,219	899,681	1,638,900
Total revenues	34,383,412	39,393,165	45,521,425	46,362,479	79,904,837	85,755,644
Expenses:						
General government	6,910,244	7,291,611	-	-	6,910,244	7,291,611
Public safety	10,653,813	11,029,379	-	-	10,653,813	11,029,379
Transportation and physical environment	13,325,228	11,552,570	-	-	13,325,228	11,552,570
Culture & recreation	2,904,535	2,874,115	-	-	2,904,535	2,874,115
Utility	-	-	31,205,110	32,414,733	31,205,110	32,414,733
Solid Waste	-	-	7,631,425	7,557,209	7,631,425	7,557,209
Stormwater	-	-	4,216,027	4,339,649	4,216,027	4,339,649
Building Permits and Inspections	-	-	1,463,027	1,787,281	1,463,027	1,787,281
IT&C	-	-	182,643	157,268	182,643	157,268
Golf Course	-	-	1,910,096	1,876,394	1,910,096	1,876,394
Tennis Center	-	-	353,796	284,483	353,796	284,483
Interest on long-term debt	698,126	545,416	-	-	698,126	545,416
Total expenses	34,491,946	33,293,091	46,962,124	48,417,017	81,454,070	81,710,108
Increase (decrease) in net assets before transfers	(108,534)	6,100,074	(1,440,699)	(2,054,538)	(1,549,233)	4,045,536
Transfers	506,290	(5,822,903)	(506,290)	5,822,903	-	-
Increase (decrease) in net assets	397,756	277,171	(1,946,989)	3,768,365	(1,549,233)	4,045,536
Net assets - beginning	319,130,506	318,853,335	82,651,660	78,883,295	401,782,166	397,736,630
Net assets - ending	\$ 319,528,262	\$ 319,130,506	\$ 80,704,671	\$ 82,651,660	\$ 400,232,933	\$ 401,782,166

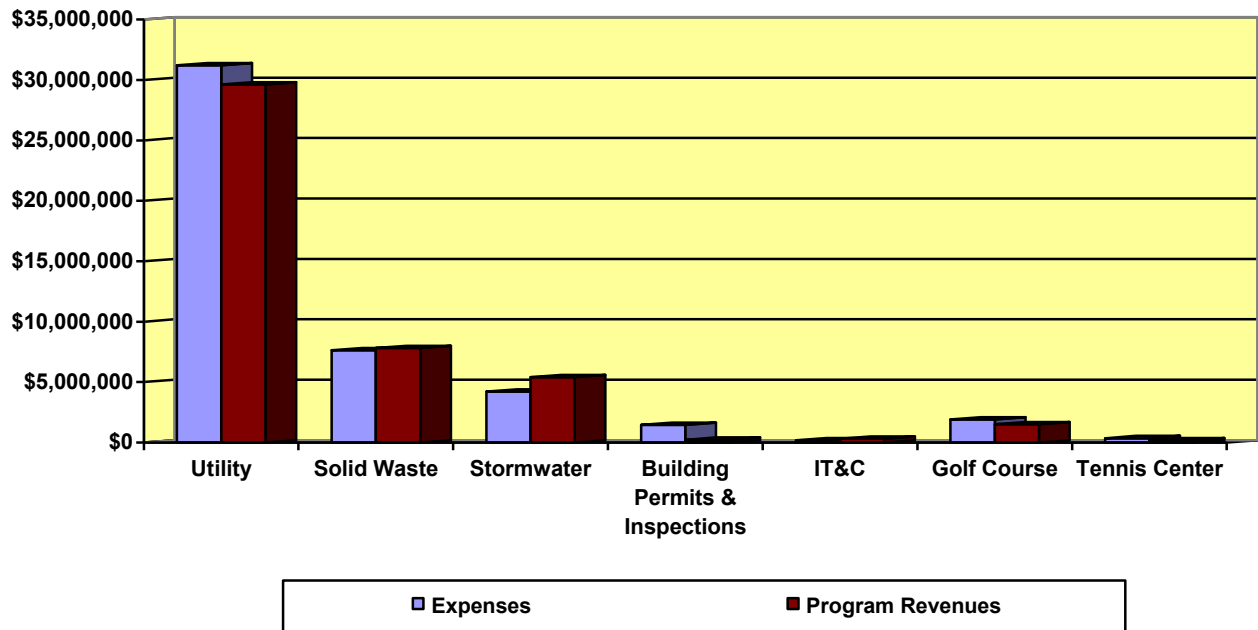
Expenses and Program Revenues - Governmental Activities



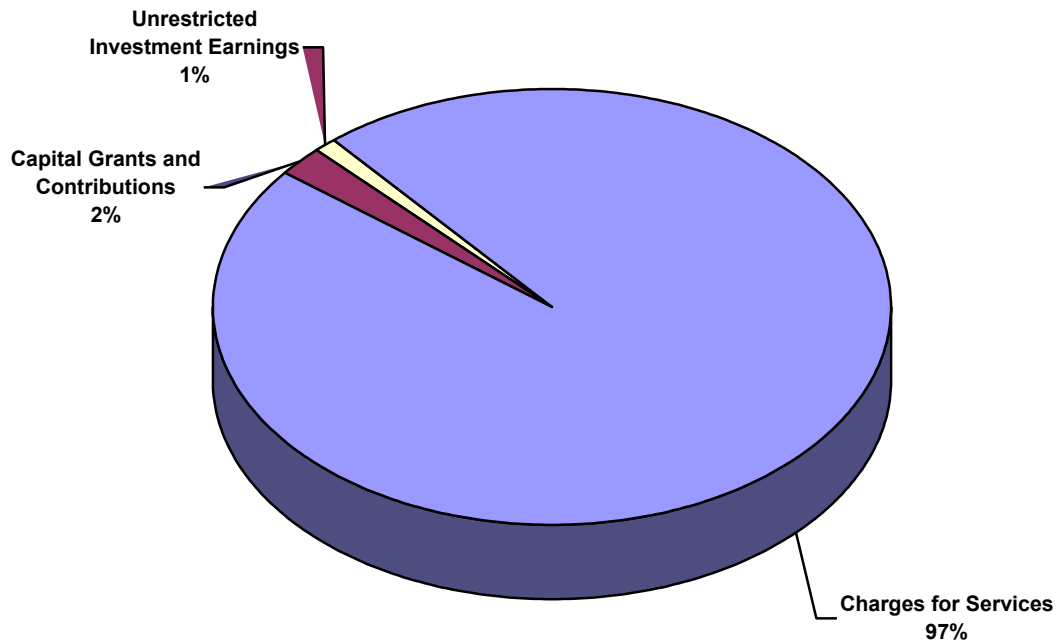
Revenues by Source - Governmental Activities



Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Business-type Activities

Business-type activities decreased the City of Palm Coast's net assets by \$1,946,989, offsetting the Governmental activities growth in net assets for the year. The decrease in net assets was partially attributable to a planned use of net assets in the Building Permits & Inspections Fund of approximately \$1.25 million. This was accomplished through a ninety percent reduction in building permit fees. The Utility Fund contributed the balance of the decrease. Business-type activities unrestricted net assets decreased by \$6,797,385 for the year. The decrease in unrestricted net assets was due to a loss before capital contributions in the utility fund of approximately \$1.7 million and a loss before capital contributions in the nonmajor enterprise funds of \$1.7 million. The balance of the decrease was due to the required funding of a debt service reserve of approximately \$9 million for the Utility Revenue bonds outstanding. See Note 9 on pages 57 and 59 for additional details.

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 \$3,049,181, with an additional \$2,183,984 committed as a disaster reserve. The total fund balance stood at \$11,212,343. 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 12% of total general fund expenditures versus 9% for fiscal year 2010. Total fund balance represents approximately 45% of the total general fund expenditures versus 40% for fiscal year 2010.

The fund balance of the City of Palm Coast's general fund increased by \$671,936 during the current fiscal year. Key factors in this increase are as follows:

The primary driver for the overall increase in the fund balance is related to the establishment of a comprehensive cost containment program. Overall general fund revenues decreased \$58,604, but expenses were \$1,341,521 less than in 2010. The decrease in expenses were in the general government, public safety, and transportation and physical environment functions due to the cost control program.

The capital projects fund has a total fund balance of \$12,190,591, a decrease of \$1,902,048. A portion of the total property tax revenue was allocated to this fund to cover capital expenditures in fiscal year 2010, but was suspended in 2011 due to economic conditions in the City. This loss of revenue was primarily responsible for the decrease in fund balance during the fiscal year. The transportation impact fee fund balance was (\$5,072,319), a decrease of \$204,516. This decrease is primarily reflective of decreased impact fees due to a low number of new residential and commercial building permits. The streets improvement fund balance was \$2,688,506 representing an increase of \$1,534,755. Collection of revenue in advance of related capital projects is the primary reason for this increase. The SR100 CRA fund balance was (\$3,670,218), a decrease of \$1,084,441. Use of loan proceeds from fiscal year 2010 for the purchase of land related to redevelopment is the primary factor for this decrease.

The other governmental funds have a total fund balance (\$4,020,381). This was an increase of \$505,836 during the current fiscal year. The increase is primarily due to impact fee collections with no related capital spending in the park and fire impact fee funds, coupled with program income pending reinvestment in the Neighborhood Stabilization 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 \$2,471,712 at the end of the year, with the total fund balance at \$64,804,149. The unrestricted net assets decreased \$5,423,629 for the year. Nearly \$1.7 million of the change was due to a loss before capital contributions. The balance of the decrease was due to the required funding of a debt service reserve of approximately \$9 million for the Utility Revenue bonds outstanding. See Note 9 on pages 57 and 59 for additional details.

Unrestricted net assets of the solid waste fund were \$682,786, which represents an increase of \$174,647. An ongoing revenue maximization program is the primary factor for the change.

Unrestricted net assets of the stormwater fund were (\$1,187,739), which represents a decrease of \$370,621. This decrease is primarily due to the ongoing investment in infrastructure projects.

Unrestricted net assets in the golf course fund were (\$5,534,914), which represents an increase of \$67,842. This increase is primarily due to transfers from the general fund to support the operations of the course.

Unrestricted net assets in the tennis center fund were (\$23,584), which represents an increase of \$11,860. This increase is primarily due to transfers from the general fund to support the operations of the center.

Unrestricted net assets in the building permits and inspections fund were \$3,262,776, which represents a decrease of \$1,229,347. This decrease is primarily due to a planned use of unrestricted net assets through a ninety percent reduction in building permit fees.

Unrestricted net assets in the information technology and communications fund (IT&C) were (\$1,938,741), which represents a decrease of \$277,039. Investment in the fiber optic system infrastructure assets is the primary driver behind the decrease in unrestricted net assets.

Fund Balance Policy Compliance

Governmental funds. The general fund adjusted unassigned fund balance exceeds the policy minimum of ten percent of the following year's budgeted expenditures. 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 is under the policy target by approximately \$630,000. The fiscal year 2012 budget includes funds to commission a rate study to address this issue and future capital improvement needs. 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 15 on pages 75-77 of this report.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budgeted expenses and transfers out totaled a decrease of \$217,360. 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. During the year, final amended expenditures exceeded the revenues budget by \$2,360,312. This was the result of budgeted utilization of accumulated fund balance. Actual expenditures were less than the final amended budget by \$3,040,494. 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, 2011, amounts to \$537,274,757 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment. This is a decrease of \$1,850,612 for the current fiscal year. The overall decrease is due to depreciation for the current fiscal year exceeding fixed asset additions.

Table III
City of Palm Coast's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 85,722,690	\$ 84,521,638	\$ 16,051,194	\$ 16,051,194	\$ 101,773,884	\$ 100,572,832
Buildings and improvements						
other than buildings	28,829,474	26,761,352	73,419,372	73,644,398	102,248,846	100,405,750
Infrastructure	181,087,453	181,637,131	133,787,533	134,689,541	314,874,986	316,326,672
Equipment	7,940,685	8,424,507	919,716	1,226,355	8,860,401	9,650,862
Construction in progress	5,360,809	7,154,792	4,155,831	5,014,461	9,516,640	12,169,253
Total	\$ 308,941,111	\$ 308,499,420	\$ 228,333,646	\$ 230,625,949	\$ 537,274,757	\$ 539,125,369

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 \$130,744,093 in revenue bonds, net of premiums and bond costs, used for the purchase and expansion of the utility system. There are State Revolving Fund loans and a bank loan totaling \$40,014,910 primarily for utility and stormwater improvements. The City also has a CRA revenue loan for redevelopment costs with a balance of \$3,570,000 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 \$177,474,956.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Loans from other governments	\$ -	\$ 25,929	\$ 30,757,946	\$ 31,572,319	\$ 30,757,946	\$ 31,598,248
Loans from financial institutions	3,570,000	3,770,000	9,256,964	7,982,812	12,826,964	11,752,812
Revenue bonds, net	-	-	130,744,093	133,746,906	130,744,093	133,746,906
Capital leases	-	-	190,680	252,015	190,680	252,015
Net OPEB liability	209,000	144,000	97,000	50,000	306,000	194,000
Compensated absences	1,433,079	1,374,787	1,216,194	1,160,534	2,649,273	2,535,321
Total	\$ 5,212,079	\$ 5,314,716	\$ 172,262,877	\$ 174,764,586	\$ 177,474,956	\$ 180,079,302

Additional information on the City of Palm Coast's long-term debt can be found in Note 9 beginning on pages 56-66 of this report.

Next Year's Budget and Rates

During the current fiscal year, unassigned fund balance in the General Fund increased to \$3,049,181. The available fund balance, as a percentage of prior year expenditures and transfers out is approximately 12%.

The City Council approved a millage rate of 3.990 mills for fiscal year 2012. Of the total millage, .450 mills will be dedicated to the stormwater fund for capital improvements. Declining market values contributed to an overall decrease in taxable property value for the fourth consecutive year. The decrease in taxable value was approximately 14%. New construction added a little less than 1% to the taxable value, so the City had a net 13% reduction in taxable property value for the year.

The water and sewer rates increased for the 2011-2012 budget year. Annual rate increases are tied to changes in the Consumer Price Index for All Urban Customers as of June 30 each year. The water and sewer rates were increased by 3.6% for all customers. These rate increases are necessary to cover anticipated increases in operating costs and capital replacement needs.

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

Telephone (386) 986-4745 Fax (386) 986-2614
E-mail cquinn@palmcoastgov.com



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BASIC FINANCIAL STATEMENTS



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City of Palm Coast, Florida
Statement of Net Assets
September 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in pooled cash and investments	\$ 13,822,354	\$ 4,302,160	\$ 18,124,514
Accounts receivable - net	1,426,070	7,586,696	9,012,766
Due from other governments	3,303,793	-	3,303,793
Prepaid items	248,562	84,391	332,953
Inventories	56,678	561,626	618,304
Unamortized debt issuance costs	-	613,391	613,391
Restricted assets:			
Equity in pooled cash and investments	-	20,940,027	20,940,027
Due from other governments	-	988,469	988,469
Capital assets (net of accumulated depreciation):			
Land	85,722,690	16,051,194	101,773,884
Building and improvements other than buildings	28,829,474	73,419,372	102,248,846
Infrastructure	181,087,453	133,787,533	314,874,986
Equipment	7,940,685	919,716	8,860,401
Construction in progress	5,360,809	4,155,831	9,516,640
Total assets	327,798,568	263,410,406	591,208,974
LIABILITIES			
Accounts payable and other current liabilities	3,156,235	2,092,556	5,248,791
Due to other governments	373,758	3,667	377,425
Internal balances	(690,843)	690,843	-
Accrued loan interest payable	-	6,244	6,244
Customer deposits	214,014	3,244,210	3,458,224
Unearned revenue	5,063	70,412	75,475
Payable from restricted assets:			
Accrued bond interest payable	-	3,124,229	3,124,229
Accrued loan interest payable	-	198,296	198,296
Accounts payable	-	836,598	836,598
Contracts payable	-	175,803	175,803
Noncurrent liabilities:			
Due within one year	703,100	5,989,301	6,692,401
Due in more than one year	4,508,979	166,273,576	170,782,555
Total liabilities	8,270,306	182,705,735	190,976,041
NET ASSETS			
Invested in capital assets, net of related debt	306,530,353	68,014,427	374,544,780
Restricted for:			
Construction	499,112	-	499,112
Debt service	-	13,716,132	13,716,132
Public safety	285,504	-	285,504
Grants	313,036	-	313,036
Unrestricted	11,900,257	(1,025,888)	10,874,369
Total Net Assets	\$ 319,528,262	\$ 80,704,671	\$ 400,232,933

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, 2011

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		
					Primary Government	Business-type Activities	Total
Primary Government:							
General government	\$ 6,910,244	\$ 666,875	\$ 2,075,231	\$ -	\$ (4,168,138)	\$ -	\$ (4,168,138)
Public safety	10,653,813	305,916	-	26,398	(10,321,499)	-	(10,321,499)
Transportation and physical environment	13,325,228	133,064	1,971,248	2,266,824	(8,954,092)	-	(8,954,092)
Culture and recreation	2,904,535	398,520	6,603	386,442	(2,112,970)	-	(2,112,970)
Interest on long-term debt	698,126	-	-	-	(698,126)	-	(698,126)
Total governmental activities	34,491,946	1,504,375	4,053,082	2,679,664	(26,254,825)	-	(26,254,825)
Business-Type Activities							
Utility	31,205,110	29,190,836	-	430,779	-	(1,583,495)	(1,583,495)
Solid Waste	7,631,425	7,805,956	-	-	-	174,531	174,531
Stormwater	4,216,027	4,778,331	-	617,076	-	1,179,380	1,179,380
Building Permits & Inspections	1,463,027	225,099	-	-	-	(1,237,928)	(1,237,928)
Information Technology & Communication	182,643	322,337	-	-	-	139,694	139,694
Golf Course	1,910,096	1,501,459	-	-	-	(408,637)	(408,637)
Tennis Center	353,796	181,598	-	-	-	(172,198)	(172,198)
Total Business-Type Activities	46,962,124	44,005,616	-	1,047,855	-	(1,908,653)	(1,908,653)
Total Primary Government	\$ 81,454,070	\$ 45,509,991	\$ 4,053,082	\$ 3,727,519	(26,254,825)	(1,908,653)	(28,163,478)
General revenues:							
Property taxes					15,968,937	-	15,968,937
Sales and use taxes					2,579,899	-	2,579,899
Telecommunication services tax					2,685,140	-	2,685,140
Franchise taxes					660,354	-	660,354
Other local taxes					414,385	-	414,385
Intergovernmental Revenue, non-program					3,405,849	-	3,405,849
Unrestricted investment earnings					388,707	467,954	856,661
Miscellaneous					26,779	-	26,779
Gain on sale of capital assets					16,241	-	16,241
Transfers					506,290	(506,290)	-
Total general revenues					26,652,581	(38,336)	26,614,245
Change in Net Assets					397,756	(1,946,989)	(1,549,233)
Net assets - beginning of year					319,130,506	82,651,660	401,782,166
Net assets - end of year					\$ 319,528,262	\$ 80,704,671	\$ 400,232,933

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, 2011

	General Fund	Capital Projects Fund	Transportation Impact Fee Fund	Streets Improvement Fund	SR100 CRA Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Equity in pooled cash and investments	\$ 5,270,923	\$ 1,238,807	\$ 13,303	\$ 1,049,099	\$ 2,287,134	\$ 1,098,802	\$ 10,958,068
Accounts receivable - net	1,240,948	-	-	20,470	-	-	1,261,418
Special Assessment receivable - net	-	-	-	-	-	133,003	133,003
Prepaid items	186,649	-	-	-	-	-	186,649
Due from other governments	1,099,452	809,569	-	1,195,769	-	165,993	3,270,783
Advances to other funds	5,792,529	11,225,998	-	1,210,000	-	-	18,228,527
Total assets	\$ 13,590,501	\$ 13,274,374	\$ 13,303	\$ 3,475,338	\$ 2,287,134	\$ 1,397,798	\$ 34,038,448
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 522,127	\$ 783,783	\$ 622	\$ 766,362	\$ 164,823	\$ 130,132	\$ 2,367,849
Accrued liabilities	380,333	-	-	-	-	-	380,333
Due to other governments	73,758	300,000	-	-	-	-	373,758
Deferred revenue	1,187,926	-	-	20,470	-	4,011	1,212,407
Customer deposits	214,014	-	-	-	-	-	214,014
Advances from other funds	-	-	5,085,000	-	5,792,529	5,284,036	16,161,565
Non-Spendable							
Total liabilities	2,378,158	1,083,783	5,085,622	786,832	5,957,352	5,418,179	20,709,926
Fund Balances:							
Nonspendable							
Prepaid items	186,649	-	-	-	-	-	186,649
Advances to other funds	5,792,529	-	-	-	-	-	5,792,529
Restricted for							
Public safety	-	-	-	-	-	285,504	285,504
Construction	-	-	-	-	-	499,112	499,112
Grants	-	-	-	-	-	313,036	313,036
Committed for							
Disaster Reserve	2,183,984	-	-	-	-	-	2,183,984
Construction	-	12,190,591	-	2,688,506	-	-	14,879,097
Unassigned	3,049,181	-	(5,072,319)	-	(3,670,218)	(5,118,033)	(10,811,389)
Total fund balances	11,212,343	12,190,591	(5,072,319)	2,688,506	(3,670,218)	(4,020,381)	13,328,522
Total liabilities and fund balances	\$ 13,590,501	\$ 13,274,374	\$ 13,303	\$ 3,475,338	\$ 2,287,134	\$ 1,397,798	\$ 34,038,448

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, 2011

Fund balances - total governmental funds	\$	13,328,522
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.		302,296,273
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds.		1,207,344
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.		8,032,956
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(5,336,833)
Net assets of governmental activities	\$	319,528,262

City of Palm Coast, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2011

	General Fund	Capital Projects Fund	Transportation Impact Fee Fund	Streets Improvement Fund	SR100 CRA Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 19,409,218	\$ -	\$ -	\$ 4,143,356	\$ 787,784	\$ -	\$ 24,340,358
Licenses and permits	160,742	-	-	-	-	-	160,742
Intergovernmental revenue	2,032,040	1,183,402	-	1,960,339	-	2,016,136	7,191,917
Charges for services	2,836,649	-	-	-	-	-	2,836,649
Special assessments	-	-	-	-	-	250,342	250,342
Fines and forfeitures	382,397	-	-	241,169	-	33,128	656,694
Impact fees	-	60,000	417,571	-	-	187,256	664,827
Contributions	6,603	-	-	-	-	-	6,603
Investment earnings	318,130	13,458	11,780	10,378	15,116	2,955	371,817
Miscellaneous	26,779	-	-	-	-	-	26,779
Total revenues	25,172,558	1,256,860	429,351	6,355,242	802,900	2,489,817	36,506,728
EXPENDITURES							
Current:							
General government	6,957,563	571,679	-	-	-	1,602,199	9,131,441
Public safety	10,039,932	-	-	-	-	18,135	10,058,067
Transportation and physical environment	5,571,315	-	-	153,958	14,219	-	5,739,492
Culture and recreation	2,151,306	-	-	-	-	-	2,151,306
Capital outlay:							
General Government	-	49,530	-	-	-	-	49,530
Public Safety	8,183	-	-	-	-	-	8,183
Transportation and physical environment	-	2,076,631	633,867	4,666,529	1,708,769	12,289	9,098,085
Culture and recreation	-	173,844	-	-	-	102,991	276,835
Debt service:							
Principal	25,930	-	-	-	200,000	-	225,930
Interest and Other	390	-	-	-	449,369	248,367	698,126
Total expenditures	24,754,619	2,871,684	633,867	4,820,487	2,372,357	1,983,981	37,436,995
Excess (deficiency) of revenues over (under) expenditures	417,939	(1,614,824)	(204,516)	1,534,755	(1,569,457)	505,836	(930,267)
OTHER FINANCING SOURCES (USES)							
Transfers in	1,164,052	-	-	-	485,016	-	1,649,068
Transfers out	(922,016)	(287,224)	-	-	-	-	(1,209,240)
Sale of Capital Assets	11,961	-	-	-	-	-	11,961
Total other financing sources (uses)	253,997	(287,224)	-	-	485,016	-	451,789
Net change in fund balances	671,936	(1,902,048)	(204,516)	1,534,755	(1,084,441)	505,836	(478,478)
Fund balances - beginning	10,540,407	14,092,639	(4,867,803)	1,153,751	(2,585,777)	(4,526,217)	13,807,000
Fund balances - ending	\$ 11,212,343	\$ 12,190,591	\$ (5,072,319)	\$ 2,688,506	\$ (3,670,218)	\$ (4,020,381)	\$ 13,328,522

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, 2011

Net change in fund balances - total governmental funds	\$	(478,478)
<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	9,432,633	
Less current year depreciation	<u>(8,863,442)</u>	569,191
<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		124,683
Change in revenue collections expected after 60 days		(67,357)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and adjustments) is to decrease net assets.</p>		
		(108,188)
<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>		
		225,930
<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		(63,907)
Annual OPEB Cost		(64,000)
Interest payable		(134,303)
<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>		
		<u>394,185</u>
Change in net assets of governmental activities.	\$	<u><u>397,756</u></u>

City of Palm Coast, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2011

Business-type Activities-Enterprise Funds

	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
ASSETS						
Current assets:						
Equity in pooled cash and investments	\$ 3,124,054	\$ 54	\$ 228	\$ 1,177,824	\$ 4,302,160	\$ 2,864,286
Accounts receivable - net	4,395,172	1,516,647	1,609,592	65,285	7,586,696	31,649
Inventories	527,299	-	-	34,327	561,626	56,678
Prepaid Items	40,936	-	14,657	28,798	84,391	61,913
Due from other funds	134,303	-	-	2,354,506	2,488,809	-
Restricted current assets:						
Cash with fiscal agent	6,294,229	-	-	-	6,294,229	-
Due from other governments	-	-	988,469	-	988,469	33,010
Total current assets	14,515,993	1,516,701	2,612,946	3,660,740	22,306,380	3,047,536
Noncurrent assets:						
Restricted noncurrent assets:						
Debt Service	10,471,635	-	272,793	-	10,744,428	-
Bond proceeds	3,901,370	-	-	-	3,901,370	-
Advances to other funds	5,284,036	-	-	-	5,284,036	-
Loan acquisition costs	452,607	-	160,784	-	613,391	-
Capital assets:						
Land	12,920,099	-	848,614	2,282,481	16,051,194	-
Building and improvements other than buildings	92,526,852	-	-	387,554	92,914,406	1,097,144
Infrastructure	129,681,122	-	25,966,283	8,344,091	163,991,496	-
Equipment	913,663	-	717,539	782,968	2,414,170	12,195,889
Less accumulated depreciation	(45,592,562)	-	(4,452,184)	(1,148,705)	(51,193,451)	(6,648,195)
Construction in progress	4,155,831	-	-	-	4,155,831	-
Total noncurrent assets	214,714,653	-	23,513,829	10,648,389	248,876,871	6,644,838
Total assets	\$ 229,230,646	\$ 1,516,701	\$ 26,126,775	\$ 14,309,129	\$ 271,183,251	\$ 9,692,374

City of Palm Coast, Florida
Statement of Net Assets (continued)
Proprietary Funds
September 30, 2011

Business-type Activities-Enterprise Funds

	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 600,351	\$ 598,915	\$ 418,966	\$ 148,137	\$ 1,766,369	\$ 132,605
Claims Payable	-	-	-	-	-	268,780
Due to other governments	-	-	-	3,667	3,667	-
Loans payable	1,266,655	-	908,008	174,488	2,349,151	-
Compensated absences	311,321	-	86,993	71,836	470,150	2,055
Accrued liabilities	199,832	-	50,431	75,924	326,187	6,668
Accrued loan interest payable	-	-	-	6,244	6,244	-
Customer deposits	3,244,210	-	-	-	3,244,210	-
Deferred revenue	-	-	-	70,412	70,412	-
Current liabilities payable from rstrd assets:						
Current maturities of bonds payable	3,170,000	-	-	-	3,170,000	-
Accrued bond interest payable	3,124,229	-	-	-	3,124,229	-
Accrued loan interest payable	185,074	-	13,222	-	198,296	-
Accounts payable	836,598	-	-	-	836,598	-
Contract payable	175,803	-	-	-	175,803	-
Total current liabilities	13,114,073	598,915	1,477,620	550,708	15,741,316	410,108
Noncurrent liabilities:						
Compensated absences	468,739	-	120,320	156,985	746,044	6,494
Net OPEB obligation	70,000	-	16,000	11,000	97,000	1,000
Bonds payable	127,574,093	-	-	-	127,574,093	-
Loans payable	23,199,592	-	14,383,690	273,157	37,856,439	-
Due to other funds	-	235,000	2,119,506	-	2,354,506	-
Advances from other funds	-	-	-	7,350,998	7,350,998	-
Total noncurrent liabilities	151,312,424	235,000	16,639,516	7,792,140	175,979,080	7,494
Total liabilities	164,426,497	833,915	18,117,136	8,342,848	191,720,396	417,602
NET ASSETS						
Invested in capital assets, net of related debt	48,875,876	-	8,937,807	10,200,744	68,014,427	6,644,838
Restricted for debt service	13,456,561	-	259,571	-	13,716,132	-
Unrestricted	2,471,712	682,786	(1,187,739)	(4,234,463)	(2,267,704)	2,629,934
Total net assets	\$ 64,804,149	\$ 682,786	\$ 8,009,639	\$ 5,966,281	79,462,855	\$ 9,274,772
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					1,241,816	
					<u>\$ 80,704,671</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, 2011

Business-type Activities - Enterprise Funds

	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
OPERATING REVENUES						
Charges for services:						
Water sales	\$ 17,707,958	\$ -	\$ -	\$ -	\$ 17,707,958	\$ -
Sewer charges	10,422,215	-	-	-	10,422,215	-
Garbage charges	-	7,805,956	-	-	7,805,956	-
Stormwater charges	-	-	4,778,331	-	4,778,331	-
Tennis program charges	-	-	-	181,598	181,598	-
Golf Course charges	-	-	-	1,501,459	1,501,459	-
Building permit and inspection charges	-	-	-	225,099	225,099	-
IT&C charges	-	-	-	2,639,657	2,639,657	-
Miscellaneous	1,060,663	-	-	-	1,060,663	6,548,073
Total operating revenues	29,190,836	7,805,956	4,778,331	4,547,813	46,322,936	6,548,073
OPERATING EXPENSES						
Administrative	4,646,435	-	-	-	4,646,435	4,768,311
Water system	6,571,425	-	-	-	6,571,425	-
Sewer system	4,396,706	-	-	-	4,396,706	-
Solid waste system	-	7,631,425	-	-	7,631,425	-
Stormwater system	-	-	2,565,503	-	2,565,503	-
Golf Course	-	-	-	1,653,658	1,653,658	-
Tennis Center	-	-	-	349,738	349,738	-
Building permits and inspections	-	-	-	1,468,520	1,468,520	-
IT&C	-	-	-	2,154,232	2,154,232	-
Depreciation	8,817,062	-	1,424,064	616,899	10,858,025	1,224,307
Total operating expenses	24,431,628	7,631,425	3,989,567	6,243,047	42,295,667	5,992,618
Operating income (loss)	4,759,208	174,531	788,764	(1,695,234)	4,027,269	555,455
NONOPERATING REVENUES (EXPENSES)						
Investment revenue	452,434	116	1,051	14,353	467,954	16,890
Interest/amortization expense	(6,920,697)	-	(305,738)	(6,244)	(7,232,679)	-
Other	-	-	3,150	-	3,150	4,280
Total nonoperating revenues (expenses)	(6,468,263)	116	(301,537)	8,109	(6,761,575)	21,170
Income (loss) before capital contributions and transfers	(1,709,055)	174,647	487,227	(1,687,125)	(2,734,306)	576,625
TRANSFERS AND CONTRIBUTIONS						
Capital grants and contributions	430,779	-	613,926	-	1,044,705	-
Transfers in	-	-	-	437,000	437,000	66,462
Transfers out	(880,290)	-	(44,000)	(19,000)	(943,290)	-
Total transfers and contributions	(449,511)	-	569,926	418,000	538,415	66,462
Change in net assets	(2,158,566)	174,647	1,057,153	(1,269,125)	(2,195,891)	643,087
Total net assets - beginning	66,962,715	508,139	6,952,486	7,235,406		8,631,685
Total net assets - ending	<u>\$ 64,804,149</u>	<u>\$ 682,786</u>	<u>\$ 8,009,639</u>	<u>\$ 5,966,281</u>		<u>\$ 9,274,772</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					248,902	
					<u>\$(1,946,989)</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, 2011

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Utility	Solid Waste	Storm Water	Nonmajor Enterprise	Totals	
Cash flows from operating activities						
Cash received from customers	\$ 29,186,662	\$ 7,699,513	\$ 4,600,245	\$ 4,537,749	\$ 46,024,169	\$ 6,515,724
Cash paid to suppliers	(10,719,187)	(7,615,172)	(2,050,984)	(3,672,521)	(24,057,864)	(5,462,428)
Cash paid to employees	(4,820,401)	-	(462,463)	(2,402,128)	(7,684,992)	(141,441)
Net cash provided by (used in) operating activities	13,647,074	84,341	2,086,798	(1,536,900)	14,281,313	911,855
Cash flow from noncapital financing activities						
Transfers in from other funds	-	-	-	437,000	437,000	66,462
Transfers out to other funds	(880,290)	-	(44,000)	(19,000)	(943,290)	-
Advances to other funds	-	-	521,898	(2,354,506)	(1,832,608)	-
Advances from other funds	1,725,839	(84,403)	-	-	1,641,436	-
Net cash provided by (used in) noncapital financing activities	845,549	(84,403)	477,898	(1,936,506)	(697,462)	66,462
Cash flow from capital and related financing activities						
Proceeds from issuance of long-term debt	-	-	1,156,665	223,129	1,379,794	-
Loan Principal Payments	(4,208,591)	-	(431,547)	(172,969)	(4,813,107)	-
Interest paid	(6,981,872)	-	(423,446)	(7,927)	(7,413,245)	-
Acquisition and construction of property, plant and equipment	(5,228,907)	-	(2,824,703)	(824,616)	(8,878,226)	(1,120,556)
Proceeds from the sale of capital assets	-	-	-	-	-	44,524
Impact fees and contributions	391,584	-	89,400	-	480,984	-
Net cash provided by (used in) capital and related financing activities	(16,027,786)	-	(2,433,631)	(782,383)	(19,243,800)	(1,076,032)
Cash flow from investing activities						
Interest on investments	452,434	116	1,051	14,353	467,954	16,890
Net cash provided by (used in) investing activities	452,434	116	1,051	14,353	467,954	16,890
Net increase (decrease) in cash and cash equivalents	(1,082,729)	54	132,116	(4,241,436)	(5,191,995)	(80,825)
Beginning cash and cash equivalents	24,874,017	-	140,905	5,419,260	30,434,182	2,945,111
Ending cash and cash equivalents	\$ 23,791,288	\$ 54	\$ 273,021	\$ 1,177,824	\$ 25,242,187	\$ 2,864,286

(continued)

City of Palm Coast, Florida
Statement of Cash Flows (continued)
Proprietary Funds
For the Year Ended September 30, 2011

	Business-type Activities - Enterprise Funds				Totals	Governmental Activities - Internal Service Funds
	Utility	Solid Waste	Storm Water	Nonmajor Enterprise		
Reconciliation of operating income to net cash provided by operating activities						
Operating income (loss)	\$ 4,759,208	\$ 174,531	\$ 788,764	\$ (1,695,234)	\$ 4,027,269	\$ 555,455
Adjustment to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation and amortization	8,817,062	-	1,424,064	616,899	10,858,025	1,224,307
Change in assets and liabilities:				-		
Accounts receivable	(94,584)	(106,443)	(178,086)	(58,285)	(437,398)	(32,349)
Inventories	34,841	-	-	(8,268)	26,573	3,703
Prepays	(1,800)	-	1,160	(2,168)	(2,808)	1,665
Accounts payable	(10,767)	16,253	8,777	(447,670)	(433,407)	(837,890)
Accrued liabilities	46,476	-	12,781	37,732	96,989	2,578
Customer deposits	90,410	-	-	-	90,410	-
Compensated absences	6,228	-	29,338	20,094	55,660	(5,614)
Net cash provided by (used in) operating activities	\$ 13,647,074	\$ 84,341	\$ 2,086,798	\$ (1,536,900)	\$ 14,281,313	\$ 911,855
Cash and cash equivalents classified as:						
Equity in pooled cash and investments in current assets	\$ 3,124,054	\$ 54	\$ 228	\$ 1,177,824	\$ 4,302,160	\$ 2,864,286
Restricted equity in pooled cash and investments						
Cash with fiscal agent	6,294,229	-	-	-	6,294,229	-
Debt service	10,471,635	-	272,793	-	10,744,428	-
Bond proceeds	3,901,370	-	-	-	3,901,370	-
Total restricted equity in pooled cash and investments	20,667,234	-	272,793	-	20,940,027	-
Total cash and cash equivalents	\$ 23,791,288	\$ 54	\$ 273,021	\$ 1,177,824	\$ 25,242,187	\$ 2,864,286
Noncash capital and related financing activities:						
Developer contributions of capital assets	39,195	-	568,580	-	607,775	-

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, 2011

	<u>Volunteer Firefighter Pension Fund</u>	<u>Coquina Coast Agency Fund</u>
ASSETS		
Cash and investments	\$ 419	\$ 753,644
Pension Investments		
External investment pools	2,126,834	-
Due from other governments	-	142,893
Total assets	<u>2,127,253</u>	<u>896,537</u>
LIABILITIES		
Tax withholding payable	-	-
Accounts payable	1,268	172,078
Deposits held in escrow	-	724,459
Total liabilities	<u>1,268</u>	<u>\$ 896,537</u>
NET ASSETS		
Held in Trust for Pension Benefits and Other Purposes	<u>\$ 2,125,985</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
For the fiscal year ended September 30, 2011

		Volunteer Firefighter Pension Fund
ADDITIONS		
Contributions:		
State contributions	\$	359,374
Total contributions		359,374
Investment earnings:		
Interest		25,470
Total investment earnings		25,470
Total additions		384,844
DEDUCTIONS		
Administrative expenses		16,392
Benefit distributions		63,113
Total deductions		79,505
Net Increase (Decrease)		305,339
Net assets - beginning		1,820,646
Net assets - ending	\$	2,125,985

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



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NOTES TO FINANCIAL STATEMENTS

September 30, 2011

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

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, 2011**

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.

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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.

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 funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2011**

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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, stormwater, and fiber optic system usage 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 17%, 14% and 61%, 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, 2011**

Note 1 – Summary of Significant Accounting Policies (Continued)

Receivables and payables (Continued)

The property tax calendar is as follows:

Valuation Date January 1, 2010

Property Appraiser prepares the assessment roll with values as of January 1, 2010, submits this preliminary roll for approval by the State and notifies each taxing authority of their respective valuations. July 1, 2010

City Council holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year. September 2010

Property Appraiser certifies the assessment roll and all real and tangible personal property taxes are due and payable (Levy Date). November 1, 2010

A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November 2010 through March 2011, with the following applicable discounts:

<u>Month Paid</u>	<u>Discount (%)</u>	
November	4	
December	3	November 1, 2010
January	2	through
February	1	March 31, 2011
March	0	

All unpaid taxes on real and tangible personal property become delinquent. April 1, 2011

A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised. April and May 2011

Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien Date). June 1, 2011

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, 2011

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2011

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 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, 2011**

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. General 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 (448 hours each for fire department personnel), 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, 2011**

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 \$302,296,273 difference are as follows:

Capital assets	\$339,663,232
Less: Accumulated Depreciation	(42,727,769)
Construction in progress	5,360,810
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$302,296,273

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 \$5,336,833 difference are as follows:

Loans payable	\$3,570,000
Net OPEB liability	208,000
Interest Payable OKR Special Assessment Interfund Loan	134,303
Compensated absences	1,424,530
Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$5,336,833

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 \$225,930 difference are as follows:

Principal payments:	
CDBG Loan	\$ (25,930)
SR100 CRA Revenue Note	(200,000)
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>	\$ 225,930

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2011

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 \$3,670,218 as of September 30, 2011. 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 \$5,072,319 and \$5,118,033, respectively. These funds incurred construction expenses in excess of current revenues and transfers. The Tennis Center proprietary fund had deficit net assets of \$4,884. This fund incurred expenses in excess of revenues and transfers.

Excess of Expenditures over Appropriations

For the year ended September 30, 2011, no departments exceeded appropriations.

Budgetary Information

The City follows these procedures in adopting the budget:

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

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2011**

Note 4 – Deposits and Investments

Deposits

At year-end, the carrying amount of the City's deposits was \$5,067,993 and the bank balance was \$4,773,842. 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 \$11,086 in petty cash. In addition, the City has a money market cash balance of \$26,912 in its investment account.

Investments

The City follows guidelines of Florida Statute Section 218.415, which allows the following investments:

- The Local Government Surplus Funds Trust Fund
- SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency
- Interest bearing time deposits or savings accounts in qualified public depositories
- Direct obligations of the U.S. Treasury
- Federal Agencies and instrumentalities
- Commercial paper
- Corporate bonds

As of September 30, 2011, the City has the following investments:

Investment Type	Fair Value	Percentage of Total	Average Maturities
Florida SBA LGIP	\$14,606,641	52.78%	38 Days
Florida SBA LGIP Fund B	907,904	3.28%	4.82 Years
U.S. Government Agencies	8,846,380	31.96%	1-4 Years
U.S. Treasuries	281,019	1.02%	1-3 Years
Corporate Notes	2,055,133	7.43%	1-3 Years
Commercial Paper	269,981	.98%	90 Days
Municipal Bonds	708,349	2.55%	1-3 Years
	<u>\$27,675,407</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, 2011

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 subprime mortgage risk. On December 4, 2007 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, 2011, 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, 2011 was .75683860. Fund B is not rated by any nationally recognized statistical rating agency.

Separate financial statements for the pool are available by contacting the Florida State Board of Administration.

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, 2011, the City's investments in U.S. Government Agencies were rated AA+, commercial paper rated A-1, and corporate and municipal bonds rated AA+ by Standard & Poor's.

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, 2011, the City's largest agency investment is in Fannie Mae (FNMA) and Freddie Mac (FHLMC). These securities represent 8 and 10 percent, respectively, of the City's total investments.

Cash with fiscal agent as of September 30, 2011 totaled \$6,294,229. This amount represents the semi-annual utility bond principal and interest payments on deposit with the distributing agent.

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2011**

Note 5 – Receivables

Receivables consist of the following at September 30, 2011:

	Accounts Receivable	Special Assessments Receivable	Allowance for Doubtful Accounts	Totals
General Fund	\$ 1,240,948	\$ -	\$ -	\$1,240,948
Streets Improvement Fund	20,470	-	-	20,470
Nonmajor Governmental Funds	-	133,003	-	133,003
Utility Fund	5,310,291	-	(915,119)	4,395,172
Solid Waste Fund	1,753,399	-	(236,752)	1,516,647
Stormwater Fund	4,086,332	-	(2,476,740)	1,609,592
Nonmajor Enterprise Funds	65,285	-	-	65,285
Fleet Management Fund	31,649	-	-	31,649
Totals	\$12,508,374	\$133,003	\$(3,628,611)	\$9,012,766

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, 2011 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 \$1,212,407. Of this amount, \$1,207,344 represents amounts that are deferred solely because they are not yet considered to be available. Therefore, \$5,063 is shown as unearned revenue on the government-wide Statement of Net Assets.

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CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2011

Note 6 – Capital Assets

Capital asset activity for the year ended September 30, 2011 was as follows:

	Balance 9/30/2010	Increases	Decreases	Balance 9/30/2011
A. Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 84,521,638	\$ 1,201,052	\$ -	\$ 85,722,690
Construction in progress	7,154,792	8,243,774	(10,037,757)	5,360,809
Total capital assets, not being depreciated	91,676,430	9,444,826	(10,037,757)	91,083,499
Capital assets, being depreciated:				
Buildings and improvements other than buildings	30,699,525	3,166,123	-	33,865,648
Infrastructure	207,423,210	6,867,751	-	214,290,961
Equipment	18,262,525	1,128,739	(314,300)	19,076,964
Total capital assets, being depreciated	256,385,260	11,162,613	(314,300)	267,233,573
Less accumulated depreciation for:				
Buildings and improvements other than buildings	(3,938,173)	(1,098,001)	-	(5,036,174)
Infrastructure	(25,786,076)	(7,417,432)	-	(33,203,508)
Equipment	(9,838,018)	(1,572,315)	274,054	(11,136,279)
Total accumulated depreciation	(39,562,267)	(10,087,748)	274,054	(49,375,961)
Total capital assets, being depreciated, net	216,822,993	1,074,865	(40,246)	217,857,612
Governmental activities capital assets, net	<u>\$ 308,499,423</u>	<u>\$ 10,519,691</u>	<u>\$ (10,078,003)</u>	<u>\$ 308,941,111</u>
	Balance 9/30/2010	Increases	Decreases	Balance 9/30/2011
B. Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 16,051,194	\$ -	\$ -	\$ 16,051,194
Construction in progress	5,014,461	4,291,057	(5,149,687)	4,155,831
Total capital assets, not being depreciated	21,065,655	4,291,057	(5,149,687)	20,207,025
Capital assets, being depreciated:				
Buildings and improvements other than buildings	89,416,640	3,497,767	-	92,914,407
Infrastructure	158,143,252	5,848,245	-	163,991,497
Equipment	2,335,830	78,340	-	2,414,170
Total capital assets, being depreciated	249,895,722	9,424,352	-	259,320,074
Less accumulated depreciation for:				
Buildings and improvements other than buildings	(15,772,242)	(3,722,793)	-	(19,495,035)
Infrastructure	(23,453,711)	(6,750,253)	-	(30,203,964)
Equipment	(1,109,475)	(384,979)	-	(1,494,454)
Total accumulated depreciation	(40,335,428)	(10,858,025)	-	(51,193,453)
Total capital assets, being depreciated, net	209,560,294	(1,433,673)	-	208,126,621
Business-type activities capital assets, net	<u>\$ 230,625,949</u>	<u>\$ 2,857,384</u>	<u>\$ (5,149,687)</u>	<u>\$ 228,333,646</u>

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2011**

Note 6 – Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 136,396
Public safety		395,827
Transportation and physical environment		7,588,671
Culture and recreation		742,547
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		<u>1,224,307</u>
Total depreciation expense - governmental activities		<u><u>\$ 10,087,748</u></u>
Business activities:		
Utility		8,817,062
Stormwater		1,424,064
Information Technology and Communication (IT&C)		342,254
Golf Course		270,587
Tennis Center		<u>4,058</u>
Total depreciation expense - business activities		<u><u>10,858,025</u></u>

Note 7 – Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2011, is as follows:

Due from/to other funds:			
Receivable Fund	Payable Fund	Purpose	Amount
Utility Fund	Nonmajor Governmental Fund	Interfund loan interest payable	\$ 134,303
Nonmajor Proprietary Fund	Solid Waste Fund	Supplement operating cash flow	235,000
Nonmajor Proprietary Fund	Stormwater Fund	Supplement operating cash flow	2,119,506
		Total	<u><u>\$ 2,488,809</u></u>

The outstanding balance between the Nonmajor Proprietary Fund and the Stormwater and Solid Waste funds are working capital loans from the Building Permits and Inspections Fund. The amount payable to the Utility Fund is interest due on the interfund loan to the OKR Special Assessment Fund. The interest payable is recorded as part of the adjustments reconciling the governmental funds to the government-wide Statement of Net Assets (see Note 2). These balances are expected to be collected in the subsequent year.

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2011

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	3,875,000
Streets Improvement Fund	Transportation Impact Fee Fund	Expansion and realignment of road	1,210,000
Utility Fund	OKR Special Assessment Fund	Expansion and realignment of road	5,284,036
			\$ 23,512,563

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 Streets improvement Fund loan is to 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	SR 100 CRA Fund	Nonmajor Proprietary	Internal Service	
General Fund	\$ -	\$ 485,016	\$ 437,000	\$ -	\$ 922,016
Utility Fund	813,828	-	-	66,462	880,290
Capital Projects Fund	284,224	-	-	-	284,224
Stormwater Fund	44,000	-	-	-	44,000
Nonmajor Proprietary	19,000	-	-	-	19,000
Total transfers out	\$ 1,161,052	\$ 485,016	\$ 437,000	\$ 66,462	\$ 2,149,530

Transfers from the General Fund are generally made to establish reserves for future capital expenditures, possible emergency related expenditures, and to move unrestricted general fund revenues to finance various programs that are accounted for in other funds in accordance with budgetary authorizations. The transfer from the Capital Project Fund is to consolidate an operating function with the General Fund. Transfers to the CRA Fund represent base property tax collections within the redevelopment area. Transfers from the Utility Fund, Stormwater Fund, and Nonmajor Proprietary Funds are in lieu of tax transfers, maintenance transfers, and to establish reserves for future capital expenditures. The transfers to the Internal Service Fund are to establish new equipment purchases for the City's fleet.

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2011**

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 2011, 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 2011, the total amount of lease payments received was \$216,106.

Operating Leases:

Golf Carts

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 September 30,</u>	<u>Amount</u>
2012	\$ 65,388
2013	65,388
	<hr/>
	<u>\$ 130,776</u>

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 lease expired on September 30, 2011. The total cost for year ended September 30, 2011 was \$240,000. The City is currently renting at the same rate on a month to month basis.

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2011**

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.

Both the loan payable and related note receivable were satisfied in full during the fiscal year ended September 30, 2011.

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 <u>September 30,</u>	Principal	Interest
2012	\$ -	\$ 154,938
2013	210,000	145,824
2014	220,000	136,276
2015	230,000	126,294
2016	240,000	115,878
2017-2021	1,360,000	407,309
2022-2026	1,310,000	88,536
	\$ 3,570,000	\$ 1,175,055
	\$ 3,570,000	\$ 1,175,055

The 2012 principal payment was made during the year ended September 30, 2011, leaving a principal balance of \$3,570,000 payable at the end of the fiscal year.

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2011

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

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. Municipal bond insurance 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 in the event of default. Due to the downgrade of MBIA, the bond covenants required the City to establish a debt service reserve fund. However, this has not had a financial impact on any of the City's outstanding obligations. During the fiscal year ended September 30, 2011, Moody's has provided a rating of A1 and Fitch A+ on this bond issue.

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, 2011

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
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	2,470,000	3,693,163
2017-2021	14,375,000	16,310,313
2022-2026	18,505,000	11,998,313
2027-2031	23,590,000	6,690,372
2032-2036	17,120,000	884,000
	\$ 84,995,000	\$ 55,442,883

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, 2011

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

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. Municipal bond insurance 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 in the event of default. Due to the downgrade of MBIA, the bond covenants required the City to establish a debt service reserve fund. However, this has not had a financial impact on any of the City's outstanding obligations. During the fiscal year ended September 30, 2011, Moody's has provided a rating of A1 and Fitch A+ on this bond issue.

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, 2011

Note 9 – Long-Term Debt (Continued)

Debt Service

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

Year Ending September 30,	Principal	Interest
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	1,220,000	1,864,681
2017-2021	6,890,000	8,467,206
2022-2026	8,515,000	6,733,931
2027-2031	10,615,000	4,566,381
2032-2036	13,185,000	1,868,896
2037-2041	2,995,000	-
	\$ 47,865,000	\$ 31,406,269
	\$ 47,865,000	\$ 31,406,269

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 September 30,	Principal	Interest
2012	\$ 120,731	\$ 56,441
2013	124,025	53,147
2014	127,409	49,763
2015	130,885	46,287
2016	134,456	42,716
2017-2021	729,348	156,513
2022-2026	745,837	51,439
	\$ 2,112,691	\$ 456,306
	\$ 2,112,691	\$ 456,306

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2011

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 <u>September 30,</u>	Principal	Interest
2012	\$ 579,814	\$ 268,894
2013	594,987	253,721
2014	610,558	238,150
2015	626,535	222,173
2016	642,931	205,777
2017-2021	3,476,009	767,533
2022-2026	3,955,264	288,279
	<u>\$ 10,486,098</u>	<u>\$ 2,244,527</u>

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 <u>September 30,</u>	Principal	Interest
2012	\$ 321,800	\$ 169,316
2013	330,025	161,091
2014	338,461	152,655
2015	347,113	144,003
2016	355,985	135,131
2017-2021	1,921,160	534,420
2022-2026	2,179,575	276,006
2027-2031	951,822	30,411
	<u>\$ 6,745,941</u>	<u>\$ 1,603,033</u>

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2011

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 September 30,	Principal	Interest
2012	\$ 244,310	\$ 128,545
2013	250,555	122,300
2014	256,960	115,896
2015	263,528	109,327
2016	270,264	102,591
2017-2021	1,458,545	405,732
2022-2026	1,654,733	209,544
2027-2031	722,622	23,087
	\$ 5,121,517	\$ 1,217,022

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, 2011**

Note 9 – Long-Term Debt (Continued)

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

Year Ending September 30,	Principal	Interest
2012	\$ 209,107	\$ 94,063
2013	214,439	88,731
2014	219,908	83,262
2015	225,517	77,653
2016	231,268	71,902
2017-2021	1,247,881	267,968
2022-2026	1,415,341	100,507
	\$ 3,763,461	\$ 784,086

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, 2011 the amount funding received on this loan was \$1,976,258 with \$835,141 pending.

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, 2011 this rate was 2.27505%. The total amount of funding received on this loan was \$1,156,665 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	2.28%	\$9,000,000	\$9,000,000	10/1/2011	tbd	15

**CITY OF PALM COAST, FL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2011**

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>	<u>Principal</u>	<u>Interest</u>
2012	\$ 21,051	\$ 935
2013	21,485	473
	<u>\$ 42,536</u>	<u>\$ 1,408</u>

During year ended September 30, 2011, 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 \$71,822 is payable annually in the amount of \$19,596 at an interest rate of 6.16% through July 1, 2014.

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

Year Ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 16,379	\$ 3,217
2013	17,388	2,208
2014	18,459	1,137
	<u>\$ 52,226</u>	<u>\$ 6,562</u>

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.

**CITY OF PALM COAST, FL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2011**

Note 9 – Long-Term Debt (Continued)

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

Year Ending <u>September 30,</u> 2012	<u>Principal</u>	<u>Interest</u>
	\$ 95,918	\$ 3,583
	<u>\$ 95,918</u>	<u>\$ 3,583</u>

Loan

During the 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.

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

Year Ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 13,948	\$ -
2013	14,506	-
2014	15,087	-
2015	15,690	-
2016	16,318	-
2017-2021	50,516	-
	<u>\$ 126,065</u>	<u>\$ -</u>

During the year ended September 30, 2011, the City executed an agreement with Verizon Wireless to purchase a wireless communications tower built at the City Tennis Center. Verizon Wireless would construct the tower and lease space on the tower for its operations (see Note 8). The City agreed to apply the tower lease payments towards repayment of the cost of the tower in the amount of \$157,300 with principal only payable annually according to the schedule on the following page.

CITY OF PALM COAST, FL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2011

Note 9 – Long-Term Debt (Continued)

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

Year Ending September 30,	Principal	Interest
2012	\$ 27,192	\$ -
2013	28,008	-
2014	28,848	-
2015	29,713	-
2016	17,139	-
	<u>\$ 130,900</u>	<u>\$ -</u>

Changes in long-term debt

During the year ended September 30, 2011, the following changes in long-term debt occurred:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
CDBG Loan	\$ 25,929	\$ -	\$ (25,929)	\$ -	\$ -
SR100 CRA Loan	3,770,000	-	(200,000)	3,570,000	210,000
Net OPEB Liability	144,000	65,000	-	209,000	-
Compensated Absences	1,374,787	796,623	(738,331)	1,433,079	493,100
Long-term debt	<u>\$ 5,314,716</u>	<u>\$ 861,623</u>	<u>\$ (964,260)</u>	<u>\$ 5,212,079</u>	<u>\$ 703,100</u>
Business Type Activities:					
Utility Revenue Bonds	\$ 135,920,000	\$ -	\$ (3,060,000)	\$ 132,860,000	\$ 3,170,000
Deferred Amounts:					
Plus: issuance premiums	1,342,477	-	(91,382)	1,251,095	-
Less: issuance costs	(3,515,571)	-	148,569	(3,367,002)	-
Total Revenue Bonds	133,746,906	-	(3,002,813)	130,744,093	3,170,000
State Revolving Fund Loans	31,572,319	851,844	(1,666,217)	30,757,946	1,624,292
Bank and Other Loans	7,982,812	1,314,300	(40,148)	9,256,964	591,511
Net OPEB Liability	50,000	47,000	-	97,000	-
Capital Leases	252,015	71,822	(133,157)	190,680	133,348
Compensated Absences	1,160,534	734,874	(679,214)	1,216,194	470,150
Long-term debt	<u>\$ 174,764,586</u>	<u>\$ 3,019,840</u>	<u>\$ (5,521,549)</u>	<u>\$ 172,262,877</u>	<u>\$ 5,989,301</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 and net postemployment benefit obligations (OPEB) are generally liquidated by the general fund.

CITY OF PALM COAST, FL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2011

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, 2011, general employees received a 10% contribution, with department directors 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, 2011, contributions to this plan totaled \$1,680,190.

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, 2011**

Note 10 – Retirement Plans (Continued)

Florida Retirement System (Continued)

Effective July 1, 2011, FRS plan participants were required to contribute three percent of earnings due to a change in State law. No employee contributions were required in previous years.

The statutory employer contribution rates as a percent of earnings were as follows:

	<u>10/1/2010 - 09/30/2011</u>
Regular employees – members not qualifying for other classes	4.91%
Special Risk Employees – members employed as law enforcement officers and firefighters	14.10%
Health Insurance Subsidy included in the above rates	1.11%

Employer contributions required and made to the System were as follows:

<u>Fiscal Year Ending</u>	<u>Required Contribution</u>	<u>% Contributed</u>
9/30/2009	\$ 300,683	100%
9/30/2010	317,139	100%
9/30/2011	271,702	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, 2011

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, 2011 was \$359,374. Administrative costs are paid from plan assets. A separate, audited GAAP-basis pension plan report is not available for the plan. Currently, 13 members are receiving retirement benefits. There are 44 active participants, with five being eligible for normal retirement.

An actuarial valuation, utilizing the entry age normal method (level dollar), has been completed as of October 1, 2010. 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, 2011**

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, 2011 was \$1,084 and \$9,442 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, 2011 was \$2,116,308. 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 fund.

<u>Fixed Income Fund</u>	<u>Effective Duration</u> <u>(Years)</u>	<u>Weighted Average Maturity</u> <u>(Years)</u>
FMIvT Broad Market High Quality Bond	5.11	6.74

Credit Risk. The fixed income fund in the chart above is rated AA/V4 by Fitch. 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, 2011**

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
9/30/2010	\$0	100%	\$0
9/30/2009	0	100%	0
9/30/2008	0	100%	0

Funded Status and Funding Progress

As of October 1, 2010, the most recent actuarial valuation update, the plan was 112 percent funded. The actuarial accrued liability for benefits was \$1,665,793 and the actuarial value of assets was \$1,859,732 resulting in an unfunded actuarial accrued liability (UAAL) of (\$193,939).

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, 2011

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, 2011, 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, 2011, the Plan had approximately 335 active participants and 4 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, 2011**

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 6% at March 1, 2011 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, 2011, based on the above assumptions and cost method, and applied to member data current at March 1, 2011. Liabilities were developed based on age adjusted costs for retirees currently receiving plan benefits as of March 1, 2011, with an AAL calculated to be \$724,000, which is unfunded (or 0% funded). The annual covered payroll is \$14.792 million, resulting in an unfunded AAL of 4.9%. 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, 2011.

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)	\$ 137,000
Interest on Plan Obligation	8,000
Adjustment to ARC	<u>(8,000)</u>
Annual Plan OPEB Cost	137,000
Contributions Made	<u>(25,000)</u>
Change in OPEB Obligation	112,000
Net OPEB Obligation Beginning of year	<u>194,000</u>
Net OPEB Obligation End of year	<u><u>\$ 306,000</u></u>

As of September 30, 2011, the City accrued \$306,000 in the Government-Wide Statement of Net Assets, with \$98,000 in the Proprietary Funds Statement of Net Assets.

**CITY OF PALM COAST, FL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2011**

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 and the two preceding years were as follows:

<u>Fiscal Year ended</u> <u>September 30,</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Actual Employer</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net ending OPEB</u> <u>Obligation (Asset)</u>
2011	\$ 137,000	\$ 25,000	18.20%	\$ 306,000
2010	105,000	9,000	8.60%	194,000
2009	98,000	-	-	98,000

The schedule of funding progress, presented as required supplementary information following 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.

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, 2011, the amount of prepaid impact fees is estimated to be \$21,540,000.

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.

The City is also a defendant in several lawsuits arising in the normal course of business. In the aggregate, these claims seek monetary damages in significant amounts. To the extent the outcome of such litigation has been determined to result in probable loss to the City; such loss has been accrued in the accompanying financial statements. No such losses have been accrued for as of September 30, 2011. No litigation where loss to the City is reasonably possible and estimable exists as of September 30, 2011. However, the remote possibility exists of losses as it relates to a class action lawsuit related to the legality of red light cameras fines charged prior to July 1, 2010, and a lawsuit by a property owner relating to business damages in anticipation of condemnation actions. The outcome of these and remaining claims cannot be determined at this time.

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

**CITY OF PALM COAST, FL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2011**

Note 13 – Risk Management (Continued)

provided by the fund is supplied by Aetna Insurance at a monthly rate of \$46.11 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 \$268,780 is reported in the fund at September 30, 2011.

Changes in the fund's claims liability amount for fiscal years 2010 and 2011 were:

<u>Changes in Claims Liability</u>	<u>2010</u>	<u>2011</u>
Beginning fiscal year liability	\$ -	\$ 349,314
Current year claims and changes in estimates	425,220	2,315,546
Claim payments	<u>(75,906)</u>	<u>(2,396,080)</u>
Balance at fiscal year end	<u>\$ 349,314</u>	<u>\$ 268,780</u>

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, 2011, the fund received \$787,784 in property tax revenue, a \$485,016 transfer from the general fund, and \$15,116 in investment earnings. Expenditures for the fiscal year were \$1,722,988 for the purchases of land and related redevelopment costs and \$649,369 for debt service.

Note 15 – 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. If economic conditions cause a

CITY OF PALM COAST, FL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2011

Note 15 – Fund Balance Policy (Continued)

temporary loss of revenue, the adjusted unassigned fund balance may be used to help alleviate the effects of the loss of revenue. If the adjusted unassigned fund balance exceeds ten percent of the following year's budgeted General Fund expenditures, up to fifty percent of the amount over the ten percent minimum may be used to offset the shortfall. At no time should the adjusted unassigned fund balance be used to offset a structural deficit since these types of deficiencies are considered to be permanent.

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 five 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. The Disaster Reserve can be used to address unanticipated expenditures arising out of a hurricane, tornado, other major weather related events, and/or other massive infrastructure failures or other disasters, whether man-made or caused by nature, using emergency procedures as provided for in the City's Purchasing Policy.

**CITY OF PALM COAST, FL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2011**

Note 15 – 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 16 – Subsequent Events

Volunteer Firefighters' Pension Plan

In October 2011, the monthly retirement benefit was increased from \$50 per year of credited service to \$65 per year of credited service. This change only effects future retirees, current retirees are not eligible for this increase.

Modification of Stormwater Bank Loan

In January 2012, the City executed an agreement with RBC Bank to fix the interest rate on the \$9,000,000 bank loan outstanding as of September 30, 2011. The interest rate is fixed at 2.35%, with loan principal payable annually starting at \$658,000 on October 1, 2012 and ending at \$850,000 on October 1, 2023. Interest will be paid semi-annually.

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

Year Ending September 30,	Principal	Interest
2012	\$ -	\$ 149,225
2013	658,000	196,037
2014	673,000	180,222
2015	689,000	164,030
2016	706,000	147,439
2017-2021	3,783,000	474,606
2022-2026	2,491,000	59,455
	\$ 9,000,000	\$ 1,371,014

**CITY OF PALM COAST, FL
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2011**

Note 16 – Subsequent Events (Continued)

Modification of Stormwater State Revolving Fund Loan

In January 2012, the City executed an amendment with the Florida Department of Environmental Protection relating to an existing State Revolving Fund Loan for stormwater drainage improvements and swale rehabilitation (SW903070). The total amount of the loan was modified to \$2,875,904, payable in semi-annual installments of \$91,316, at an interest rate of 3.17%, maturing March 2030.

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

Year Ending <u>September 30,</u>	Principal	Interest
2012	\$ 83,692	\$ 98,939
2013	106,704	75,928
2014	110,081	72,551
2015	113,565	69,067
2016	117,159	65,473
2017-2021	643,811	269,348
2022-2026	752,338	160,821
2027-2031	600,888	38,324
	\$ 2,528,238	\$ 850,451
	\$ 2,528,238	\$ 850,451

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF PALM COAST, FL
REQUIRED SUPPLEMENTARY INFORMATION
VOLUNTEER FIREFIGHTERS PENSION PLAN
SEPTEMBER 30, 2011**

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)
10/1/2010	\$ 1,859,732	\$ 1,665,793	\$ (193,939)	111.64%	\$ -	N/A
10/1/2009	1,503,874	1,352,993	(150,882)	111.15%	-	N/A
10/1/2008	968,776	848,589	(120,187)	114.16%	-	N/A
10/1/2007	558,348	530,700	(27,648)	105.21%	-	N/A

Schedule of Employer and Other Contributing Entities

Year Ended September 30,	Annual Required Contributions	City Contribution	State Contribution	Percentage Contributed
2010	\$ 98,481	\$ -	\$ 144,308	147
2009	108,698	-	144,308	133
2008	82,833	-	112,408	136
2007	85,357	-	112,408	132
2006	-	-	112,408	100
2005	-	-	96,546	100
2004	-	-	62,130	100

* The 2006-2010 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 must be used for additional benefits. The "frozen" amount represents the annual cost of the initial benefit improvement when changing to a "local law" plan. As of September 30, 2010 \$818,162 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, 2011**

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)
3/1/2011	\$ -	\$ 724,000	\$ 724,000	0%	\$ 14,792,000	4.90%
3/1/2008	-	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
2011	\$ 137,000	18.2%	0.1%
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, 2011

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 19,383,100	\$ 19,545,200	\$ 19,409,218	\$ (135,982)
Licenses and permits	201,500	173,200	160,742	(12,458)
Intergovernmental revenue	1,912,900	1,944,700	2,032,040	87,340
Charges for services	3,173,561	2,838,001	2,836,649	(1,352)
Fines and forfeitures	583,200	462,500	382,397	(80,103)
Contributions	-	-	6,603	6,603
Investment earnings	342,000	393,900	318,130	(75,770)
Miscellaneous	34,500	47,300	26,779	(20,521)
Total revenues	<u>25,630,761</u>	<u>25,404,801</u>	<u>25,172,558</u>	<u>(232,243)</u>
EXPENDITURES				
Current:				
General government:				
Major and Council	88,377	88,382	82,155	6,227
City Administration	2,392,817	2,424,543	2,184,740	239,803
City Attorney	341,077	393,861	392,455	1,406
Financial Services	763,068	732,751	715,261	17,490
Community Development	3,785,959	3,657,020	3,437,995	219,025
Nondepartmental	255,107	241,991	171,277	70,714
Total general government	<u>7,626,405</u>	<u>7,538,548</u>	<u>6,983,883</u>	<u>554,665</u>
Public safety:				
Fire	7,536,341	7,611,610	7,448,341	163,269
Law Enforcement	2,599,863	2,599,863	2,599,774	89
Total public safety	<u>10,136,204</u>	<u>10,211,473</u>	<u>10,048,115</u>	<u>163,358</u>
Transportation & physical environment:				
Streets and Drainage	7,425,460	7,406,440	5,187,618	2,218,822
Engineering	548,150	394,087	383,697	10,390
Total transportation & physical environment	<u>7,973,610</u>	<u>7,800,527</u>	<u>5,571,315</u>	<u>2,229,212</u>
Culture and recreation	2,558,254	2,214,565	2,151,306	63,259
Total expenditures	<u>28,294,473</u>	<u>27,765,113</u>	<u>24,754,619</u>	<u>3,010,494</u>
Excess (deficiency) of revenues over (under) expenditures	(2,663,712)	(2,360,312)	417,939	2,778,251
OTHER FINANCING SOURCES (USES)				
Transfers in	876,828	876,828	1,164,052	287,224
Transfers out	(610,016)	(922,016)	(922,016)	-
Sale of Capital Assets	-	-	11,961	11,961
Total other financing sources (uses)	<u>266,812</u>	<u>(45,188)</u>	<u>253,997</u>	<u>299,185</u>
Net change in fund balance	(2,396,900)	(2,405,500)	671,936	3,077,436
Fund balance - beginning	<u>10,540,407</u>	<u>10,540,407</u>	<u>10,540,407</u>	<u>-</u>
Fund balance - ending	<u>\$ 8,143,507</u>	<u>\$ 8,134,907</u>	<u>\$ 11,212,343</u>	<u>\$ 3,077,436</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, 2011

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental revenue	\$ 1,760,000	\$ -	\$ -	\$ -
Impact fees	1,026,100	845,100	417,571	(427,529)
Investment earnings	41,800	31,600	11,780	(19,820)
Total revenues	<u>2,827,900</u>	<u>876,700</u>	<u>429,351</u>	<u>(447,349)</u>
EXPENDITURES				
Capital Outlay:				
Transportation and physical environment	7,969,000	2,931,700	633,867	2,297,833
Total expenditures	<u>7,969,000</u>	<u>2,931,700</u>	<u>633,867</u>	<u>2,297,833</u>
Excess (deficiency) of revenues over (under) expenditures	(5,141,100)	(2,055,000)	(204,516)	1,850,484
OTHER FINANCING SOURCES (USES)				
Transfers in	4,000,000	-	-	-
Total other financing sources (uses)	<u>4,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(1,141,100)	(2,055,000)	(204,516)	1,850,484
Fund balance - beginning	<u>(4,867,803)</u>	<u>(4,867,803)</u>	<u>(4,867,803)</u>	<u>-</u>
Fund balance - ending	<u>\$ (6,008,903)</u>	<u>\$ (6,922,803)</u>	<u>\$ (5,072,319)</u>	<u>\$ 1,850,484</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, 2011

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 3,973,900	\$ 3,973,200	\$ 4,143,356	\$ 170,156
Intergovernmental revenue	1,299,700	1,292,000	1,960,339	668,339
Fines and forfeitures	420,000	350,000	241,169	(108,831)
Investment earnings	52,600	76,100	10,378	(65,722)
Total revenues	<u>5,746,200</u>	<u>5,691,300</u>	<u>6,355,242</u>	<u>663,942</u>
EXPENDITURES				
Current:				
Transportation and physical environment	375,000	200,000	153,958	46,042
Capital Outlay:				
Transportation and physical environment	6,088,900	5,491,300	4,666,529	824,771
Total expenditures	<u>6,463,900</u>	<u>5,691,300</u>	<u>4,820,487</u>	<u>870,813</u>
Net change in fund balance	(717,700)	-	1,534,755	1,534,755
Fund balance - beginning	<u>1,153,751</u>	<u>1,153,751</u>	<u>1,153,751</u>	-
Fund balance - ending	<u>\$ 436,051</u>	<u>\$ 1,153,751</u>	<u>\$ 2,688,506</u>	<u>\$ 1,534,755</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, 2011

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 662,900	\$ 787,700	\$ 787,784	\$ 84
Investment earnings	25,800	25,900	15,116	(10,784)
Total revenues	688,700	813,600	802,900	(10,700)
EXPENDITURES				
Current:				
Transportation and physical environment	100,000	32,100	14,219	17,881
Capital Outlay:				
Transportation and physical environment	2,486,047	3,341,500	1,708,769	1,632,731
Debt Service:				
Principal	230,000	230,000	200,000	30,000
Interest and Other	449,369	452,300	449,369	2,931
Total expenditures	3,265,416	4,055,900	2,372,357	1,683,543
Excess (deficiency) of revenues over (under) expenditures	(2,576,716)	(3,242,300)	(1,569,457)	1,672,843
OTHER FINANCING SOURCES (USES)				
Transfers in	485,016	485,016	485,016	-
Total other financing sources (uses)	485,016	485,016	485,016	-
Net change in fund balance	(2,091,700)	(2,757,284)	(1,084,441)	1,672,843
Fund balance - beginning	(2,585,777)	(2,585,777)	(2,585,777)	-
Fund balance - ending	\$ (4,677,477)	\$ (5,343,061)	\$ (3,670,218)	\$ 1,672,843

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 Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30th, 2011

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental revenue	\$ 4,580,900	\$ 228,700	\$ 1,183,402	\$ 954,702
Impact fees	-	-	60,000	60,000
Investment earnings	134,200	102,100	13,458	(88,642)
Total revenues	<u>4,715,100</u>	<u>330,800</u>	<u>1,256,860</u>	<u>926,060</u>
EXPENDITURES				
Current:				
General government	300,000	602,000	571,679	30,321
Capital Outlay:				
General government	1,270,000	70,000	49,530	20,470
Transportation and physical environment	6,681,000	3,419,850	2,076,631	1,343,219
Culture and recreation	732,500	267,500	173,844	93,656
Total expenditures	<u>8,983,500</u>	<u>4,359,350</u>	<u>2,871,684</u>	<u>1,487,666</u>
Excess (deficiency) of revenues over (under) expenditures	(4,268,400)	(4,028,550)	(1,614,824)	2,413,726
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(300,000)	(287,224)	12,776
Total other financing sources (uses)	<u>-</u>	<u>(300,000)</u>	<u>(287,224)</u>	<u>12,776</u>
Net change in fund balance	(4,268,400)	(4,328,550)	(1,902,048)	2,426,502
Fund balance - beginning	14,092,639	14,092,639	14,092,639	-
Fund balance - ending	<u>\$ 9,824,239</u>	<u>\$ 9,764,089</u>	<u>\$ 12,190,591</u>	<u>\$ 2,426,502</u>

City of Palm Coast, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2011

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
ASSETS							
Equity in pooled cash and investments	\$ 17,594	\$ 267,910	\$ 272,523	\$ 74,269	\$ 429,495	\$ 37,011	\$ 1,098,802
Special Assessment receivable - net	-	-	-	-	-	133,003	133,003
Due from other governments	-	-	157,325	-	8,668	-	165,993
Total assets	<u>\$ 17,594</u>	<u>\$ 267,910</u>	<u>\$ 429,848</u>	<u>\$ 74,269</u>	<u>\$ 438,163</u>	<u>\$ 170,014</u>	<u>\$ 1,397,798</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 5,005	\$ -	\$ 125,127	\$ -	\$ 130,132
Deferred revenue	-	-	-	-	-	4,011	4,011
Advances from other funds	-	-	-	-	-	5,284,036	5,284,036
Total liabilities	<u>-</u>	<u>-</u>	<u>5,005</u>	<u>-</u>	<u>125,127</u>	<u>5,288,047</u>	<u>5,418,179</u>
Fund Balances:							
Restricted for							
Public safety	17,594	267,910	-	-	-	-	285,504
Construction	-	-	424,843	74,269	-	-	499,112
Grants	-	-	-	-	313,036	-	313,036
Unassigned	-	-	-	-	-	(5,118,033)	(5,118,033)
Total fund balances	<u>17,594</u>	<u>267,910</u>	<u>424,843</u>	<u>74,269</u>	<u>313,036</u>	<u>(5,118,033)</u>	<u>(4,020,381)</u>
Total liabilities and fund balances	<u>\$ 17,594</u>	<u>\$ 267,910</u>	<u>\$ 429,848</u>	<u>\$ 74,269</u>	<u>\$ 438,163</u>	<u>\$ 170,014</u>	<u>\$ 1,397,798</u>

City of Palm Coast, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2011

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
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ 100,901	\$ -	\$ 1,915,235	\$ -	\$ 2,016,136
Special assessments	-	-	-	-	-	250,342	250,342
Fines and forfeitures	7,961	25,167	-	-	-	-	33,128
Impact fees	-	-	160,859	26,397	-	-	187,256
Investment earnings	91	1,587	722	435	-	120	2,955
Total revenues	8,052	26,754	262,482	26,832	1,915,235	250,462	2,489,817
EXPENDITURES							
Current:							
General government	-	-	-	-	1,602,199	-	1,602,199
Public safety	18,135	-	-	-	-	-	18,135
Capital outlay:							
Transportation and physical environment	-	-	-	-	-	12,289	12,289
Culture and recreation	-	-	102,991	-	-	-	102,991
Debt Service:							
Interest and Other	-	-	-	-	-	248,367	248,367
Total expenditures	18,135	-	102,991	-	1,602,199	260,656	1,983,981
Net change in fund balances	(10,083)	26,754	159,491	26,832	313,036	(10,194)	505,836
Fund balances - beginning	27,677	241,156	265,352	47,437	-	(5,107,839)	(4,526,217)
Fund balances - ending	\$ 17,594	\$ 267,910	\$ 424,843	\$ 74,269	\$ 313,036	\$(5,118,033)	\$(4,020,381)

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, 2011

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 5,700	\$ 7,100	\$ 7,961	\$ 861
Investment earnings	700	1,000	91	(909)
Total revenues	6,400	8,100	8,052	(48)
EXPENDITURES				
Current:				
Public safety	55,400	35,700	18,135	17,565
Total expenditures	55,400	35,700	18,135	17,565
Net change in fund balance	(49,000)	(27,600)	(10,083)	17,517
Fund balance - beginning	27,677	27,677	27,677	-
Fund balance - ending	\$ (21,323)	\$ 77	\$ 17,594	\$ 17,517

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, 2011

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 21,800	\$ 27,200	\$ 25,167	\$ (2,033)
Investment earnings	3,700	4,100	1,587	(2,513)
Total revenues	25,500	31,300	26,754	(4,546)
EXPENDITURES				
Current:				
Public safety	270,100	272,400	-	272,400
Total expenditures	270,100	272,400	-	272,400
Net change in fund balance	(244,600)	(241,100)	26,754	267,854
Fund balance - beginning	241,156	241,156	241,156	-
Fund balance - ending	\$ (3,444)	\$ 56	\$ 267,910	\$ 267,854

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, 2011

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental revenue	\$ -	\$ 101,000	\$ 100,901	\$ (99)
Impact fees	323,700	225,900	160,859	(65,041)
Investment earnings	43,200	1,300	722	(578)
Total revenues	<u>366,900</u>	<u>328,200</u>	<u>262,482</u>	<u>(65,718)</u>
EXPENDITURES				
Capital Outlay:				
Culture and recreation	<u>366,900</u>	<u>593,500</u>	<u>102,991</u>	<u>490,509</u>
Total expenditures	<u>366,900</u>	<u>593,500</u>	<u>102,991</u>	<u>490,509</u>
Net change in fund balance	-	(265,300)	159,491	424,791
Fund balance - beginning	<u>265,352</u>	<u>265,352</u>	<u>265,352</u>	<u>-</u>
Fund balance - ending	<u>\$ 265,352</u>	<u>\$ 52</u>	<u>\$ 424,843</u>	<u>\$ 424,791</u>

City of Palm Coast, Florida
 Fire Impact Fee
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2011

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Impact fees	\$ 74,300	\$ 72,700	\$ 26,397	\$ (46,303)
Investment earnings	2,000	3,600	435	(3,165)
Total revenues	<u>76,300</u>	<u>76,300</u>	<u>26,832</u>	<u>(49,468)</u>
EXPENDITURES				
Capital Outlay:				
Public safety	76,300	123,700	-	123,700
Total expenditures	<u>76,300</u>	<u>123,700</u>	<u>-</u>	<u>123,700</u>
Net change in fund balance	-	(47,400)	26,832	74,232
Fund balance - beginning	47,437	47,437	47,437	-
Fund balance - ending	<u>\$ 47,437</u>	<u>\$ 37</u>	<u>\$ 74,269</u>	<u>\$ 74,232</u>

City of Palm Coast, Florida
 Neighborhood Stabilization
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2011

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental revenue	\$ 532,900	\$ 1,632,900	\$ 1,915,235	\$ 282,335
Miscellaneous	1,582,500	482,500	-	(482,500)
Total revenues	<u>2,115,400</u>	<u>2,115,400</u>	<u>1,915,235</u>	<u>(200,165)</u>
EXPENDITURES				
Current:				
General government	2,290,500	2,290,500	1,602,199	688,301
Total expenditures	<u>2,290,500</u>	<u>2,290,500</u>	<u>1,602,199</u>	<u>688,301</u>
Net change in fund balance	(175,100)	(175,100)	313,036	488,136
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ (175,100)</u>	<u>\$ (175,100)</u>	<u>\$ 313,036</u>	<u>\$ 488,136</u>

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, 2011

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Special assessments	\$ -	\$ 251,000	\$ 250,342	\$ (658)
Investment earnings	-	-	120	120
Total revenues	-	251,000	250,462	(538)
EXPENDITURES				
Capital Outlay:				
Transportation and physical environment	46,000,000	13,300	12,289	1,011
Debt Service:				
Interest and Other	-	251,000	248,367	2,633
Total expenditures	46,000,000	264,300	260,656	3,644
Excess (deficiency) of revenues over (under) expenditures	(46,000,000)	(13,300)	(10,194)	3,106
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,000,000)	-	-	-
Issuance of long term debt	50,000,000	13,300	-	(13,300)
Total other financing sources (uses)	46,000,000	13,300	-	(13,300)
Net change in fund balance	-	-	(10,194)	(10,194)
Fund balance - beginning	(5,107,839)	(5,107,839)	(5,107,839)	-
Fund balance - ending	\$ (5,107,839)	\$ (5,107,839)	\$ (5,118,033)	\$ (10,194)



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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, 2011

Business-type Activities-Enterprise Funds

	Golf Course Fund	Tennis Center Fund	Building Permits & Inspections Fund	IT&C Fund	Total Nonmajor Enterprise Funds
Assets:					
Current assets:					
Equity in pooled cash and investments	\$ 38,678	\$ 5,554	\$ 1,076,489	\$ 57,103	\$ 1,177,824
Accounts receivable - net	33,211	-	992	31,082	65,285
Inventories	32,032	2,295	-	-	34,327
Prepaid Items	13,589	4,611	4,491	6,107	28,798
Due from other funds	-	-	2,354,506	-	2,354,506
Total current assets	117,510	12,460	3,436,478	94,292	3,660,740
Noncurrent assets:					
Capital assets:					
Land	2,282,481	-	-	-	2,282,481
Building and improvements other than buildings	387,554	-	-	-	387,554
Infrastructure	4,275,491	-	-	4,068,600	8,344,091
Equipment	191,188	33,421	-	558,359	782,968
Less accumulated depreciation	(522,011)	(14,721)	-	(611,973)	(1,148,705)
Total noncurrent assets	6,614,703	18,700	-	4,014,986	10,648,389
Total assets	\$ 6,732,213	\$ 31,160	\$ 3,436,478	\$ 4,109,278	\$ 14,309,129
Liabilities:					
Current liabilities:					
Accounts payable	\$ 40,028	\$ 4,057	\$ 2,706	\$ 101,346	\$ 148,137
Due to Other Governments	-	-	3,667	-	3,667
Loans payable	-	-	-	174,488	174,488
Compensated absences	-	-	42,187	29,649	71,836
Accrued liabilities	15,621	1,850	34,279	24,174	75,924
Accrued loan interest payable	-	-	-	6,244	6,244
Deferred revenue	40,275	30,137	-	-	70,412
Total current liabilities	95,924	36,044	82,839	335,901	550,708
Noncurrent liabilities:					
Compensated absences	-	-	83,863	73,122	156,985
Net OPEB Obligation	-	-	7,000	4,000	11,000
Loans payable	-	-	-	273,157	273,157
Advances from other funds	5,556,500	-	-	1,794,498	7,350,998
Total noncurrent liabilities	5,556,500	-	90,863	2,144,777	7,792,140
Total liabilities	5,652,424	36,044	173,702	2,480,678	8,342,848
NET ASSETS					
Invested in capital assets, net of related debt	6,614,703	18,700	-	3,567,341	10,200,744
Unrestricted	(5,534,914)	(23,584)	3,262,776	(1,938,741)	(4,234,463)
Total net assets	\$ 1,079,789	\$ (4,884)	\$ 3,262,776	\$ 1,628,600	\$ 5,966,281

City of Palm Coast, Florida
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Nonmajor Enterprise Funds
For the Year Ended September 30, 2011

Business-type Activities - Enterprise Funds

	Golf Course Fund	Tennis Center Fund	Building Permits & Inspections Fund	IT&C Fund	Total Nonmajor Enterprise Funds
Operating Revenues:					
Charges for services:					
Tennis program charges	\$ -	\$ 181,598	\$ -	\$ -	\$ 181,598
Golf Course charges	1,501,459	-	-	-	1,501,459
Building Permit & Inspection Charges	-	-	225,099	-	225,099
IT&C Charges	-	-	-	2,639,657	2,639,657
Total operating revenues	1,501,459	181,598	225,099	2,639,657	4,547,813
Operating Expenses:					
Golf Course	1,653,658	-	-	-	1,653,658
Tennis Center	-	349,738	-	-	349,738
Building Permits and Inspections	-	-	1,468,520	-	1,468,520
IT&C	-	-	-	2,154,232	2,154,232
Depreciation	270,587	4,058	-	342,254	616,899
Total operating expenses	1,924,245	353,796	1,468,520	2,496,486	6,243,047
Operating income (loss)	(422,786)	(172,198)	(1,243,421)	143,171	(1,695,234)
Nonoperating Revenues (Expenses):					
Investment revenue	123	-	14,074	156	14,353
Interest/amortization expense	-	-	-	(6,244)	(6,244)
Total nonoperating revenues (expenses)	123	-	14,074	(6,088)	8,109
Income (loss) before capital contributions and transfers	(422,663)	(172,198)	(1,229,347)	137,083	(1,687,125)
TRANSFERS AND CONTRIBUTIONS					
Transfers in	256,000	181,000	-	-	437,000
Transfers out	(18,000)	(1,000)	-	-	(19,000)
Total transfers and contributions	238,000	180,000	-	-	418,000
Change in net assets	(184,663)	7,802	(1,229,347)	137,083	(1,269,125)
NET ASSETS					
Total net assets - beginning	1,264,452	(12,686)	4,492,123	1,491,517	7,235,406
Total net assets - ending	\$ 1,079,789	\$ (4,884)	\$ 3,262,776	\$ 1,628,600	\$ 5,966,281

Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2011

Cash flows from operating activities	Golf Course	Tennis Center	Building Permits & Inspections	IT&C	Totals
Cash received from customers	\$ 1,502,745	\$ 201,527	\$ 224,107	\$ 2,609,370	\$ 4,537,749
Cash paid to suppliers	(878,611)	(167,830)	(638,533)	(1,987,547)	(3,672,521)
Cash paid to employees	(805,791)	(212,435)	(825,738)	(558,164)	(2,402,128)
Net cash provided by (used in) operating activities	(181,657)	(178,738)	(1,240,164)	63,659	(1,536,900)
Cash flow from noncapital financing activities					
Transfers in from other funds	256,000	181,000	-	-	437,000
Transfers out to other funds	(18,000)	(1,000)	-	-	(19,000)
Advances to other funds	-	-	(2,354,506)	-	(2,354,506)
Net cash provided by (used in) noncapital financing activities	238,000	180,000	(2,354,506)	-	(1,936,506)
Cash flow from capital and related financing activities					
Proceeds from issuance of long-term debt	-	-	-	223,129	223,129
Loan principal payments	-	-	-	(172,969)	(172,969)
Interest paid	-	-	-	(7,927)	(7,927)
Acquisition and construction of property, plant and equipment	(18,080)	-	-	(806,536)	(824,616)
Net cash provided by (used in) capital and related financing activities	(18,080)	-	-	(764,303)	(782,383)
Cash flow from investing activities					
Interest on investments	123	-	14,074	156	14,353
Net cash provided by (used in) investing activities	123	-	14,074	156	14,353
Net increase (decrease) in cash and cash equivalents	38,386	1,262	(3,580,596)	(700,488)	(4,241,436)
Beginning cash and cash equivalents	292	4,292	4,657,085	757,591	5,419,260
Ending cash and cash equivalents	\$ 38,678	\$ 5,554	\$ 1,076,489	\$ 57,103	\$ 1,177,824

(continued)

City of Palm Coast, Florida
Combining Statement of Cash Flows (continued)
Nonmajor Enterprise Funds
For the Year Ended September 30, 2011

	Golf Course	Tennis Center	Building Permits & Inspections	IT&C	Totals
Reconciliation of operating income to net cash provided by operating activities					
Operating income (loss)	\$ (422,786)	\$ (172,198)	\$ (1,243,421)	\$ 143,171	\$ (1,695,234)
Adjustment to reconcile operating income to net cash provided by operating activities					
Depreciation and amortization	270,587	4,058	-	342,254	616,899
Change in assets and liabilities:					
Accounts receivable	(27,006)	-	(992)	(30,287)	(58,285)
Inventories	(5,973)	(2,295)	-	-	(8,268)
Prepays	3,444	(4,061)	(724)	(827)	(2,168)
Accounts payable	(29,313)	496	(732)	(418,121)	(447,670)
Accrued liabilities	29,390	(4,738)	6,304	6,776	37,732
Compensated absences	-	-	(599)	20,693	20,094
Net cash provided by (used in) operating activities	\$ (181,657)	\$ (178,738)	\$ (1,240,164)	\$ 63,659	\$ (1,536,900)
Cash and cash equivalents classified as:					
Equity in pooled cash and investments in current assets	\$ 38,678	\$ 5,554	\$ 1,076,489	\$ 57,103	\$ 1,177,824
Total cash and cash equivalents	\$ 38,678	\$ 5,554	\$ 1,076,489	\$ 57,103	\$ 1,177,824



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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, 2011

	<u>Internal Service Funds</u>		
	<u>Self Insured Health Fund</u>	<u>Fleet Fund</u>	<u>Total Internal Service Funds</u>
Assets:			
Current assets:			
Equity in pooled cash and investments	\$ 373,278	\$ 2,491,008	\$ 2,864,286
Accounts receivable - net	-	31,649	31,649
Inventories	-	56,678	56,678
Prepaid Items	49,316	12,597	61,913
Due from other governments	-	33,010	33,010
Total current assets	<u>422,594</u>	<u>2,624,942</u>	<u>3,047,536</u>
Noncurrent assets:			
Capital assets:			
Building and improvements other than buildings	-	1,097,144	1,097,144
Equipment	-	12,195,889	12,195,889
Less accumulated depreciation	-	(6,648,195)	(6,648,195)
Total noncurrent assets	<u>-</u>	<u>6,644,838</u>	<u>6,644,838</u>
Total assets	<u>\$ 422,594</u>	<u>\$ 9,269,780</u>	<u>\$ 9,692,374</u>
Liabilities:			
Current liabilities:			
Accounts payable	\$ 7,700	\$ 124,905	\$ 132,605
Claims payable	268,780	-	268,780
Compensated absences	-	2,055	2,055
Accrued liabilities	-	6,668	6,668
Total current liabilities	<u>276,480</u>	<u>133,628</u>	<u>410,108</u>
Noncurrent liabilities:			
Compensated absences	-	6,494	6,494
Net OPEB obligation	-	1,000	1,000
Total noncurrent liabilities	<u>-</u>	<u>7,494</u>	<u>7,494</u>
Total liabilities	<u>276,480</u>	<u>141,122</u>	<u>417,602</u>
NET ASSETS			
Invested in capital assets, net of related debt	-	6,644,838	6,644,838
Unrestricted	<u>146,114</u>	<u>2,483,820</u>	<u>2,629,934</u>
Total net assets	<u>\$ 146,114</u>	<u>\$ 9,128,658</u>	<u>\$ 9,274,772</u>

City of Palm Coast, Florida
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Internal Service Funds
For the Year Ended September 30, 2011

	Internal Service Funds		
	Self Insured Health Fund	Fleet Fund	Total Internal Service Funds
Operating Revenues:			
Charges for services:			
Miscellaneous	\$ 2,819,860	\$ 3,728,213	\$ 6,548,073
Total operating revenues	2,819,860	3,728,213	6,548,073
Operating Expenses:			
Administrative	2,801,629	1,966,682	4,768,311
Depreciation	-	1,224,307	1,224,307
Total operating expenses	2,801,629	3,190,989	5,992,618
Operating income (loss)	18,231	537,224	555,455
Nonoperating Revenues (Expenses):			
Investment revenue	2,324	14,566	16,890
Other	-	4,280	4,280
Total nonoperating revenues (expenses)	2,324	18,846	21,170
Income (loss) before capital contributions and transfers	20,555	556,070	576,625
TRANSFERS AND CONTRIBUTIONS			
Transfers in	-	66,462	66,462
Total transfers and contributions	-	66,462	66,462
Change in net assets	20,555	622,532	643,087
NET ASSETS			
Total net assets - beginning	125,559	8,506,126	8,631,685
Total net assets - ending	\$ 146,114	\$ 9,128,658	\$ 9,274,772

City of Palm Coast, Florida
Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2011

	Self Insured		Totals
	Health	Fleet	
Cash flows from operating activities			
Cash received from customers	\$ 2,819,860	\$ 3,695,864	\$ 6,515,724
Cash paid to suppliers	(2,892,762)	(2,569,666)	(5,462,428)
Cash paid to employees	-	(141,441)	(141,441)
Net cash provided by (used in) operating activities	(72,902)	984,757	911,855
Cash flow from noncapital financing activities			
Transfer in from other funds	-	66,462	66,462
Net cash provided by (used in) noncapital financing activities	-	66,462	66,462
Cash flow from capital and related financing activities			
Acquisition and construction of property, plant and equipment	-	(1,120,556)	(1,120,556)
Proceeds from the sale of capital assets	-	44,524	44,524
Net cash provided by (used in) capital and related financing activities	-	(1,076,032)	(1,076,032)
Cash flow from investing activities			
Interest on investments	2,324	14,566	16,890
Net cash provided by (used in) investing activities	2,324	14,566	16,890
Net increase (decrease) in cash and cash equivalents	(70,578)	(10,247)	(80,825)
Beginning cash and cash equivalents	443,856	2,501,255	2,945,111
Ending cash and cash equivalents	\$ 373,278	\$ 2,491,008	\$ 2,864,286

(continued)

City of Palm Coast, Florida
Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended September 30, 2011

	Self Insured Health	Fleet	Totals
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ 18,231	\$ 537,224	\$ 555,455
Adjustment to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	-	1,224,307	1,224,307
Change in assets and liabilities:			
Accounts receivable	-	(32,349)	(32,349)
Inventories	-	3,703	3,703
Prepays	-	1,665	1,665
Accounts payable	(91,133)	(746,757)	(837,890)
Accrued liabilities	-	2,578	2,578
Compensated absences	-	(5,614)	(5,614)
Net cash provided by (used in) operating activities	\$ (72,902)	\$ 984,757	\$ 911,855
Cash and cash equivalents classified as:			
Equity in pooled cash and investments in current assets	\$ 373,278	\$ 2,491,008	\$ 2,864,286
Total cash and cash equivalents	\$ 373,278	\$ 2,491,008	\$ 2,864,286

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, 2011

	Balance October 1, 2010	Additions	Deductions	Balance September 30, 2011
Coquina Coast Cooperative				
Cash and investments	\$ 1,668,059	\$ 401,266	\$ 1,315,681	\$ 753,644
Due from other governments	-	366,644	223,751	142,893
Total assets	\$ 1,668,059	\$ 767,910	\$ 1,539,432	\$ 896,537
Accounts payable	\$ 63,206	\$ 1,487,759	\$ 1,378,887	\$ 172,078
Deposits held in escrow	1,604,853	406,102	1,286,496	724,459
Total liabilities	\$ 1,668,059	\$ 1,893,861	\$ 2,665,383	\$ 896,537



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