

COMPREHENSIVE ANNUAL FINANCIAL REPORT
TOWN OF PALM BEACH, FLORIDA
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007



Prepared by the Finance Department

Jane Struder, CPA
Finance Director

TOWN OF PALM BEACH, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2007

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INTRODUCTORY SECTION



TOWN OF PALM BEACH

Finance Department

March 3, 2008

The Honorable Mayor and Town Council
Town of Palm Beach
Palm Beach, Florida

The Comprehensive Annual Financial Report for the Town of Palm Beach's fiscal year ended September 30, 2007, is hereby submitted pursuant to Florida Statute 11.45. This document is the official comprehensive publication of the Town's financial position at September 30, 2007. This report was prepared by the Town's Finance Department. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. To the best of our knowledge and belief, the enclosed data are accurate in all material respects. They are reported in a manner designed to present fairly the financial position and results of operations on a government-wide and fund level. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

THE TOWN OF PALM BEACH

The Town of Palm Beach, Florida, incorporated in 1911, is located on a barrier island in the eastern part of Palm Beach County, which ranks as one of the top growth areas in the State. Palm Beach is a unique, internationally famous residential community known for its distinctive architecture and landscaping, gracious homes and apartments, golf courses and clubs, and world famous stores and restaurants. The taxable value of properties within the Town provides appropriate support for the Town's authorized indebtedness.

The Town of Palm Beach services a full-time resident population of 9,744 plus an estimated 15,000 additional seasonal residents (November to May), as well as numerous visitors and other individuals who are employed on the island.

The Town is governed by an elected Mayor and a five-member Council. The Mayor's term is for two years. The five members of the Town Council are elected at large and serve overlapping two-year terms. The Town operates under the Council-Manager form of government. The Town Council appoints the Town Manager who serves as the Town's Chief Administrative Officer and is responsible for implementing the policies established by the Town Council. The Town has 415 employees, including 78 sworn police officers and 80 full-time firefighters.

The Town provides a full range of services. These services include police and fire protection, emergency medical services, sanitation services, recreational activities, the construction and maintenance of streets, storm water collection systems, sanitary sewer collection system and other infrastructure.

THE REPORTING ENTITY

The financial reporting entity includes all of the funds and account groups of the Town of Palm Beach. It includes all governmental organizations and activities for which the Town is considered to be financially accountable in accordance with Governmental Accounting Standards Board Statement No. 14.

ECONOMIC CONDITIONS AND OUTLOOK

The Town of Palm Beach is primarily a residential community. Commercial activities are restricted primarily to Town-service establishments including banks, retail shops, hotels and restaurants for the Town's permanent population and seasonal residents. There is no industrial development within the Town. Stringent zoning and land use regulations have limited development and over the long term, will preserve the Town's high quality residential character.

In June 2007, the Florida Legislature enacted House Bill 1B which required all taxing districts to roll back their ad valorem tax rates to FY07 funding levels and then reduce that amount by a percentage of 0, 3, 5, 7, or 9 based upon a formula that analyzes their taxing performance over the past five years. The Town's assigned percentage was 5% due to reductions in the millage rate that have been adopted since 2002.

For future budgets, millage rate increases will be limited to the rolled back rate (the rate that produces the same taxes as the prior year, exclusive of taxes from new construction) plus growth in personal income. Local governments will be allowed to override the cap by extraordinary vote, either a 2/3 vote of the Council for up to a 10% increase over the rolled back rate, or a unanimous vote of the Council for an increase in excess of 10%.

In addition, the State may impose other property tax mandates before the preparation and adoption of municipal budgets for FY09, adding to the uncertainty to future financial planning. The Town will be closely monitoring these issues to determine the budgetary impacts.

The Town maintains AAA ratings by both Moody's Investor Services and Standard & Poor's for General Obligation Debt. The primary source of revenue is property taxes. The increase in the Town's gross taxable value last year of 6.2% to \$12,748,716,861 helped the Town continue to provide services at a modest tax rate. Taxable value is expected to stabilize for the near future.

Per capita personal income for the Town of Palm Beach is \$109,219, which is well above the state and national average.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

For the Year

During fiscal year 2007 the following accomplishments occurred:

- The town-wide storm drainage improvements continued in FY07. The construction of the D-2 Pump Station (Palmo Way) was essentially complete at the end of 2007 and was officially turned over to the Water Resources Division of Public Works in December 2007. A replacement storm sewer pipe was installed along Nightingale Trail and several point repairs and corrugated metal pipe was replaced throughout the Town.

- Design work continued on the D-9 and D-10 pump stations until late FY07 when it was suspended due to uncertainty over the continuation of the program beyond FY08.
- The plans and specifications for the following projects were substantially complete as of late FY07:
 - Fuel Tank Replacement Program
 - Seaview Soccer Field Turf Replacement
 - Seaview Tennis Complex Replacement
- A vendor for new enterprise wide software was selected. Tyler Technologies, EDEN software was chosen for financial, human resource, purchasing and permitting applications. Setup, installation and training occurred on the financial and purchasing applications during FY2007 and the Town was live on the software as of September 15, 2007.
- Staff prepared a Comprehensive Review of Town Operations which reviewed all Town operations to determine cost savings options for the Town Council to consider. The report was presented in December 2007 and meetings are currently underway to make decisions on various cost savings measures.

For the Future

Maintenance and expansion of the Town's general infrastructure (such as streets, oceanfront roadway protective seawalls, sanitary sewer collection system and storm drainage collection system) remains a major concern of the Town. To address this concern, the Town each year prepares a five-year Capital Improvement Program that provides the framework for the development and maintenance of infrastructure to meet current and future needs.

The Capital Improvement Program also includes the Town's Comprehensive Coastal Management Plan, which addresses sand and shoreline management practices for the entire Atlantic Ocean shoreline of the Town.

The following are five top-priority Town-wide goals that were adopted by the Town Council for fiscal year 2008.

- Construct Reach 8 Beach Restoration Project.
- Commence construction of upgraded sand transfer plant at Lake Worth Inlet.
- Hold Undergrounding Project referendum in February 2008 and lead up to that with a broad and detailed public information campaign.
- Commence Town Hall renovations and finalize plans to relocate the Human Resources Department and the Office of Information Systems to West Palm Beach.
- Continue to improve the breadth and intensity of code enforcement.

Since the adoption of the above goals in April 2007, a referendum was held in December for the issuance of GO funding for the Reach 8 project and drainage projects. The referendum failed. The referendum for the undergrounding project was postponed until next fall.

The plans for the Town Hall renovation were modified to include the Human Resources Department and Office of Information Systems within Town Hall and not relocate them to West Palm Beach.

Other notable initiatives for fiscal year 2008 will include the following:

- Continue to proceed with the multi-year program to upgrade the Town's software systems, including the installation of new payroll, accounts receivable and permitting software.
- Continue with the Comprehensive Review of Town Operations to determine appropriate cost savings measures for the FY2009 budget.

- Invest the surplus funds that were previously held with the State of Florida State Board of Administration.

Financial Policies

The Town has formally adopted 17 financial policies including reserve policies for all major funds, contingency policies, budgetary control, debt management, and a revenue shortfall plan. The establishment of specific reserve policies is an important part of prudent financial management. Reserve policies reduce ambiguity and guide the creation, maintenance and use of resources for financial stabilization purposes.

Long Term Financial Planning

Since FY2004, Town staff has prepared a Long Term Financial Plan that encompassed a 5 year period and has prepared annual updates to the plan through FY2007. Due to the uncertainty created by State property tax reform measures, the Town decided to embark on a Comprehensive Review of Town Operations for FY2008. The goal of the review was to identify potential cost savings and non-tax revenue increases with estimates of the impacts of each alternative. The review first identified efficiencies that already exist and efficiencies that can be enacted without reducing the quantity or quality of services that the Town delivers. The review then identified options for the Town Council to consider for reducing costs and staffing levels that require reducing levels of service. In addition, a thorough review of employee benefits with cost savings options was also included in the report. In FY2009, the Town will once again prepare an update of the long term financial plan which will include all of the approved cost savings measures and new revenue sources.

Financial Information

Please read the MD&A and the Notes to the Financial Statements for specific financial information.

Internal Controls: In developing and evaluating the Town's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of an internal control system should not exceed the benefits likely to be derived, and that the evaluation of cost and benefits requires estimates and judgments by management.

Budgeting Controls: In addition, the Town maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions implied in the annual budget approved by the Town Council. Activities of the General Fund, Debt Service Funds, Capital Projects Funds, Internal Service Funds, and Enterprise Fund are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the Fund level. The Town also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Unencumbered amounts lapse at year-end. Open encumbrances for outstanding purchase orders are reported as a reservation of fund balance at September 30, 2007, and are re-appropriated as part of the following year's budget.

Cash Management: The Town invests its excess reserves primarily with the State's Local Government Surplus Funds Trust Fund Investment Pool and the Florida League of Cities Investment Trust. The Town also invested in a \$2 million, 6 month U.S. Treasury Bill. As of September 30, 2007, the investments with the State Investment Pool totaled \$57,587,825 and the Florida League of Cities Investment Trust balance

was \$28,909,387. The Town generated investment earnings of \$5,224,951 on all funds, excluding trust funds.

Risk Management: The Town is self-insured for certain group health, property, liability, and workers' compensation claims. The Risk Management program and the Health Insurance program activities are accounted for in Internal Service Funds.

The Risk Management Program is under the direction of the Town Manager's Office. Responsibility includes administration of the Town's property, liability and worker's compensation coverage and the related safety and loss control programs; claims investigation and administration including litigation strategies; contractual review regarding hold harmless, indemnification and insurance requirements of vendors, contractors, etc.; and comprehensive review of proposed legislation which could impact the Town from a loss control perspective. As part of the Risk Management Program, resources are being accumulated to meet potential losses.

The Health Insurance program consists of medical, dental, life, long-term disability, accidental death and dismemberment, supplemental life insurance, specific reinsurance, aggregate reinsurance, medical conversion, COBRA, network access fees, utilization review, consulting services, flexible spending program and claims administration for active and retired employees. Work in this fund is performed under the direction of the Human Resource Director. In addition, legislation is continually reviewed as it can have either a direct or indirect impact on the program. In FY07, a health insurance trust was established for post employment health benefits.

Proprietary Funds

Enterprise Operations: The Leisure Services Enterprise Fund includes the revenues and expenses relating to the operation of the Town Docks, the Par 3 Golf Course, tennis, and other recreation activities for youth and adults.

Fiduciary Funds: The Town operates five fiduciary funds. These include the General Employees' Pension Trust Fund covering General and Lifeguard employees, the Police Officers' Retirement System, the Firefighters' Retirement System, the OPEB Trust Fund and the Kreuzler Park Agency Fund.

Other Information

Independent Audit: State Statutes require an annual audit by independent certified public accountants. The accounting firm of Caler, Donten, Levine, Druker, Porter & Veil, P.A., performed this audit for fiscal year 2007. The auditor's report is included in the financial section of this report.

Awards: The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Palm Beach for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2006. This was the 19th consecutive year the Town has received this prestigious award.

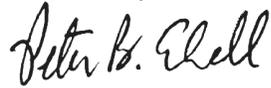
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. The contents must conform to program standards. Such reports must satisfy both U.S. generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The Town believes the current report continues to conform to the Certificate of Achievement Program requirements, and we are therefore submitting this year's report to the GFOA.

The Town also received the GFOA Award for Distinguished Budget Presentation for the Town's budget for the fiscal year ended September 30, 2007, and the Certificate of Achievement in Popular Annual Financial Reporting for the Town's Annual Report for fiscal year ended September 30, 2006.

Acknowledgements: The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our genuine appreciation for the contributions made in the preparation of this report. In addition, we acknowledge the efforts of our independent auditors, Caler, Donten, Levine, Druker, Porter & Veil, P.A. for their professional work and assistance in producing this report.

We also are grateful to the Mayor and Town Council for their leadership and to the Citizens of Palm Beach for their support in ensuring the financial operations of the Town are conducted in a sound and conservative manner, thus assuring the Town a high level of financial security.

Respectfully submitted,



Peter B. Elwell
Town Manager



Jane Struder, CPA
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Palm Beach
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2006

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



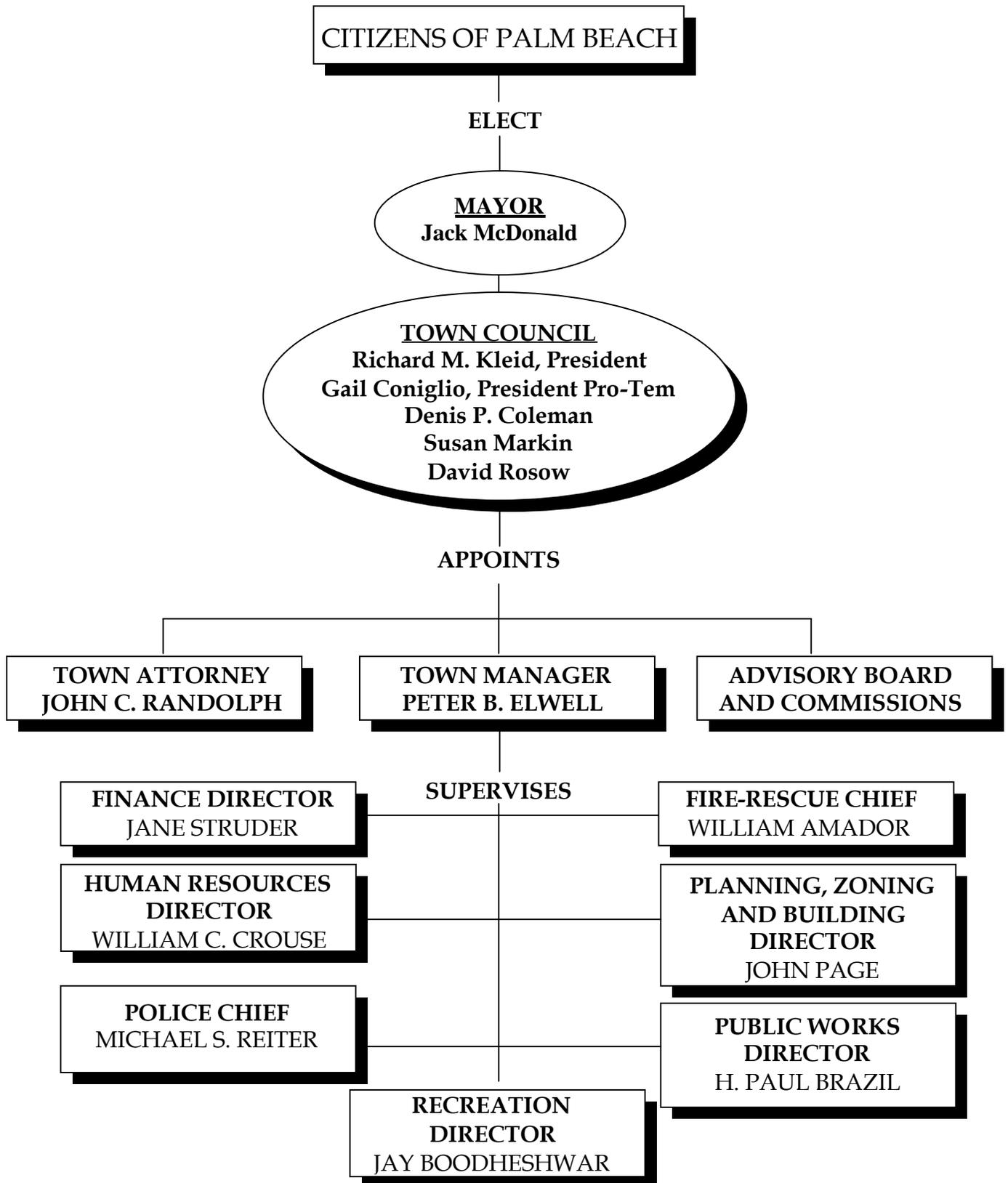
Alma S. Cox

President

Jeffrey R. Emer

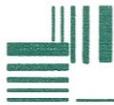
Executive Director

TOWN OF PALM BEACH ORGANIZATIONAL STRUCTURE



Note: Organizational structure as of February 13, 2007

FINANCIAL SECTION



CALER, DONTEN, LEVINE, DRUKER, PORTER & VEIL, P.A.

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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

The Honorable Mayor and Members
of the Town Council
Town of Palm Beach
Palm Beach, 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 Town of Palm Beach, Florida, as of and for the year ended September 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Town of Palm Beach, Florida. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Firefighters' Retirement System and the Police Officers' Retirement System, two fiduciary funds of the Town, which together represent 57% and 41%, respectively, of the total assets and total additions of the Fiduciary Funds of the Town. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Firefighters' Retirement System and the Police Officers' Retirement System, is based solely on the reports of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, 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 Town of Palm Beach, Florida, as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2008, on our consideration of the internal control over financial reporting of the Town of Palm Beach, Florida, and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 56 through 60, respectively, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Palm Beach, Florida. The introductory section, combining and individual fund financial statements and schedules, and the 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 State Financial Assistance is presented for purposes of additional analysis as required by Chapter 10.550, Rules of the Auditor General, and is also not a required part of the basic financial statements of the Town of Palm Beach, Florida. The combining and individual fund financial statements and schedules and the Schedule of Expenditures of State Financial Assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Cale, Danten, Levine,
Dunker, Porter & Veil, P.A.*

February 21, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Palm Beach, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town of Palm Beach for the fiscal year ended September 30, 2007. 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 i-vi of this report.

The information contained within this Management's Discussion and Analysis (MD&A) is only a component of the entire financial statement report. Readers should take time to read and evaluate all sections of the report, including the Notes to Financial Statements and the Required Supplementary Information that is provided in addition to this MD&A.

Financial Highlights

1. The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$181,965,431 (net assets). Of this amount, \$99,263,248 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
2. At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$56,770,488 an increase of \$3,998,391 in comparison with the prior year. Approximately 38% of the total amount is available for spending at the Town's discretion (unreserved, undesignated fund balance).
3. At the end of the current fiscal year, unreserved fund balance (designated and undesignated) for the general fund was \$28,447,330. The undesignated fund balance is \$21,346,801.
4. The Town's total government-wide revenue was \$76,972,508, while total expenses were \$64,493,850.
5. Governmental Activities generated \$72,347,296 in revenue (excluding transfers) with \$60,947,487 in expenses.
6. Business-type Activities generated \$4,625,212 in revenue (excluding transfers) with \$3,546,363 in expenses.
7. The Town's long-term debt decreased by \$3,552,406 during the current fiscal year.

Overview of the Financial Statements

The Town's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also includes other supplementary information in addition to the basic financial statements.

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

The *statement of net assets* presents information on all of the Town of Palm Beach'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 Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town'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, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (*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 Town include general government, public safety, physical environment, transportation, and culture and recreation. The business-type activities include the marina, golf course and recreation programs.

The Town's government-wide financial statements are presented on pages 13-15 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 Town of Palm Beach, 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 Town of Palm Beach 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 presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and *governmental activities*.

The Town of Palm Beach maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the general fund, capital improvement fund, and the beach restoration project fund all of which are considered major funds. Data for the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is presented in the form of *combining statements* elsewhere in this report.

The governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary funds. The Town of Palm Beach 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 Town of Palm Beach uses an enterprise fund to account for its recreation activities including; the Town Docks, the Par 3 Golf Course, Tennis, and Adult and Youth recreational activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Town of Palm Beach's various functions. The Town of Palm Beach uses internal service funds to account for its self-insurance health fund, self-insurance risk fund, and equipment replacement fund. Because these services predominately benefit governmental rather than

business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund statements 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 Leisure Services Fund (enterprise fund) and the internal service funds, which are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the combining financial statements elsewhere in this report.

The proprietary fund financial statements can be found on pages 20-22 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 statements because the resources of those funds are not available to support the Town of Palm Beach's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Fiduciary financial statements consist of a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

The Town's fiduciary fund financial statements are presented on pages 23-24.

Notes to 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 financial statements can be found on pages 25-55 of this report.

Other information. In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information containing a comparison between the Town's adopted budget and actual financial results for the general fund. The required supplementary information can be found on pages 56-60 of this report.

Combining financial statements referred to earlier in connection with nonmajor governmental funds, internal service funds and fiduciary funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 62-78 of this report.

Government-wide Financial Analysis

Net assets. On the following page, is a summary of the fiscal year 2007 Statement of Net Assets found on page 13 and comparative information for fiscal year 2006.

Town of Palm Beach, Florida
Net Assets
September 30, 2007 and 2006

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
ASSETS						
Current and other assets	\$109,428,687	\$106,669,075	\$ 5,646,057	\$ 4,964,855	\$115,074,744	\$111,633,930
Capital assets, net	<u>88,112,984</u>	<u>81,598,804</u>	<u>10,971,879</u>	<u>10,965,117</u>	<u>99,084,863</u>	<u>92,563,921</u>
Total assets	197,541,671	188,267,879	16,617,936	15,929,972	214,159,607	204,197,851
LIABILITIES						
Current liabilities	10,768,085	9,958,790	717,948	648,828	11,486,033	10,607,618
Long-term liabilities	<u>20,495,036</u>	<u>23,905,268</u>	<u>213,107</u>	<u>198,192</u>	<u>20,708,143</u>	<u>24,103,460</u>
Total liabilities	31,263,121	33,864,058	931,055	847,020	32,194,176	34,711,078
NET ASSETS						
Invested in capital assets, net of related debt	71,453,781	70,412,738	10,971,879	10,965,117	82,425,660	81,377,855
Restricted	276,523	234,245			276,523	234,245
Unrestricted	<u>94,548,246</u>	<u>83,756,838</u>	<u>4,715,002</u>	<u>4,117,835</u>	<u>99,263,248</u>	<u>87,874,673</u>
Total net assets	<u>\$166,278,550</u>	<u>\$154,403,821</u>	<u>\$ 15,686,881</u>	<u>\$ 15,082,952</u>	<u>\$181,965,431</u>	<u>\$169,486,773</u>

Net assets may serve over time as a useful indicator of a government's financial position. At September 30, 2007, the Town's assets exceeded liabilities by \$181,965,431. Net assets increased by \$12,478,658 as a result of a \$11,874,729 increase in governmental activities and an increase of \$603,929 in Business-type activities. Unrestricted net assets, the portion of net assets that can be used to finance the day-to-day operations of the Town, totaled \$99,263,248.

Net assets invested in capital assets (e.g., land, buildings, improvements other than buildings, equipment infrastructure and construction in progress) less any related debt used to acquire those assets that is still outstanding and any unspent bond proceeds total \$82,425,660. The Town of Palm Beach uses those capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Palm Beach's investment in its capital assets is reported net of related debt, it should be noted that 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 Town of Palm Beach reported positive balances in all categories of net assets for both governmental and business-type activities.

Change in Net Assets: The table on the following page is a summary of the changes in net assets for the year ended September 30, 2007, as compared to September 30, 2006:

Town of Palm Beach, Florida
Changes in Net Assets
For the Fiscal Years Ended September 30, 2007 and 2006

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue						
Program revenue:						
Charges for services	\$ 11,374,601	\$ 10,423,938	\$ 4,291,969	\$ 3,984,307	\$ 15,666,570	\$ 14,408,245
Operating grants and contributions	1,552,349	13,759,464		67,183	1,552,349	13,826,647
Capital grants and contributions	3,185,562	179,952			3,185,562	179,952
General revenue:						
Property taxes	43,096,605	39,008,774			43,096,605	39,008,774
Local option gas tax	360,853	360,210			360,853	360,210
Franchise fees	2,478,487	2,433,811			2,478,487	2,433,811
Utility service taxes	4,105,957	4,167,844			4,105,957	4,167,844
Intergovernmental	1,249,609	1,158,415			1,249,609	1,158,415
Investment earnings	4,891,708	4,709,493	333,243	261,893	5,224,951	4,971,386
Gain on sale of capital assets	51,565				51,565	
Total revenue	<u>72,347,296</u>	<u>76,201,901</u>	<u>4,625,212</u>	<u>4,313,383</u>	<u>76,972,508</u>	<u>80,515,284</u>
Expenses						
General						
government	11,620,148	10,770,654			11,620,148	10,770,654
Public safety	30,526,540	27,115,822			30,526,540	27,115,822
Physical environment	15,169,120	19,746,156			15,169,120	19,746,156
Transportation	864,359	1,179,979			864,359	1,179,979
Culture and recreation	1,854,023	1,919,405			1,854,023	1,919,405
Interest on long-term debt	913,297	1,030,985			913,297	1,030,985
Leisure services			<u>3,546,363</u>	<u>3,474,250</u>	<u>3,546,363</u>	<u>3,474,250</u>
Total expenses	<u>60,947,487</u>	<u>61,763,001</u>	<u>3,546,363</u>	<u>3,474,250</u>	<u>64,493,850</u>	<u>65,237,251</u>
Increase in Net Assets Before Transfers	11,399,809	14,438,900	1,078,849	839,133	12,478,658	15,278,033
Transfers	<u>474,920</u>	<u>527,428</u>	<u>(474,920)</u>	<u>(527,428)</u>	<u>0</u>	<u>0</u>
Increase in net assets	11,874,729	14,966,328	603,929	311,705	12,478,658	15,278,033
Net assets at beginning of year	<u>154,403,821</u>	<u>139,437,493</u>	<u>15,082,952</u>	<u>14,771,247</u>	<u>169,486,773</u>	<u>154,208,740</u>
Net assets at end of year	<u>\$166,278,550</u>	<u>\$154,403,821</u>	<u>\$15,686,881</u>	<u>\$15,082,952</u>	<u>\$181,965,431</u>	<u>\$169,486,773</u>

The Town's combined net assets increased by \$12,478,658 or 7.4% during 2007. This improvement can be primarily attributed to governmental activities that increased \$11,874,729 or 95.2% of the total growth in net assets of the Town. The increase over the prior year is attributable to increased property tax revenue, and a decrease in expenditures.

Financial Analysis

Governmental funds. The fund financial statements for the governmental funds are provided on pages 16 – 19. The focus of the Town of Palm Beach's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town of Palm Beach's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the Town of Palm Beach's governmental funds reported combined ending fund balances of \$56,770,488, which increased by \$3,998,391 from September 30, 2006. This increase was primarily due to increases in revenues and decreases in the amount of interfund transfers. A prior period adjustment was made to fund balance to transfer the equipment replacement fund from the capital projects funds to an internal service fund.

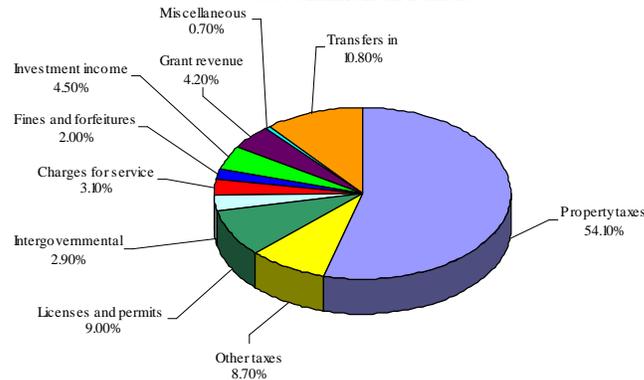
The following schedule presents a summary of all governmental fund revenue and other financing sources for the fiscal year ended September 30, 2007, and the amount and percentage of increases and decreases in relation to prior year revenues:

	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2006</u>	<u>Percent Increase (Decrease)</u>
Revenue				
Taxes	\$ 50,041,902	62.8%	\$ 4,071,263	8.9%
Licenses and permits	7,147,383	9.0	673,552	10.4
Intergovernmental	2,312,236	2.9	158,950	7.4
Charges for services	2,448,829	3.1	(38,615)	(1.6)
Fines and forfeitures	1,572,285	2.0	697,934	79.8
Investment income	3,618,646	4.5	(45,002)	(1.2)
Grant revenue	3,313,649	4.2	(9,361,279)	(73.9)
Miscellaneous	567,739	0.7	72,390	14.6
Other Financing Sources				
Transfers in	<u>8,602,057</u>	<u>10.8</u>	<u>(5,608,135)</u>	<u>(39.5)</u>
Total Revenue and Other Financing Sources	<u>\$ 79,624,726</u>	<u>100.0%</u>	<u>\$ (9,378,942)</u>	<u>(10.5)%</u>

The most significant changes in revenue and other financing sources were related to taxes, license and permit fees, charges for services, investment income, grant revenue and the miscellaneous category. The changes are described below:

- Property taxes increased due to increases in the taxable value of property and a 4.62% decrease in the millage rate.
- License and permit revenue increased due to an increase in building permit activity.
- Charges for services decreased due to a decline in EMS transport fees from an all time high in FY06 and decreases in special detail revenue in the fire-rescue department.
- Investment income decreased due to the transfer of a portion of the health reserves to the OPEB trust.
- Grant revenue decreased due to funding received in FY06 from FEMA for expenditures relating to Hurricanes Frances, Jeanne and Wilma, and grant funding for the beach restoration projects.
- Miscellaneous revenue increased due to a donation for the purchase and installation of a Kapok tree.

Revenues by Source Governmental Funds



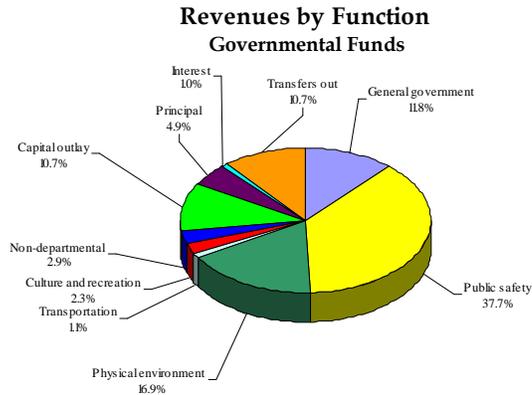
The following schedule presents a summary of all governmental funds expenditures and other financing uses for the fiscal year ended September 30, 2007, and the percentage of increases and decreases in relation to prior year amounts:

	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2006</u>	<u>Percent Increase (Decrease)</u>
Expenditures				
Current:				
General government	\$ 8,932,304	11.8%	\$ 616,906	7.4%
Public safety	28,458,944	37.7	2,041,733	7.7
Physical environment	12,773,809	16.9	(5,783,370)	(31.2)
Transportation	838,808	1.1	(347,179)	(29.3)
Culture and recreation	1,748,780	2.3	(189,357)	(9.8)
Non-departmental	2,220,201	2.9	(169,799)	(7.1)
Capital outlay	8,089,774	10.7	(12,180,513)	(60.1)
Debt Service:				
Principal	3,672,904	4.9	108,267	3.0
Interest	763,674	1.0	(101,173)	(11.7)
Other Financing Uses				
Transfers out	<u>8,127,137</u>	<u>10.7</u>	<u>(5,555,627)</u>	<u>(40.6)</u>
Total Expenditures and Other Financing Uses	<u>\$ 75,626,335</u>	<u>100.0%</u>	<u>\$ (21,560,112)</u>	<u>(22.2)%</u>

Total expenditures decreased 22.2% from FY2006. The reasons for the major increases and decreases are as follows:

- General government expenditures increased due to an increase in funding for the first year of the vacation buy-back program, increased funding for the multi year software implementation plan and increases related to employer contributions to the pension plan.
- Public safety expenditures increased due to increases in employer contributions to the pension plan.
- Physical environment costs decreased due to expenditures relating to beach and dune renourishment projects and expenditures relating to Hurricane Wilma that occurred in FY06.
- Transportation expenditures decreased due to expenditures and overtime costs related to Hurricane Wilma in FY06.
- Culture and recreation expenditures decreased due to expenditures relating to Hurricane Wilma in FY06.
- Non-departmental expenditures represent the transfer to the Risk Insurance Fund.
- Capital outlay decreased due to significant expenditures related to beach and dune renourishment projects that occurred in FY06.

- Debt service payments increased slightly in FY2007.
- Transfers out decreased due to a large transfer made to the equipment replacement fund for the modification of the funding method made in FY06.



General Fund. The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, *unreserved*, undesignated fund balance of the General Fund was \$21,346,801, while the total fund balance was \$30,636,056. The total fund balance of the General Fund increased by \$6,246,804 due, in part, to better than anticipated revenue receipts and favorable expenditure variances. As a measure of the General Fund's liquidity, it is useful to compare unreserved fund balance to total General Fund expenditures. Unreserved, undesignated fund balance represents 35.3% of total General Fund expenditures including transfers out.

The fund balance of the Capital Improvement Fund decreased from the prior year by \$957,817. This decrease resulted from expended funds for appropriated capital projects.

The fund balance of the Beach Restoration Project Fund decreased from the prior year by \$1,435,911. This decrease is a result of expenditures for beach projects and transfers out for debt service on the related bonds.

Other governmental funds which include special revenue funds, debt service funds and a capital projects fund (Town Facilities Fund) had an increase in fund balance of \$145,315. This increase is due to increases in donations and investment earnings.

Proprietary Funds. The Town of Palm Beach's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The enterprise fund of the Town consists of the Leisure Services Fund.

Unrestricted net assets of the Leisure Services Fund were \$4,715,002 at September 30, 2007. Net assets for this fund increased \$603,929, which is attributable to increased income for the marina and improved investment earnings.

General Fund Budgetary Highlights

The annual General Fund budget is adopted after two public hearings and approval of the Town Council. Any amendments that would exceed the original budget at the fund level would require a formal budget amendment requiring an ordinance and two readings by the Town Council. The General Fund appropriation was not amended by ordinance during the year. The FY07 budget was increased by the amount of commitments (unpaid purchase orders) from the prior year. Funds were transferred from an appropriated General Fund contingency account to program accounts in the budget to provide for unanticipated expenditures in accordance with specific Town Council authorizations.

Actual revenues were 6% more than the final budget due to an unusually high volume of construction activity, resulting in higher building permit revenue. In addition, interest earnings increased due to a

higher investment balance and higher interest rates. Actual expenditures were 5% less than the final budget due to the implementation of a Town-wide hiring freeze, less than expected expenditures in the Coastal Management Program due to an extended permitting process and fewer than expected vacation/sick payouts. In addition, the Town experienced cost savings due to the reorganization of programs within the Police Department for the transfer of code enforcement responsibilities from the Planning, Zoning and Building Department to the Police Department.

Capital Assets and Debt Administration

Capital Assets

Capital assets are those assets (capital assets and infrastructure) that are used in the performance of the Town's functions. As of September 30, 2007, net capital assets of governmental activities totaled \$88,112,984 and the net capital assets of the business-type activities totaled \$10,971,879 (both net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure and construction in progress.

A summary of the Town of Palm Beach's capital assets (net of depreciation) can be found below. Additional information on the Town's capital assets can be found in Note C to the financial statements.

Town of Palm Beach						
Capital Assets						
September 30, 2007 and 2006						
	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Land	\$ 8,039,238	\$ 8,039,238	\$ 5,623,777	\$ 5,623,777	\$ 13,663,015	\$ 13,663,015
Construction in progress	12,997,605	30,951,885	778,863	586,185	13,776,468	31,538,070
Buildings	12,527,678	9,172,725	713,483	682,062	13,241,161	9,854,787
Improvements other than buildings	477,006	494,723	3,743,721	3,955,339	4,220,727	4,450,062
Equipment	6,703,277	5,920,606	112,035	117,754	6,815,312	6,038,360
Infrastructure	<u>47,368,180</u>	<u>27,019,627</u>	<u> </u>	<u> </u>	<u>47,368,180</u>	<u>27,019,627</u>
	<u>\$ 88,112,984</u>	<u>\$ 81,598,804</u>	<u>\$ 10,971,879</u>	<u>\$ 10,965,117</u>	<u>\$ 99,084,863</u>	<u>\$ 92,563,921</u>

Major capital projects completed during the fiscal year included the following:

- Storm drainage improvements continued in FY2007. The construction of the D-2 Pump Station was essentially complete at the end of FY07 and was officially turned over to the Water Resources Division of Public Works in December 2007. A replacement storm sewer pipe was installed along Nightingale Trail and several point repairs and corrugated metal pipe was replaced throughout the Town.
- The plans and specification for the Seaview soccer field turf replacement and Seaview tennis complex replacement were substantially complete as of late FY07.

Debt Administration

As of September 30, 2007, the Town had \$16,925,000 in bonds outstanding and \$91,297 in capital lease obligations totaling \$17,016,297 as compared to \$20,689,201 at September 30, 2006, a 17.8% decrease due to debt retirement in fiscal year 2007. The debt outstanding as of the end of the fiscal year was secured by various revenue sources.

The debt position of the Town is summarized below and more fully explained in Note E to the financial statements.

**Town of Palm Beach
Outstanding Debt
September 30, 2007 and 2006**

	2007	2006
Revenue Bonds	\$ 16,925,000	\$ 20,510,000
Capital Lease Obligations	91,297	179,201
Total	\$ 17,016,297	\$ 20,689,201

The Town of Palm Beach maintains an AAA General Obligation bond rating by both Moody's and Standard & Poor's.

Economic Factors and Next Year's Budgets and Rates

For fiscal year 2008 the Town Council adopted a General Fund budget of \$64,332,559 representing an 2.7% increase from FY2007. The increase is due in part to the Town's contribution to the retirement funds which increased by \$674,018 and an across the board competitive pay increase. The FY08 budget also includes funding for electronic chalking devices and parking kiosks. The taxable value increased by 6.2% in FY2008 and the Town's total millage rate decreased from 3.7273 to 3.3637 or 9.76%.

Preparation of the FY2008 budget was challenging. In June 2007, the Florida Legislature enacted House Bill 1B which required all taxing districts to roll back their ad valorem tax rates. Utilizing a formula taking the prior six years data into account, the rollback rate for the Town was 5%. The maximum roll back that could have been imposed was 9%.

For future budgets, millage rate increases will be limited to the rolled back rate plus growth in personal income. Local governments will be allowed to override the cap by extraordinary vote, either a 2/3 vote of the Council for up to a 10% increase over the rolled back rate, or a unanimous vote of the Council for an increase in excess of 10%. In addition, the State may impose other property tax mandates before the preparation and adoption of municipal budgets for FY09, adding to the uncertainty for future financial planning.

General economic conditions both nationally and in the State of Florida will require the Town to closely monitor revenue and expenditure trends. The Town has a stable property tax base. Property taxes represent 63% of the budgeted revenue of the Town. The balance of revenue comes from State sales and use taxes, charges for Town services, licenses, permits and fines.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability. Questions concerning information provided in this report or requests for additional financial information should be directed to:

**Finance Department
Town of Palm Beach
360 South County Road
Palm Beach, FL 33480
561-838-5444
www.townofpalmbeach.com**

BASIC FINANCIAL STATEMENTS

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF NET ASSETS

September 30, 2007

	Governmental Activities	Business-Type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 60,303	\$ 2,300	\$ 62,603
Equity in pooled cash and investments	82,365,423	5,533,171	87,898,594
Accounts receivable, net of allowance for doubtful accounts of \$897,310	623,602	32,497	656,099
Grants receivable	2,375,708	66,260	2,441,968
Internal balances	(9,409)	9,409	0
Inventory	482,003		482,003
Prepays	16,076	2,420	18,496
Other assets	408,486		408,486
Net OPEB asset	14,920,870		14,920,870
Unamortized debt issue costs	172,716		172,716
Investment in joint venture	8,012,909		8,012,909
Capital assets			
Land	8,039,238	5,623,777	13,663,015
Construction in progress	12,997,605	778,863	13,776,468
Depreciable capital assets, net	67,076,141	4,569,239	71,645,380
Total assets	<u>197,541,671</u>	<u>16,617,936</u>	<u>214,159,607</u>
LIABILITIES			
Accounts payable	2,265,492	80,306	2,345,798
Accrued liabilities	6,312,069	28,259	6,340,328
Accrued interest payable	170,631		170,631
Payable to fiduciary funds	91,099		91,099
Customer deposits		223,700	223,700
Unearned revenue	1,928,794	385,683	2,314,477
Long-term debt			
Due within one year	4,391,297	20,022	4,411,319
Due in more than one year	16,103,739	193,085	16,296,824
Total liabilities	<u>31,263,121</u>	<u>931,055</u>	<u>32,194,176</u>
NET ASSETS			
Invested in capital assets, net of related debt	71,453,781	10,971,879	82,425,660
Restricted for:			
Debt service	37,150		37,150
Public safety	239,373		239,373
Unrestricted	94,548,246	4,715,002	99,263,248
Total net assets	<u>\$ 166,278,550</u>	<u>\$ 15,686,881</u>	<u>\$ 181,965,431</u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF ACTIVITIES

Year Ended September 30, 2007

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities				
General government	\$ 11,620,148	\$ 7,308,586	\$ 28,427	\$
Public safety	30,526,540	2,449,825	1,214,891	30,837
Physical environment	15,169,120	1,022,063	163,213	3,154,725
Transportation	864,359	540,123	71,204	
Culture and recreation	1,854,023	54,004	74,614	
Interest on long-term debt	913,297			
Total governmental activities	60,947,487	11,374,601	1,552,349	3,185,562
Business-type activities				
Leisure services	3,546,101	4,291,969	(262)	
Total	\$ 64,493,588	\$ 15,666,570	\$ 1,552,087	\$ 3,185,562

General revenue

Property taxes
 Local option gas tax
 Franchise fees
 Utility service taxes
 Intergovernmental not restricted to specific programs
 Investment income
 Gain on sale of capital assets

Transfers

Total general revenue and transfers

Change in net assets

Net assets at October 1, 2006

Net assets at September 30, 2007

Net Revenue (Expenses) and
Changes in Net Assets

Governmental Activities	Business-type Activity	Total
\$ (4,283,135)	\$	\$ (4,283,135)
(26,830,987)		(26,830,987)
(10,829,119)		(10,829,119)
(253,032)		(253,032)
(1,725,405)		(1,725,405)
(913,297)		(913,297)
(44,834,975)	0	(44,834,975)
	745,606	745,606
(44,834,975)	745,606	(44,089,369)
43,096,605		43,096,605
360,853		360,853
2,478,487		2,478,487
4,105,957		4,105,957
1,249,609		1,249,609
4,891,708	333,243	5,224,951
51,565		51,565
474,920	(474,920)	0
56,709,704	(141,677)	56,568,027
11,874,729	603,929	12,478,658
154,403,821	15,082,952	169,486,773
\$ 166,278,550	\$ 15,686,881	\$ 181,965,431

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2007

	Major Governmental Funds				
	General Fund	Capital Improvement Fund	Beach Restoration Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,660	\$	\$	\$	\$ 3,660
Equity in pooled cash and investments	34,016,360	11,714,012	8,745,534	4,686,593	59,162,499
Accounts receivable	623,602				623,602
Grants receivable	139,724	62,052	2,173,932		2,375,708
Due from other funds	119,062				119,062
Inventory	482,003				482,003
Prepaid items	16,076				16,076
TOTAL ASSETS	\$ 35,400,487	\$ 11,776,064	\$ 10,919,466	\$ 4,686,593	\$ 62,782,610
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 909,052	\$ 468,672	\$	\$ 855	\$ 1,378,579
Accrued liabilities	1,822,161		737,570		2,559,731
Due to other funds	104,424	37,960		2,634	145,018
Deferred revenue	1,928,794				1,928,794
TOTAL LIABILITIES	4,764,431	506,632	737,570	3,489	6,012,122
FUND BALANCES					
Reserved	2,188,726	1,736,433	1,108,025	1,035,411	6,068,595
Unreserved, designated for/ reported in:					
Subsequent year's budget	2,663,178				2,663,178
Specific purposes	4,437,351	9,532,999	9,073,871		23,044,221
Capital projects fund				3,647,693	3,647,693
Unreserved, undesignated	21,346,801				21,346,801
	<u>30,636,056</u>	<u>11,269,432</u>	<u>10,181,896</u>	<u>4,683,104</u>	<u>56,770,488</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 35,400,487	\$ 11,776,064	\$ 10,919,466	\$ 4,686,593	\$ 62,782,610

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

September 30, 2007

Total Governmental Fund Balances	\$ 56,770,488
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	86,808,509
Net OPEB asset created through funding of the employer contribution to the defined benefit OPEB plan is not recognized in the funds.	14,920,870
Investment in joint venture is not a financial resource and, therefore is not reported in the funds.	8,012,909
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	20,245,816
Deferred issue costs on long-term debt are not financial resources and therefore are not reported in the governmental funds.	172,716
Long-term liabilities, including accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued interest payable	(170,631)
Compensated absences	(3,822,924)
Capital lease obligation	(91,297)
Revenue bonds payable	<u>(16,567,906)</u>
Net Assets of Governmental Activities	<u>\$ 166,278,550</u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended September 30, 2007

	Major Governmental Funds				
	General Fund	Capital Improvement Fund	Beach Restoration Project Fund	Other Governmental Funds	Total Governmental Funds
Revenue					
Taxes	\$ 50,041,902	\$	\$	\$	\$ 50,041,902
Licenses and permits	7,147,383				7,147,383
Intergovernmental	2,312,236				2,312,236
Charges for services	2,448,829				2,448,829
Fines and forfeitures	1,541,448			30,837	1,572,285
Investment earnings	2,287,127	650,926	440,526	240,067	3,618,646
Grant revenue	79,720	79,204	3,154,725		3,313,649
Miscellaneous	236,941			330,798	567,739
Total revenue	66,095,586	730,130	3,595,251	601,702	71,022,669
Expenditures					
Current					
General government	8,845,251			87,053	8,932,304
Public safety	28,270,546	18,780		169,618	28,458,944
Physical environment	10,690,007	1,095,000	962,287	26,515	12,773,809
Transportation	838,808				838,808
Culture and recreation	1,717,139	5,038		26,603	1,748,780
Non-departmental	2,220,201				2,220,201
Capital outlay	814,029	3,640,550	3,410,519	224,676	8,089,774
Debt service					
Principal	87,904			3,585,000	3,672,904
Interest	7,096			756,578	763,674
Total expenditures	53,490,981	4,759,368	4,372,806	4,876,043	67,499,198
Revenue over (under) expenditures	12,604,605	(4,029,238)	(777,555)	(4,274,341)	3,523,471
Other Financing Sources (Uses)					
Transfers in	550,000	3,378,801	153,000	4,520,256	8,602,057
Transfers out	(6,907,801)	(307,380)	(811,356)	(100,600)	(8,127,137)
Total other financing sources (uses)	(6,357,801)	3,071,421	(658,356)	4,419,656	474,920
Net Change in Fund Balances	6,246,804	(957,817)	(1,435,911)	145,315	3,998,391
Fund balances at October 1, 2006, as previously reported	24,389,252	12,227,249	11,617,807	15,303,660	63,537,968
Prior period adjustment				(10,765,871)	(10,765,871)
Fund balances at October 1, 2006, as restated	24,389,252	12,227,249	11,617,807	4,537,789	52,772,097
Fund balances at September 30, 2007	\$ 30,636,056	\$ 11,269,432	\$ 10,181,896	\$ 4,683,104	\$ 56,770,488

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2007

**Amounts reported for governmental activities in the statement of
activities are different because:**

Net change in fund balances-total governmental funds	\$ 3,998,391
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	
Expenditure for capital assets	8,089,774
Less current year depreciation	(2,674,570)
Net book value of asset disposals	(189,874)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds	80,679
The Town contributed funds to the new OPEB Trust Fund to retire part of the unfunded obligation. This created a net OPEB asset that is not reported in the governmental funds	14,920,870
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets of governmental activities.	
Repayments:	
Revenue bonds payable	3,585,000
Capital lease payments	87,904
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	
Compensated absences	(144,395)
Accrued interest	33,915
Amortization of bond issue costs	(41,364)
Amortization of loss on refunding	(236,470)
Amortization of bond premiums	94,296
Internal service funds are used by management to charge the costs of certain activities to individual funds	
The net loss of the internal service funds is reported with governmental activities	<u>(15,729,427)</u>
Change in net assets of governmental activities	<u><u>\$ 11,874,729</u></u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

September 30, 2007

	Business-type Activities - Leisure Services Fund	Governmental Activities - Internal Service Funds
	<u>Fund</u>	<u>Funds</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,300	\$ 56,643
Equity in pooled cash and investments	5,533,171	23,202,924
Accounts receivable	32,497	
Due from other funds	9,409	202
Grants receivable	66,260	
Prepaid expenses	2,420	
Other		408,486
Total current assets	<u>5,646,057</u>	<u>23,668,255</u>
Noncurrent assets		
Capital assets		
Land	5,623,777	
Construction in progress	778,863	
Buildings	1,204,868	
Improvements other than buildings	6,054,197	
Equipment	370,150	1,437,541
	<u>14,031,855</u>	<u>1,437,541</u>
Less accumulated depreciation	<u>(3,059,976)</u>	<u>(133,066)</u>
Total capital assets, net of accumulated depreciation	<u>10,971,879</u>	<u>1,304,475</u>
Total assets	16,617,936	24,972,730
LIABILITIES		
Current liabilities		
Accounts payable	80,306	886,913
Accrued liabilities	28,259	3,752,338
Due to other funds		74,754
Compensated absences payable	20,022	
Customer deposits	223,700	
Unearned revenue	385,683	
Total current liabilities	<u>737,970</u>	<u>4,714,005</u>
Noncurrent liability		
Compensated absences payable	193,085	12,909
Total liabilities	<u>931,055</u>	<u>4,726,914</u>
NET ASSETS		
Invested in capital assets	10,971,879	1,304,475
Unrestricted	4,715,002	18,941,341
Total net assets	<u>\$ 15,686,881</u>	<u>\$ 20,245,816</u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS

Year Ended September 30, 2007

	Business-type Activities - Leisure Services Fund	Governmental Activities - Internal Service Funds
	<u>Fund</u>	<u>Funds</u>
Operating revenue		
Golf fees and related revenue	\$ 833,027	\$
Marina fees and related revenue	3,017,743	
Charges for services	431,286	7,105,017
Other operating revenue	9,913	32,041
	<u>4,291,969</u>	<u>7,137,058</u>
Operating expenses		
Personal services	2,005,990	272,416
Contractual services	302,988	25,420
Repairs and maintenance	246,883	27,360
Equipment rental	13,320	
Materials and supplies	190,342	
Utilities	429,833	
Insurance and claims		7,717,558
Depreciation	269,297	123,057
Other	87,448	25,301
	<u>3,546,101</u>	<u>8,191,112</u>
Operating income (loss)	745,868	(1,054,054)
Nonoperating revenue (expense)		
Investment earnings	333,243	1,273,062
Gain (loss) on disposal of capital assets	(262)	51,565
OPEB funding		(16,000,000)
	<u>332,981</u>	<u>(14,675,373)</u>
Income (loss) before transfers	1,078,849	(15,729,427)
Transfers in	75,080	
Transfers out	(550,000)	
Change in net assets	603,929	(15,729,427)
Net assets at October 1, 2006, as previously reported	15,082,952	25,209,372
Prior period adjustment		10,765,871
Net assets at October 1, 2006, as restated	<u>15,082,952</u>	<u>35,975,243</u>
Net assets at September 30, 2007	<u>\$ 15,686,881</u>	<u>\$ 20,245,816</u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended September 30, 2007

	Business-type Activities - Leisure Services Fund	Governmental Activities - Internal Service Fund
OPERATING ACTIVITIES		
Receipts from customers and users	\$ 4,315,237	\$ 7,109,947
Payments to employees	(1,991,075)	(270,748)
Payments to suppliers	(1,324,067)	(6,178,791)
Other receipts	9,912	32,041
Net cash provided by operating activities	1,010,007	692,449
NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	75,080	
Transfers to other funds	(550,000)	
OPEB funding		(16,000,000)
Net cash used in noncapital financing activities	(474,920)	(16,000,000)
CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment	(276,321)	(1,411,907)
Proceeds from sale of capital assets		51,565
Net cash used in capital and related financing activities	(276,321)	(1,360,342)
INVESTING ACTIVITY		
Investment earnings received	333,243	1,273,062
Net cash provided by investing activity	333,243	1,273,062
Net increase (decrease) in cash and cash equivalents	592,009	(15,394,831)
Cash and cash equivalents at October 1, 2006	4,943,462	38,654,398
Cash and cash equivalents at September 30, 2007	<u>\$ 5,535,471</u>	<u>\$ 23,259,567</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 745,868	\$ (1,054,054)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	269,297	123,057
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(30,464)	4,930
Increase in due from other funds	(9,409)	(202)
(Increase) decrease in prepaid expenses	(1,307)	100
Increase in other assets		(408,486)
Increase in accounts payable	17,039	672,982
Increase (decrease) in accrued liabilities	(11,563)	1,319,565
Increase (decrease) in due to other funds	(48,013)	33,454
Increase in customer deposits	20,100	
Increase in unearned revenue	43,544	
Increase in compensated absences payable	14,915	1,103
Net cash provided by operating activities	<u>\$ 1,010,007</u>	<u>\$ 692,449</u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

September 30, 2007

	<u>Trust Funds</u>	<u>Kreusler Park Agency Fund</u>
ASSETS		
Cash and short-term investments	\$ 6,551,033	\$
Equity in pooled cash and investments	1,166,785	
Accrued interest and dividends receivable	214,756	
Due from State of Florida	1,062,627	
Due from other funds	75,085	19,728
Other receivables	127,636	
Investments, at fair value		
U.S. Government and Agency securities	5,411,628	
Domestic common stocks	37,778,261	
Domestic corporate bonds	18,818,925	
Mututal funds	125,291,898	
Alternative investments	<u>21,065,647</u>	
Total investments	<u>208,366,359</u>	<u>0</u>
Total assets	217,564,281	19,728
LIABILITIES		
Accounts payable	365,207	19,728
Due to other funds	3,714	
Other payables	423,615	
DROP plan liability	<u>632,236</u>	
Total liabilities	<u>1,424,772</u>	<u>19,728</u>
NET ASSETS		
Held in trust for pension and retiree health benefits (a schedule of funding progress is presented in Note G for the Pension Trust Funds)	<u>\$ 216,139,509</u>	<u>\$ 0</u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

Year Ended September 30, 2007

	<u>Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 24,045,610
Employee	2,359,645
State	1,062,627
Total contributions	<u>27,467,882</u>
Investment income	
Net appreciation in fair value of investments	23,349,362
Interest and dividend income	2,750,971
Other	447,742
	<u>26,548,075</u>
Less investment expense	966,596
Net investment income	<u>25,581,479</u>
Total additions	53,049,361
DEDUCTIONS	
Benefit payments	9,971,284
Share account distributions	179,005
Refunds	133,682
Administrative expense	275,536
Total deductions	<u>10,559,507</u>
Net increase	42,489,854
Transfer of share account balances	1,186,941
Net assets held in trust for pension and retiree health benefits at October 1, 2006, as originally reported	172,045,119
Prior period adjustment	<u>417,595</u>
Net assets held in trust for pension and retiree health benefits at October 1, 2006, as restated	<u>172,462,714</u>
NET ASSETS HELD IN TRUST FOR PENSION AND RETIREE HEALTH BENEFITS AT SEPTEMBER 30, 2007	<u><u>\$ 216,139,509</u></u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity: The Town of Palm Beach, Florida, (the "Town") was incorporated as a municipality in 1911. The Town Charter was enacted by the Legislature of the State of Florida by Special Acts 1917, Chapter 7683. Pursuant to authority granted by the Florida Constitution and Florida Statutes Chapter 165, the Town enacted its current charter by Town Ordinance No. 15-78 adopted on December 12, 1978, and approved by referendum held February 6, 1979. The Town is governed by an elected Mayor and Town Council, which appoints a Town Manager. The Town provides the following services: public safety, recreation, sanitation, streets and roads, planning and zoning, and general administrative services.

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision whether or not to include a potential component unit in the financial reporting entity was made by applying the criteria set forth in U.S. generally accepted accounting principles (GAAP). As defined by U.S. generally accepted accounting principles, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based upon the application of these criteria, there were no component units to include within the Town's financial reporting entity.

The Town maintains four trust funds: three pension trust funds and one for other postemployment benefits. These trust funds are described as follows:

Town of Palm Beach General Employees Pension Trust Fund: The Town administers the Town of Palm Beach General Employees Pension Trust Fund as a single-employer, public employees retirement system. The Plan is for the benefit of all general and lifeguard employees of the Town and is governed by a five member Board of Trustees. The Trustees consist of the Town Manager, two Town residents appointed by the Town Council, and two representatives elected from the general employees and lifeguards.

Town of Palm Beach Police Officers' Retirement Trust Fund: The Town administers the Town of Palm Beach Police Officers' Retirement Trust Fund as a single-employer, public employees retirement system. The Plan is for the benefit of Police employees of the Town and is governed by a five member Board of Trustees. The Trustees consist of one Town resident appointed by the Trustees, two Town residents appointed by the Town Council, and two representatives elected from the Police department.

Town of Palm Beach Firefighters' Retirement Trust Fund: The Town administers the Town of Palm Beach Firefighters' Retirement Trust Fund as a single-employer, public employees retirement system. The Plan is for the benefit of Fire-rescue employees of the Town and is governed by a five member Board of Trustees. The Trustees consist of one Town resident appointed by the Trustees, two Town residents appointed by the Town Council, and two representatives elected from the Fire-rescue department.

Town of Palm Beach OPEB Trust Fund: The Town administers the Town of Palm Beach OPEB Trust Fund as a single-employer, defined benefit plan for other postemployment benefits, including health and dental insurance. The Plan is for the benefit of all eligible Town retirees.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Town is obligated to fund the Plans' costs based upon annual actuarial valuations. The Town Council is authorized to establish benefit levels and to approve the actuarial assumptions used in the determination of contribution levels. Accordingly, although the Town is not the trustee for the Plans, it is financially accountable and obligated for their operation and the Plans are included in the Town's financial reporting entity as fiduciary funds.

The Town participates in the following joint venture:

East Central Regional Wastewater Treatment Facility ("ECR")

In September 1992 the Town entered into a joint interlocal agreement (the "Agreement") with Palm Beach County and three municipalities (West Palm Beach, Riviera Beach and Lake Worth) whereby prior separate agreements were consolidated into a single unified agreement to establish rules and procedures for the operation and management of the existing East Central Regional Wastewater Treatment Facility in which each participating entity had a financial interest. ECR was created to receive, treat, and dispose of sewage generated within each municipality and the County. The initial term of the Agreement is for thirty years with a renewable term of thirty years. In the event ECR is sold or disposed of, proceeds of the sale or disposition shall be prorated among the entities, based on their reserve capacity as of the date of disposition. As of September 30, 2007, the Town had a 7.8125% interest in ECR.

The Agreement provides for the establishment of a Governing Board (the "Board"), comprised of one representative from each entity participating in the Agreement, to administer ECR. Under the Agreement, the Board has the power to enter into contracts, employ personnel and enter into debt in accordance with Section 163.01(7) of Florida Statutes. In accordance with the Agreement, the City of West Palm Beach operates and manages ECR on behalf of the Board.

All costs of operating the ECR, excluding depreciation, are shared by each of the entities based on actual flows of wastewater. Costs associated with capital projects, renewal and replacement, and debt service are shared among the participating governments based on their pro-rata share of reserve capacity. Under the equity method, the Town recorded its initial investment at cost and records its ongoing financial interest as an adjustment to the investment in joint venture for its share of the following: any income or loss reported by ECR; depreciation and loss on disposal of ECR assets attributable to capital contributions; additional debt assumed for which the entities are obligated to repay; and capital and debt reserve contributions, including revenue earned by ECR on such contributions. The Town does not believe that the joint venture is accumulating significant financial resources or experiencing financial stress that may cause a future benefit or burden to the Town.

The latest available audited financial statements for ECR are for the fiscal year ending September 30, 2006. The Town believes that their investment in ECR, as recorded, is fairly stated. Complete financial statements for ECR may be obtained from the City of West Palm Beach, Finance Department, 200 Second Street, West Palm Beach, Florida 33402.

Based on a "Participatory Agreement" signed by all participants in April 1993, ECR constructed improvements amounting to approximately \$22,377,000, which was financed by the State of Florida, Department of Environmental Protection Revolving Loan Fund. Pledged revenue consisting of all fees and payments received by ECR will be used to repay the debt. As of September 30, 2007, the outstanding balance

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

due to the State Loan Fund was \$11,163,438.

At September 30, 2007, the ECR participants and their respective interest in ECR were as follows:

<u>Participant</u>	<u>Reserve Capacity Percentages</u>
City of West Palm Beach	26.56250%
Palm Beach County	33.59375%
City of Lake Worth	19.53125%
City of Riviera Beach	12.50000%
Town of Palm Beach	<u>7.81250%</u>
	<u><u>100.0000%</u></u>

For the fiscal year ended September 30, 2007, the Town paid the following amounts to ECR:

Operations	\$ 521,415
Sewer disposal	277,859
Debt service	123,120
Renewal and replacement	226,221
O&M Central Pump Station	<u>85,770</u>
	<u><u>\$ 1,234,385</u></u>

Government-wide Financial Statements: The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities and report information on all non-fiduciary activities of the Town. These statements include separate columns for the *governmental activities*, which are normally supported by taxes and intergovernmental revenue, and *business-type activities*, which rely primarily on fees and charges for support. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and business-type activities, which are presented as internal balances and eliminated in the Total Column. In the Statement of Activities, interfund services provided and used are not eliminated in the process of consolidation, because elimination of such charges would distort the direct costs and program revenues reported for the various functions concerned.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. *Program revenue* includes three categories of transactions: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; (2) operating grants and contributions; and, (3) capital grants and contributions. Taxes and other items not meeting the definition of program revenue are reported as *general revenue*.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements: The underlying accounting system of the Town is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures or expenses, as appropriate.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The funds used by the Town are classified into three categories: *governmental*, *proprietary* and *fiduciary*. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The Town's major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements.

Governmental Fund Financial Statements – Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenue, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds in the aggregate. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements, to the net assets and changes in net assets presented in the government-wide financial statements. The Town reports the following major governmental funds:

The *General Fund* is the Town'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 Improvement Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities.

The *Beach Restoration Project Fund* accounts for the proceeds of the Town's revenue bonds and other Town funds that are to be used for the beach restoration project.

Proprietary Fund Financial Statements – Proprietary Fund Financial Statements include a Balance Sheet and a Statement of Revenue, Expenditures and Changes in Net Assets, and a Statement of Cash Flows for the Town's major proprietary fund and internal service funds as follows:

The *Leisure Services Fund* is used to account for the Town's enterprise fund which includes the operations of the Town's Par 3 Golf Course, its 88 slip marina, and all recreation programs and facilities.

The *Property, Liability and Workers' Compensation Insurance Fund* and the *Group Health Insurance Fund* are used to account for the Town's internal service funds which provide risk management services to other departments of the Town. In addition, the *Equipment Replacement Fund* is used to account for the Town's internal service fund which provides for the accumulation of resources for the procurement and maintenance of major equipment and vehicles.

Fiduciary Fund Financial Statements – Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. The Town's Fiduciary Funds are presented in the fund financial statements by type: *trust* and *agency*. Since by definition these assets are being held for the benefit of third parties (pension participants and Town employees)

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

and cannot be used to finance activities or obligations of the government, these funds are not included in the government-wide financial statements. The Fiduciary Funds of the Town are as follows:

The *General Employees Pension Trust Fund*, the *Police Officers' Retirement Trust Fund*, and the *Firefighters' Retirement Trust Fund* are used to account for assets held in a trustee capacity for the retirement pensions of all eligible Town employees. The *OPEB Trust Fund* is used to account for assets held in a trustee capacity for retiree healthcare benefits.

The *Kreusler Park Agency Fund* accounts for funds collected on behalf of Palm Beach County at Kreusler Park.

Measurement Focus and Basis of Accounting: Financial reporting is based upon all pronouncements of the Governmental Accounting Standards Board (GASB), as well as the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors, including FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed by the Town in the preparation of its financial statements.

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*, as are the proprietary funds and fiduciary funds financial statements. Revenue is recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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. Agency funds have no measurement focus.

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenue is recognized in the period in which it becomes both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenue to be available if it is collected within 6 months of the end of the current fiscal year, except for property taxes, for which the period is 60 days. Unearned revenue consists primarily of occupational licenses and other fees collected in advance of the year to which they relate. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt, which is recognized when due. Property taxes, intergovernmental revenue, franchise fees (all of which are based on a percentage of gross receipts), charges for services and investment income are all considered susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be measurable and available only when received in cash by the Town.

Proprietary fund financial statements distinguish *operating* revenue and expenses from *nonoperating* items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Leisure Services Fund are charges to customers for greens fees, dockage and recreation programs. Operating expenses for the enterprise fund includes the cost of operating and maintaining the golf course and marina, the cost of providing recreation programs, administrative expenses and depreciation on capital assets.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Calendar: Ad valorem taxes are levied each November 1st based on the assessed property valuations at January 1st as established by the County Property Appraiser. These taxes are payable November 1st, with discounts of one to four percent allowed for payments prior to March 1st of the following calendar year. Ad valorem taxes are due March 31st, and become delinquent and subject to lien on April 1st. Ad valorem taxes are billed and collected by the Palm Beach County Tax Collector and remitted to the Town.

Cash and Cash Equivalents: Cash and cash equivalents are defined as deposits with financial institutions, money market accounts and highly liquid investments which are readily convertible to known amounts of cash and have a maturity when purchased of three months or less.

For purposes of the statement of cash flows, cash and cash equivalents also include each respective fund's equity in pooled cash and investments. Each fund is able to withdraw cash at any time without prior notice or penalty and there is sufficient liquidity to meet the daily cash needs of each fund. Pooled cash and investments include deposits in the Local Government Surplus Funds Trust Fund, which are generally available for withdrawal by the Town on a next day basis and are therefore considered cash equivalents.

Investments: Investments are stated at fair value, except for investments in the Local Government Surplus Funds Trust Fund, an external investment pool administered by the State of Florida and operating as a "2a7-like" pool under GASB Statement No. 31. As such, the pool uses amortized cost for valuation of the pool shares and the fair value of the shares in the pool is the same as the Town's investment in the pool shares. Securities and mutual funds held by the Town and traded on a national exchange are valued at the last reported sales price.

Accounts Receivable: Accounts receivable represent amounts due from local businesses for franchise and utility taxes, amounts due from individuals for parking fines and ambulance fees, and amounts due from Town residents for solid waste disposal fees. The Town does not require collateral for accounts receivable. Accounts receivable are reported net of an allowance for doubtful accounts determined based on the age of the individual receivable, with age categories ranging from 30 days past due to several years past due. Generally, the allowance includes accounts over 90 days past due. Accounts receivable are written off on an individual basis in the year the Town deems them to be uncollectible.

Inventory: Inventory, consisting primarily of expendable materials and supplies, is valued at cost, which approximates fair value, using the first-in, first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

Internal Balances: Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the government-wide governmental and business-type activities columns of the statement of net assets, except for the residual amount, which is presented as internal balances.

Capital Assets: The Town has reported all capital assets, including infrastructure assets (roads, sidewalks and similar items), in the government-wide statement of net assets. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Capital assets are recorded at cost or, if donated, fair value at the date of donation. All infrastructure assets are reported in the accompanying government-wide financial statements. Expenses, which materially extend

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

the useful life of existing assets, are capitalized. Certain costs for professional services and interest associated with the acquisition and construction of capital assets have been capitalized. The cost of capital assets sold or retired is removed from the appropriate accounts and any resulting gain or loss is included in the increase in net assets. Depreciation is computed using the straight-line method over the assets' estimated useful lives for all reported capital assets, except land and construction in progress. Estimated useful lives assigned to the various categories of assets are as follows:

Buildings	40 years
Improvements other than buildings	3-30 years
Equipment	3-20 years
Infrastructure	6-50 years

Unamortized Debt Issue Costs: Unamortized debt issue costs and unamortized bond premiums are amortized on the straight-line basis and charged against operations over the term of the related debt. This method approximates the interest method of amortization. Unamortized debt issue costs are included in assets and unamortized bond premiums are presented as an addition to bonds payable.

Net Assets/Fund Balance: The government-wide and business-type fund financial statements utilize a net asset presentation. Net assets are categorized as follows:

Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted – This component of net assets consists of constraints placed on the use of net assets by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net assets consists of net assets that do not meet the definition of *Invested in Capital Assets, Net of Related Debt* or *Restricted*.

The governmental fund financial statements utilize a fund balance presentation. Fund balance is categorized as follows:

Fund balance reserves indicate the portion of fund balance that is not available for subsequent expenditure, other than for the specific purpose for which the reserve was established. The following is a list of the reserves established by the Town and a description of each:

Reserved for inventory - An account used to segregate a portion of fund balance to indicate that inventory does not represent available, spendable resources even though it is a component of assets.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reserved for prepaid items - An account used to segregate a portion of fund balance to indicate that prepaid items do not represent available, spendable resources even though they are a component of assets.

Reserved for specific purposes - An account used to segregate the portion of fund balance that is legally restricted by contract, donor, Town Ordinance or Florida Statutes for specific purposes.

Reserved for encumbrances - Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as part of the budgetary accounting system in the General Fund, Special Revenue Funds and Capital Projects Funds. Encumbrances outstanding at year-end, if any, are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

Reserved for debt service - An account used to segregate the portion of fund balance that is legally restricted to the payment of debt service on the Town's outstanding general obligation bonds.

Fund balance designations indicate tentative managerial plans or intent to use financial resources in a future period.

Compensated Absences: The Town accrues accumulated vacation and sick leave time for all permanent, full-time employees, subject to certain limitations. The Town's policy provides that employees shall receive 100% of their accrued vacation and 50% of their accrued sick leave over 320 hours, upon termination of service. Upon retirement, an employee will be paid 50% of all accrued and unused sick leave not to exceed 800 hours. The liability for compensated absences attributable to the Town's governmental funds is recorded in the government-wide financial statements. The amount attributable to the business-type activities is charged to expense with a corresponding liability established in the government-wide financial statements as well as the Enterprise Fund. The Town includes all applicable payroll taxes and benefits in the accrual for compensated absences.

Unearned Revenue / Deferred Revenue: Unearned and deferred revenue consists of license fees and charges for services collected at the end of the fiscal year that relate to and will be earned in the subsequent fiscal year.

On-behalf Payments: The Town receives on-behalf payments from the State of Florida to be used for Police and Fire-Rescue pension benefits. Such payments are recorded as intergovernmental revenue and public safety expenditures in the GAAP basis government-wide and General Fund financial statements, but are not budgeted and therefore are not included in the General Fund budgetary comparison schedule. On-behalf payments to the Town totaled \$1,062,627 for the fiscal year ended September 30, 2007.

Interfund Transactions: Transactions between funds during the year consisted of loans, services provided, reimbursements or transfers. Loans are reported as *Due from Other Funds* and *Due to Other Funds* as appropriate and are subject to elimination in the government-wide financial statements. Services, deemed to be reasonably equivalent in value, are treated as revenue and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are presented as transfers. Transfers within the

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

governmental and business-type activities are eliminated in the government-wide financial statements.

Grants: Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the Federal government and State of Florida. Any disallowed claims, including amounts already received, might constitute a liability of the Town for the return of those funds.

Estimates: Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenditures. Actual results could vary from the estimates that were used.

NOTE B - CASH AND CASH EQUIVALENTS, EQUITY IN POOLED CASH AND INVESTMENTS, AND INVESTMENTS

Cash and Cash Equivalents: Cash and cash equivalents at September 30, 2007, excluding amounts held by Fiduciary Funds, include petty cash of \$4,960 and deposits with financial institutions with a carrying value of \$57,643 and a bank balance of \$107,327. Cash and short-term investments of the Fiduciary Funds at September 30, 2007, consist of deposits with financial institutions with a carrying value of approximately \$1,691,000 and a bank balance of \$1,813,000 and U.S. Treasury money market mutual funds with a carrying value and bank balance of \$4,860,000.

All deposits with financial institutions were entirely covered by a combination of federal depository insurance and a collateral pool pledged to the State Treasurer of Florida by financial institutions which comply with the requirements of Florida Statutes and have been designated as a qualified public depository by the State Treasurer. Qualified public depositories are required to pledge collateral to the State Treasurer with a fair value equal to a percentage of the average daily balance of all government deposits in excess of any federal deposit insurance. In the event of a default by a qualified public depository, all claims for government deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool. Accordingly, all deposits with financial institutions are considered fully insured in accordance with the provisions of GASB Statement No. 3. The money market mutual fund deposits are uninsured and uncollateralized.

Equity in Pooled Cash and Investments: The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed as "Equity in pooled cash and investments." The cash balance at September 30, 2007 had a carrying value of \$592,107 and a bank balance of \$1,074,778, was included in pooled cash and investments and deposited with a financial institution designated as a qualified public depository by the State Treasurer as described under Cash and Cash Equivalents and, accordingly, is considered fully insured in accordance with the provisions of GASB Statement No. 3. The investments included in pooled cash and investments at September 30, 2007 consist of investments in the Local Government Surplus Funds Trust Fund with a carrying value of \$57,587,825 and investments in the Florida Municipal Investment Trust with a carrying value of \$28,909,387, and an investment in a U.S. Treasury bill with a carrying value (fair value) of \$1,976,060. The Town's OPEB Trust Fund had equity in pooled cash and investments of \$1,166,785 at September 30, 2007.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE B - CASH AND CASH EQUIVALENTS, EQUITY IN POOLED CASH AND INVESTMENTS, AND INVESTMENTS (Continued)

The Local Government Surplus Funds Trust Fund consists of equity in an external investment pool administered by the State of Florida pursuant to statutory requirements and operated in a manner consistent with Securities and Exchange Commission (SEC) Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC registered mutual funds to use amortized cost rather than fair value to report net assets used to compute share prices if certain conditions are met. Those conditions include restrictions on the types of investments held, restrictions on the term-to-maturity of individual investments and the dollar-weighted average of the portfolio, requirements for portfolio diversification, requirements for divestiture considerations in the event of security downgrades and defaults, and required actions if the fair value of the portfolio deviates from amortized cost by a specified amount. The fair value of the Town's position in the pool is considered to be the same as the Town's account balance (amortized cost) in the pool. The Town's investment in the Local Government Surplus Funds Trust Fund is not evidenced by securities that exist in physical or book entry form. On November 29, 2007 the Town withdrew substantially all funds from the Local Government Surplus Funds Trust Fund and invested in a money market account with a financial institution.

The Florida Municipal Investment Trust (the "Trust") is an external investment pool established in 1993 and administered by the Florida League of Cities, Inc. pursuant to the laws of the State of Florida. The Trust is exempt from registration under the Securities Act of 1933, the Investment Company Act of 1940 and the Florida Securities and Investors Protection Act. Participants in the Trust are limited to governmental entities in the State of Florida. The Trust operates four portfolios with differing investment goals. The Town invests in the 1-3 Year High Quality Bond portfolio (\$17,552,771 at September 30, 2007) and the Intermediate High Quality Bond portfolio (\$11,356,616 at September 30, 2007). These bond portfolios are designed to provide an investment horizon and yield greater than that of money market instruments. The Trust has adopted GASB Statement No. 31 and the fair value of the Town's position in the Trust is the same as the fair value of the Trust shares. Purchases and redemption of shares in the Trust may only be made on or about the end of each month and the Town must maintain an account balance of at least \$50,000. The investment in the pool is not evidenced by securities that exist in physical or book entry form.

Investments: Florida Statutes and the Town Code authorize the Town to invest in the Local Government Surplus Funds Trust Fund; Florida Municipal Investment Trust; negotiable direct obligations of or obligations unconditionally guaranteed by the U.S. Government; interest-bearing time deposits or savings accounts in financial institutions located in Florida and organized under federal or Florida laws; obligations of the Federal Farm Credit Banks, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Association and any additional investments specifically authorized by the Town Pension Boards for pension funds. Pursuant to the Town Code, the Town Pension Boards have full power and authority to invest and reinvest subject to the general terms, conditions, limitations and restrictions imposed by Part VII, Chapter 112, Florida Statutes, on the investments of public employee retirement systems. In addition to the previously mentioned investments, the Town Pension Boards and the OPEB Trust Fund are also authorized to invest in domestic and international equity securities, corporate bonds, mutual funds, and investment partnerships and other alternative investments within certain limitations established by the Town Code.

The carrying value (fair value) of the Town's Fiduciary Funds' investments at September 30, 2007, were as follows:

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE B - CASH AND CASH EQUIVALENTS, EQUITY IN POOLED CASH AND INVESTMENTS, AND INVESTMENTS (Continued)

	<u>Fair Value</u>
U.S. Government and Agency securities	\$ 5,411,628
Domestic common stocks	37,778,261
Domestic corporate bonds	18,818,925
Mutual funds	
Publicly traded	
Equity	52,397,422
Fixed income	5,276,078
Not publicly traded - pooled funds	
Equity	51,348,336
Fixed income	16,270,062
Alternative investments	<u>21,065,647</u>
Total investments	<u>\$ 208,366,359</u>

At September 30, 2007, approximately 32% of the fiduciary funds' investments were invested in mutual funds consisting of alternative investments in pooled funds that are not publicly traded. These alternative investment funds invest primarily in domestic and foreign equity and debt securities, which themselves are publicly traded. The investments in the underlying funds are generally valued at fair value as determined by the management of the fund by reference to the value of the underlying fund's assets.

At September 30, 2007, approximately 10% of the Town's fiduciary funds' investments were invested in alternative investments. These alternative investment funds invest primarily in domestic and foreign private equity partnerships and other alternative investment funds. The investments in the underlying funds are generally valued at fair value as determined by the management of the fund by reference to the value of the underlying fund's assets, if available, or by the valuations of a fund's underlying assets as provided by the general partner or investment manager, if the assets are not publicly traded. The funds may also hold certain investments which may be valued by a single market maker. While the fund managers use their best judgment in estimating the fair values of underlying funds, there are inherent limitations in any estimation technique. Accordingly, the fair values of alternative investment funds have been estimated by the Town's management and investment advisors in the absence of readily ascertainable market values. Therefore, the values of such funds are not necessarily indicative of the amount that could be realized in a current transaction. The fair values may differ significantly from the values that would have been used had a ready market for the underlying funds existed, and the differences could be material. Future confirming events will also affect the estimates of fair value, and the effect of such events on the estimates of fair value could be material.

The alternative investment funds expose the fiduciary funds to certain risks, including liquidity risks, counterparty risks, foreign political, economic, and governmental risks, and market risk. In addition, these investments may have restrictions for liquidating positions in these funds.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure t

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE B - CASH AND CASH EQUIVALENTS, EQUITY IN POOLED CASH AND INVESTMENTS, AND INVESTMENTS (Continued)

interest rate risk. Cash equivalents have a weighted average maturity of ninety days or less, resulting in minimal interest rate risk. The Town's investment policy minimizes interest rate risk by structuring its investment portfolio so that securities mature to meet cash requirement for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Operating funds are invested primarily in shorter-term securities, money market mutual funds, or similar investment pools. Generally, investments are limited to instruments maturing within five years of purchase. The Town's pension plans limit the maturities of their investments such that no more than 10% of each investment manager's portfolio, valued at market, shall be invested in short term instruments less than one year to maturity or cash equivalents. The table below summarizes the scheduled maturities of fixed income investments at September 30, 2007.

<u>Investment Type</u>	<u>Fair Value of Investment Maturities</u>			
	<u>Less Than One Year</u>	<u>One to Five Years</u>	<u>Six to Ten Years</u>	<u>More Than Ten Years</u>
<u>U.S. Government Security</u>	\$ 1,976,060	\$	\$	\$
<u>Florida Municipal Investment Trust</u>				
1-3 Year High Quality Bond		17,552,771		
Intermediate High Quality Bond		11,356,616		
<u>Fiduciary Funds Investments</u>				
U.S. Government and Agency securities		58,382	1,189,233	4,164,013
Corporate bonds	3,813,717	10,370,343	2,044,031	2,590,834
Fixed income mutual funds		16,270,062	5,276,078	
Total	<u>\$ 5,789,777</u>	<u>\$ 55,608,174</u>	<u>\$ 8,509,342</u>	<u>\$ 6,754,847</u>

Credit Risk: Credit risk is the risk that a debt issuer will not fulfill its obligations. The Town's investment policy addresses credit risk by limiting investments to the safest types of securities and diversifying the investment portfolio. The security rating by a Nationally Recognized Statistical Rating Organization (NRSRO) is also an indication of credit risk. The Town requires that all investments in debt securities be rated A or higher by a NRSRO. The Local Government Surplus Funds Trust Fund does not carry a credit rating. The Town's pension plans investment policies address credit risk by limiting investments to bonds or preferred stocks rated investment grade (BBB) or above, unless specifically approved by the Board. Securities which are unrated may be purchased, if in the judgment of the investment manager, they would carry an investment grade rating. No short-term money market instrument shall be purchased which has a rating less than A-1 or P-1. The NRSRO ratings for the Town's investments at September 30, 2007 are summarized below. All other securities are not rated.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE B - CASH AND CASH EQUIVALENTS, EQUITY IN POOLED CASH AND INVESTMENTS, AND INVESTMENTS (Continued)

<u>Investment Type</u>	<u>NRSRO Rating</u>	<u>Fair Value</u>
<u>U.S. Government Security</u>	AAA	\$ 1,976,060
<u>Florida Municipal Investment Trust</u>		
1-3 Year High Quality Bond	AAA	17,552,771
Intermediate High Quality Bond	AAA	<u>11,356,616</u>
		28,909,387
<u>Fiduciary Funds</u>		
U.S. Government and Agency securities	AAA	5,411,628
Corporate bonds	AAA	1,041,555
Corporate bonds	AA	5,300,557
Corporate bonds	A	9,640,947
Corporate bonds	BBB	2,835,866
Fixed income mutual funds	AAA	18,821,936
Fixed income mutual funds	AA	1,880,032
Fixed income mutual funds	A	422,086
Fixed income mutual funds	BBB	<u>422,086</u>
		<u>45,776,693</u>
Total		<u>\$ 76,662,140</u>

Custodial Credit Risk: Custodial credit risk is defined as the risk that the Town may not recover cash and investments held by another party in the event of a financial failure. The Town and its pension plans require all securities to be held by a third party custodian in the name of the Town. Securities transactions between a broker-dealer and the custodian involving the purchase or sale of securities must be made on a "delivery vs. payment" basis to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. The investments in the Local Government Surplus Funds Trust Fund, mutual funds and the Florida Municipal Investment Trust are considered *unclassified* pursuant to the custodial credit risk categories of GASB Statement No. 3, because they are not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. The Town does not have any specific policy for concentration of credit risk, although it does provide for diversification to limit the potential losses on individual securities.

The Town's pension plans' investment policies provide that no investment manager may purchase an equity or fixed income security in any one issuer that would cause the holding of that one issuer to exceed 5% of the manager's respective equity or fixed income portfolio. Investments in broadly-based index funds, mutual funds, alternative investments, and U.S. Government and Agency securities are excluded from this limitation. In addition, not more than 2% of each investment manager's portfolio shall be invested in the commercial paper of a single issuer or in bank certificates of deposit of a single issuer.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE B - CASH AND CASH EQUIVALENTS, EQUITY IN POOLED CASH AND INVESTMENTS, AND INVESTMENTS (Continued)

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. There was no exposure to foreign currency risk in the Town's investments at September 30, 2007.

NOTE C - CAPITAL ASSETS

The capital asset activity for the year ended September 30, 2007 was as follows:

<u>Governmental Activities</u>	<u>Balance at Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at End of Year</u>
Capital assets not being depreciated				
Land	\$ 8,039,238	\$	\$	\$ 8,039,238
Construction in progress	<u>30,951,885</u>	<u>7,262,036</u>	<u>(25,216,316)</u>	<u>12,997,605</u>
Total capital assets not being depreciated	38,991,123	7,262,036	(25,216,316)	21,036,843
Capital assets being depreciated				
Buildings	17,240,938	3,732,591	(75,000)	20,898,529
Improvements other than buildings	1,333,618			1,333,618
Equipment	12,391,100	2,239,645	(907,886)	13,722,859
Infrastructure	<u>47,058,532</u>	<u>21,483,725</u>	<u></u>	<u>68,542,257</u>
Total capital assets being depreciated	78,024,188	27,455,961	(982,886)	104,497,263
Less accumulated depreciation for				
Buildings	(8,068,213)	(315,922)	13,284	(8,370,851)
Improvements other than buildings	(838,895)	(17,717)		(856,612)
Equipment	(6,470,494)	(1,328,816)	779,728	(7,019,582)
Infrastructure	<u>(20,038,905)</u>	<u>(1,135,172)</u>	<u></u>	<u>(21,174,077)</u>
Total accumulated depreciation	<u>(35,416,507)</u>	<u>(2,797,627)</u>	<u>793,012</u>	<u>(37,421,122)</u>
Total capital assets being depreciated, net	<u>42,607,681</u>	<u>24,658,334</u>	<u>(189,874)</u>	<u>67,076,141</u>
Governmental activities capital assets, net	<u>\$ 81,598,804</u>	<u>\$ 31,920,370</u>	<u>\$ (25,406,190)</u>	<u>\$ 88,112,984</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE C - CAPITAL ASSETS (Continued)

<u>Business-type Activities</u>	<u>Balance at Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at End of Year</u>
Capital assets not being depreciated				
Land	\$ 5,623,777	\$	\$	\$ 5,623,777
Construction in progress	<u>586,185</u>	<u>254,877</u>	<u>(62,199)</u>	<u>778,863</u>
Total capital assets not being depreciated	6,209,962	254,877	(62,199)	6,402,640
Capital assets being depreciated				
Buildings	1,142,669	62,199		1,204,868
Improvements other than buildings	6,054,197			6,054,197
Equipment	<u>364,531</u>	<u>21,444</u>	<u>(15,825)</u>	<u>370,150</u>
Total capital assets being depreciated	7,561,397	83,643	(15,825)	7,629,215
Less accumulated depreciation for				
Buildings	(460,607)	(30,778)		(491,385)
Improvements other than buildings	(2,098,858)	(211,618)		(2,310,476)
Equipment	<u>(246,777)</u>	<u>(26,901)</u>	<u>15,563</u>	<u>(258,115)</u>
Total accumulated depreciation	<u>(2,806,242)</u>	<u>(269,297)</u>	<u>15,563</u>	<u>(3,059,976)</u>
Total capital assets being depreciated, net	<u>4,755,155</u>	<u>(185,654)</u>	<u>(262)</u>	<u>4,569,239</u>
Business-type activities capital assets, net	<u>\$ 10,965,117</u>	<u>\$ 69,223</u>	<u>\$ (62,461)</u>	<u>\$ 10,971,879</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General government	\$ 218,275
Public safety	592,099
Physical environment	1,860,818
Culture and recreation	3,378
Capital assets held by the Town's internal service funds are charged to the various functions based on their usage of the assets	<u>123,057</u>
Total depreciation expense - governmental activities	<u>\$ 2,797,627</u>

NOTE D - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Transactions between funds during the year consisted of loans, services provided, reimbursements or transfers. Loans are reported as *Due from Other Funds* and *Due to Other Funds* as appropriate and are subject to elimination in the government-wide financial statements. Services, deemed to be reasonably equivalent in value, are treated as revenue and expenditures/expenses. Reimbursements occur when one fund incurs a

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE D - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are presented as transfers. Transfers primarily consist of moving money from one fund to another to be used for a specific purpose within the receiving fund. Transfers from the General Fund to the Capital Improvement Fund were used to fund various Town-wide capital projects. Transfers from the General Fund to the nonmajor funds were used to pay debt service and provide funding for equipment replacements. Transfers from the Beach Restoration Project Fund to the nonmajor funds were used to fund debt service. Transfers from the Leisure Services Fund to the General Fund were used to pay for various culture and recreation projects. Transfers within the governmental and business-type activities are eliminated in the government-wide financial statements. Interfund receivables and payables and interfund transfers at September 30, 2007 are summarized as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Funds	\$ 2,634
	Capital Improvement Fund	37,960
	Internal Service Funds	74,754
	Trust Funds	3,714
Leisure Services Fund	General Fund	9,409
Internal Service Funds	General Fund	202
Trust Funds	General Fund	75,085
Agency Fund	General Fund	<u>19,728</u>
		<u>\$ 223,486</u>

Interfund transfers:

	<u>Transfers In - Reported in</u>					<u>Total</u>
	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Beach Restoration Project Fund</u>	<u>Nonmajor Funds</u>	<u>Leisure Services Fund</u>	
Transfers Out:						
Reported in						
General Fund	\$	\$ 3,378,801	\$	\$ 3,529,000	\$	\$ 6,907,801
Capital Improvement Fund			153,000	153,000	1,380	307,380
Beach Restoration Project Fund				811,356		811,356
Leisure Services Fund	550,000					550,000
Nonmajor Funds				<u>26,900</u>	<u>73,700</u>	<u>100,600</u>
	<u>\$ 550,000</u>	<u>\$ 3,378,801</u>	<u>\$ 153,000</u>	<u>\$ 4,520,256</u>	<u>\$ 75,080</u>	<u>\$ 8,677,137</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE E - LONG-TERM DEBT

Changes in long-term debt for the year ended September 30, 2007 are summarized as follows:

<u>Governmental Activities</u>	<u>Balance at Beginning of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at End of Year</u>	<u>Amounts Due Within One Year</u>
Compensated absences	\$ 3,715,335	\$ 522,121	\$ 401,623	\$ 3,835,833	\$ 580,000
Capital lease obligations	179,201		87,904	91,297	91,297
Revenue bonds payable	<u>20,510,000</u>		<u>3,585,000</u>	<u>16,925,000</u>	<u>3,720,000</u>
Total long-term debt	<u>\$ 24,404,536</u>	<u>\$ 522,121</u>	<u>\$ 4,074,527</u>	20,852,130	<u>\$ 4,391,297</u>
Unamortized premiums				174,965	
Unamortized loss on refunding				(532,059)	
Current maturities				<u>(4,391,297)</u>	
Net long-term debt				<u>\$ 16,103,739</u>	

<u>Business-type Activities</u>	<u>Balance at Beginning of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at End of Year</u>	<u>Amounts Due Within One Year</u>
Compensated absences	\$ 198,192	\$ 19,733	\$ 4,818	\$ 213,107	\$ 40,000

The compensated absences liability of the governmental activities is liquidated primarily by the Town's General Fund.

CAPITAL LEASE OBLIGATIONS

The Town leases vehicles and equipment through a \$583,000 capital leasing arrangement in the General Fund. The assets and obligations for capital lease agreements of the General Fund are recorded as capital assets, net of accumulated amortization and long-term debt, respectively, in the government-wide balance sheet. The assets acquired through capital leases consist of vehicles and equipment with an original cost of \$733,971, net of accumulated amortization of \$275,766.

The future minimum lease obligation as of September 30, 2007 consists of one final payment of \$94,822 due in March 2008 which is comprised of principal of \$91,297 and interest of \$3,525.

REVENUE BONDS PAYABLE

Town of Palm Beach, Florida, Revenue Refunding Bonds, Series 2003A

In April 2003, the Town issued \$18,385,000 Town of Palm Beach, Florida, Revenue Refunding Bonds, Series 2003A to (1) advance refund the Town's outstanding Revenue Bonds, Series 2000, maturing on January 1, 2006 through and including January 1, 2010 and (2) pay certain costs of issuance related to the Series 2003A Bonds, including the premium for a municipal bond insurance policy and a debt service reserve policy. The

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE E - LONG-TERM DEBT (Continued)

Series 2003A Bonds bear interest at rates ranging from 5% to 5.3%. Principal payments are due on January 1, and interest payments are due on January 1 and July 1 until maturity on January 1, 2010. The bonds are special obligations of the Town payable solely from and secured solely by non-ad valorem revenue and any unused bond proceeds and related investment income. A Municipal Bond Insurance Association (MBIA) policy has been issued guaranteeing the scheduled payment of principal and interest on the bonds when due.

The advance refunding of the Series 2000 bonds by the Town reduced its aggregate debt service payments by approximately \$391,000 over the life of the bonds and produced an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$337,000.

The annual debt service requirements for the Series 2003A bonds are as follows:

<u>Year Ending September 30.</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	5.200%	\$ 3,595,000	\$ 357,223	\$ 3,952,223
2009	5.250	3,745,000	210,313	3,955,313
2010	5.300	<u>3,885,000</u>	<u>67,069</u>	<u>3,952,069</u>
		<u>\$ 11,225,000</u>	<u>\$ 634,605</u>	<u>\$ 11,859,605</u>

Town of Palm Beach, Florida, Revenue Bonds, Series 2003B

In April 2003, the Town issued \$6,130,000 Town of Palm Beach, Florida, Revenue Bonds, Series 2003B to (1) finance the acquisition, construction and equipping of a Fire-Rescue facility with a new emergency operations center, the renovation of the Town Hall facilities, including security upgrades and drainage improvements, and (2) pay certain costs of issuance related to the Series 2003B Bonds, including the premium for a municipal bond insurance policy and a debt service reserve policy. The Series 2003B Bonds bear interest at rates ranging from 2% to 5%. Principal payments are due on January 1, and interest payments are due on January 1 and July 1 until maturity on January 1, 2033. The bonds are special obligations of the Town payable solely from and secured solely by non-ad valorem revenue and any unused bond proceeds and related investment income. A Municipal Bond Insurance Association (MBIA) policy has been issued guaranteeing the scheduled payment of principal and interest on the bonds when due. The annual debt service requirements for these bonds are as follows:

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE E - LONG-TERM DEBT (Continued)

Year Ending September 30,	Interest Rate	Principal	Interest	Total
2008	2.600%	\$ 125,000	\$ 252,940	\$ 377,940
2009	3.000	130,000	249,365	379,365
2010	3.250	135,000	245,221	380,221
2011	3.500	140,000	240,578	380,578
2012	3.700	145,000	235,445	380,445
2013	3.800	150,000	229,913	379,913
2014	3.800	155,000	224,118	379,118
2015	4.000	160,000	217,973	377,973
2016	4.000	170,000	211,373	381,373
2017	4.125	175,000	204,363	379,363
2018	4.250	180,000	196,929	376,929
2019	4.400	190,000	188,924	378,924
2020	4.375	200,000	180,369	380,369
2021	4.500	210,000	171,269	381,269
2022	4.500	215,000	161,706	376,706
2023	4.625	225,000	151,666	376,666
2024	4.750	240,000	140,763	380,763
2025	4.750	250,000	129,125	379,125
2026	4.750	260,000	117,013	377,013
2027	4.750	275,000	104,306	379,306
2028	4.750	290,000	90,888	380,888
2029	5.000	305,000	76,375	381,375
2030	5.000	320,000	60,750	380,750
2031	5.000	335,000	44,375	379,375
2032	5.000	350,000	27,250	377,250
2033	5.000	370,000	9,250	379,250
		<u>\$ 5,700,000</u>	<u>\$ 4,162,247</u>	<u>\$ 9,862,247</u>

Annual Requirements

The annual debt service requirements to maturity, including interest of \$4,800,377 (excluding compensated absences, which have no fixed maturity) are as follows:

Year Ending September 30,	Capital Lease Obligations	Revenue Bonds	Total
2008	\$ 94,822	\$ 4,330,163	\$ 4,424,985
2009		4,334,678	4,334,678
2010		4,332,290	4,332,290
2011		380,578	380,578
2012		380,445	380,445

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE E - LONG-TERM DEBT (Continued)

<u>Year Ending September 30,</u>	<u>Capital Lease Obligations</u>	<u>Revenue Bonds</u>	<u>Total</u>
2013-2017	\$	\$ 1,897,740	\$ 1,897,740
2018-2022		1,894,197	1,894,197
2023-2027		1,892,873	1,892,873
2028-2032		1,899,638	1,899,638
2033		<u>379,250</u>	<u>379,250</u>
	<u>\$ 94,822</u>	<u>\$ 21,721,852</u>	<u>\$ 21,816,674</u>

Interest Expense: Total interest costs incurred and paid on all Town debt for the year ended September 30, 2007 totaled \$913,297 and \$763,674, respectively.

Defeased Bonds: The Town has defeased \$17,640,000 of Series 2000 Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The trust account assets and the liability for the defeased Series 2000 bonds are not included in the Town's financial statements. At September 30, 2007 outstanding Series 2000 Revenue Bonds in the amount of \$11,125,000 are considered defeased.

NOTE F - FUND BALANCES

In the fund financial statements, fund balance of the governmental funds is reserved and designated for various purposes at September 30, 2007 as follows:

	<u>Major Governmental Funds</u>			
	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Beach Restoration Project Fund</u>	<u>Other Governmental Funds</u>
Reserved Fund Balances				
Reserved for inventory	\$ 482,003	\$	\$	\$
Reserved for prepaid items	16,076			
Reserved for specific purposes	87,816			593,334
Reserved for encumbrances	1,602,831	1,736,433	1,108,025	404,927
Reserved for debt service				<u>37,150</u>
Total Reserved Fund Balances	<u>2,188,726</u>	<u>1,736,433</u>	<u>1,108,025</u>	<u>1,035,411</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE F - FUND BALANCES (Continued)

	Major Governmental Funds			
	General Fund	Capital Improvement Fund	Beach Restoration Project Fund	Other Governmental Funds
Designated Fund Balances				
Designated for subsequent year's budget	\$ 2,663,178	\$	\$	\$
Designated for specific purposes				
East Central Regional Wastewater Treatment Facility	1,194,427			
Capital projects		9,532,999		3,647,693
Equipment				
Beach restoration projects			9,073,871	
Compensated absences	3,242,924			
Total Designated for Specific Purposes	4,437,351	9,532,999	9,073,871	3,647,693
Total Designated Fund Balances	7,100,529	9,532,999	9,073,871	3,647,693
Undesignated Fund Balances	21,346,801			
Total Fund Balances	\$ 30,636,056	\$ 11,269,432	\$ 10,181,896	\$ 4,683,104

NOTE G - RETIREMENT PLANS

Plan Descriptions: The Town administers three single employer, defined benefit pension plans. The General Employees Pension Trust Fund covers substantially all full time general employees and lifeguards. The Police Officers' Retirement System covers substantially all full time Police Officers and the Firefighters' Retirement System covers substantially all full time Fire-Rescue personnel.

The Town Council is authorized to establish benefit levels and to approve the actuarial assumptions used in the determination of contribution levels. The contributions and benefits are segregated in the General Employees Plan between general employees and lifeguards.

The Police Officers' Plan and the Firefighters' Plan also receive payments from the State of Florida pursuant to Chapters 185 and 175 of the Florida Statutes for the benefit of Police officers and Fire-Rescue personnel, respectively. Monies received pursuant to Chapters 185 and 175 can only be used to finance the benefits of participants who are Police Officers or Fire-Rescue employees, respectively. All three plans issue a publicly available financial report that includes financial statements and required supplementary information for the respective Plans. The financial reports may be obtained by writing to the Town of Palm Beach, P. O. Box 2029, Palm Beach, Florida 33480 or by calling (561) 838-5444.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE G - RETIREMENT PLANS (Continued)

Basis of Accounting: The Plans' financial statements are prepared using the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Employer and State of Florida contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

Investments: Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price.

Funding Policy: The contribution requirements of Plan members and the Town are established and may be amended by the Town Council. Plan members are required to contribute a percentage of their annual covered salary as described in the following table. The Town is required to contribute at an actuarially determined rate. The contribution rates for the fiscal year ended September 30, 2007, as a percentage of the employees' annual compensation, were as follows:

	<u>Member Contribution</u>	<u>Town and State Contribution</u>
General employees	6.47%	19.01%
Lifeguard employees	7.21%	27.09%
Police employees	6.98%	44.00%
Fire-Rescue employees	6.98%	53.50%

Annual Pension Cost and Net Pension Obligation: The annual pension cost, net pension obligation and required contribution for September 30, 2007 were determined as part of the actuarial valuation of the System as of September 30, 2005, using the entry age actuarial cost method. The Town's annual pension cost and net pension obligation to the Plan's Retirement System for the fiscal year ended September 30, 2007 were as follows:

	<u>General Employees</u>	<u>Police Officers'</u>	<u>Firefighters'</u>
Annual required contribution	\$ 3,266,484	\$ 2,448,457	\$ 2,411,101
Interest on net pension obligation	0	0	0
Adjustment to annual required contribution	<u>0</u>	<u>0</u>	<u>0</u>
Annual pension cost	3,266,484	2,448,457	2,411,101
Contributions made	<u>(3,266,484)</u>	<u>(2,448,457)</u>	<u>(2,411,101)</u>
Increase (decrease) in net pension obligation	0	0	0
Net pension obligation, beginning of year	<u>0</u>	<u>0</u>	<u>0</u>
Net pension obligation, end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE G - RETIREMENT PLANS (Continued)

Actuarial Assumptions: Significant actuarial assumptions used in the latest actuarial valuations of the plans are summarized as follows:

	<u>General Employees</u>	<u>Police Officers'</u>	<u>Firefighters'</u>
Valuation date	September 30, 2006	September 30, 2006	September 30, 2006
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level Percent of Payroll Closed Amortization	Level Percent of Payroll Closed Amortization	Level Percent of Payroll Closed Amortization
Remaining amortization period	5-30 years	5-30 years	5-30 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market
Investment rate of return (includes inflation at 5.5%)	8.0%	8.0%	8.0%
Projected salary increases (includes inflation and other general increases at 5.5%)	9.8% to 6.2%	9.8% to 6.2%	9.8% to 6.2%
Cost-of-living adjustments	Members who retire after 9/30/68 and prior to 10/1/90 receive an annual 1.0% increase computed on the base benefit. Members retiring after 9/30/90 will be increased 2.0% annually based on their total pension benefit, after an initial 3-year deferral period. Other adjustments have been made periodically.	Members who retire after 9/30/68 and prior to 10/1/90 receive an annual 1.0% increase computed on the base benefit. Members retiring after 9/30/90 will be increased 2.0% annually based on their total pension benefit, after an initial 3-year deferral period. Other adjustments have been made periodically.	Members who retire after 9/30/68 and prior to 10/1/90 receive an annual 1.0% increase computed on the base benefit. Members retiring after 9/30/90 will be increased 2.0% annually based on their total pension benefit, after an initial 3-year deferral period. Other adjustments have been made periodically.

Three-Year Trend Information: The trend information for the Town's Plans for the last three actuarial plan years ended September 30th is shown below.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE G - RETIREMENT PLANS (Continued)

**SCHEDULE OF ANNUAL PENSION COST
AND NET PENSION OBLIGATION**

<u>Plan Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<u>General Employees</u>			
2005	\$ 2,716,378	100%	\$ 0
2006	2,845,570	100%	0
2007	3,266,484	100%	0
<u>Police Officers'</u>			
2005	\$ 1,622,408	100%	\$ 0
2006	1,942,589	100%	0
2007	2,448,457	100%	0
<u>Firefighters'</u>			
2005	\$ 1,690,457	100%	\$ 0
2006	1,796,000	100%	0
2007	2,411,101	100%	0

SCHEDULE OF FUNDING PROGRESS
(in thousands)

<u>Year</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
<u>General Employees</u>						
2004	\$ 56,298	\$ 61,842	\$ 5,544	91.0%	\$ 10,877	51.0%
2005	59,589	67,882	8,293	87.8%	11,552	71.8
2006	64,608	73,054	8,446	88.4%	12,422	68.0
<u>Police Officers'</u>						
2004	\$ 46,386	\$ 51,605	\$ 5,219	89.9%	\$ 5,070	102.9%
2005	48,656	56,996	8,340	85.4%	5,348	155.9%
2006	52,614	60,835	8,221	86.5%	5,769	142.5%

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE G - RETIREMENT PLANS (Continued)

SCHEDULE OF FUNDING PROGRESS
(in thousands)
(Continued)

<u>Year</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
<u>Firefighters'</u>						
2004	\$ 44,080	\$ 51,703	\$ 7,623	85 %	\$ 4,444	172%
2005	45,765	59,314	13,549	77 %	5,237	259%
2006	49,220	64,220	14,984	77 %	5,710	262%

NOTE H - OTHER POSTEMPLOYMENT BENEFITS

Plan Description: The Town of Palm Beach Other Postemployment Benefits (OPEB) Plan is a single-employer, defined benefit postemployment healthcare plan that is administered by the Town and covers retired employees of the Town and their dependents. The Plan provides for the payment of a portion of the health insurance premiums for eligible retired employees. The Town Council has the authority to establish and amend benefit provisions of the Plan. The Plan does not issue a separate, publicly available financial report.

The Plan has 153 retirees receiving benefits and a total of 405 active participants and dependents, of which 332 are not yet eligible to receive benefits.

Annual OPEB Cost and Net OPEB Obligation: For fiscal year 2006/2007, the Town's annual OPEB cost for the Plan was \$2,289,000. The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended September 30, 2007 were as follows:

Annual required contribution	\$ 2,289,000
Interest on net pension obligation	0
Adjustment to annual required contribution	<u>0</u>
Annual OPEB cost	2,289,000
Contributions made	<u>(17,209,870)</u>
Increase in net OPEB obligation (asset)	(14,920,870)
Net OPEB obligation (asset), beginning of year	<u>0</u>
Net OPEB obligation (asset), end of year	<u>\$ (14,920,870)</u>

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE H - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Trend Information: In future years, three-year trend information will be presented. Fiscal year ended September 30, 2007, summarized below, was the year of implementation of GASB 43 and 45 and the Town has elected to implement prospectively, therefore, prior year comparative data is not available.

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation (Asset)</u>
9-30-07	\$ 2,289,000	\$ 17,209,870	752%	\$ (14,920,870)

Funded Status and Funding Progress: Since 2006/2007 is the year of implementation, based on an actuarial valuation done as of October 1, 2006, the plan was not funded as of this date and therefore, there is no funded status of the plan as of the actuarial valuation date. Future financial statements will include funded status tables.

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Although the valuation results are based on values the actuarial consultant believes are reasonable assumptions, the valuation result is only an estimate of what future costs may actually be and reflect a long-term perspective. Deviations in any of several factors, such as future interest rate discounts, medical cost inflation, Medicare coverage risk and changes in marital status, could result in actual costs being greater or less than estimated.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the initial actuarial valuation for the Plan as of October 1, 2006, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 8% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the Town's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 11% initially, reduced by decrements to an ultimate rate of 6% after ten years. Both rates included a 5.5% inflation assumption. The actuarial value of assets will be determined using fair value. The UAAL will be amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period is 30 years.

Funding Policy: The contribution requirements of Plan members and the Town, are established and may be amended by the Town Council. These contributions are neither mandated nor guaranteed. The Town has retained the right to unilaterally modify its payment for retiree health care benefits.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE H - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan members receiving benefits contribute a percentage of the monthly insurance premium. Currently the Plan pays 52% of the retirees' premium, as well as for their dependent coverage. The retiree contributes the premium cost each month, less the Plan subsidy.

The State of Florida prohibits the Town from separately rating retirees and active employees. The Town therefore charges both groups an equal, blended rate premium. Although both groups are charged the same blended rate premium, GAAP requires the actuarial figures to be calculated using age adjusted premiums approximating claim costs for retirees separate from active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. However, the Town has elected to contribute to the Plan at a rate that is based on an actuarial valuation prepared using the blended rate premium that is actually charged to the Plan.

The financial statements for the OPEB Trust Fund are reported below because the Trust does not issue a separate report.

**Statement of Plan Net Assets
September 30, 2007**

Assets	
Cash and short-term investments	\$ 2,358,392
Equity in pooled cash and investments	1,166,785
Accrued interest and dividends	17,441
Investments, at fair value	13,962,002
Due from other funds	<u>75,085</u>
Total Assets	17,579,675
Liabilities	
Accounts payable	<u>177,792</u>
Net Assets held in trust for OPEB benefits	<u>\$ 17,401,883</u>

**Statement of Changes in Plan Net Assets
Year Ended September 30, 2007**

Additions	
Contribution	
Employer contributions	
Required	\$ 2,289,000
Amount creating negative net OPEB obligation	14,920,870
Employee contributions	<u>709,227</u>
Total contributions	17,919,097

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE H - OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Statement of Changes in Plan Net Assets
Year Ended September 30, 2007 (Continued)**

Investment income	
Net appreciation in fair value of investments	198,177
Interest and dividend income	<u>675,003</u>
Total investment income	873,180
Less: investment expense	<u>47,507</u>
Net investment income	<u>825,673</u>
Total additions	18,744,770
Deductions	
Benefit payments	1,336,827
Administrative expenses	<u>6,060</u>
Total deductions	<u>1,342,887</u>
Net increase	17,401,883
Net assets held in trust for OPEB benefits, October 1, 2006	<u>0</u>
Net assets held in trust for OPEB benefits, September 30, 2007	<u>\$ 17,401,883</u>

NOTE I - INSURANCE PROGRAM

The Town retains the risk of loss for certain claims related to general liability and property risks, group accident and health, and workers' compensation. These insurance activities are accounted for in the Internal Service Funds. The Internal Service Funds charge departments of the Town for insurance coverage based upon historical claims experience, insurance costs and relative share of total risk.

A claims liability of approximately \$3,748,000 is included in accrued liabilities of the Internal Service Funds at September 30, 2007. This liability is based on Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be accrued if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Accordingly, the accrued liability for claims includes the estimated future liability on a case-by-case basis for all reported claims and an amount for claims incurred but not reported. The accrued claims liabilities at September 30, 2007 were determined using actuarial valuations performed by Gallagher Benefit Services, Inc. for group health and AMI Risk Consultants, Inc. for general liability, workers' compensation, and property. The insurance coverages and accrued claims liability of the Internal Service Funds at September 30, 2007 are summarized as follows:

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE I - INSURANCE PROGRAM (Continued)

Accrued
Claims
Liability

Group Accident and Health: Certain employees and retirees of the Town contribute through payroll deductions or deductions from pension payments to the cost of group benefits. The remainder of the necessary funding is contributed by the Town based on an actuarially determined amount. As of September 30, 2007, these benefits covered 405 active employees, 153 retirees and 601 dependents. Net costs for the year ended September 30, 2007 were approximately \$4,521,000. The Town retains the risk of loss up to \$65,000 per occurrence; and up to 125% of the estimated claims in the aggregate (approximately \$4.5 million maximum plan costs for 2007). Insurance coverage for claims in excess of these specific limits (up to the policy maximum of \$2,000,000 per person, per life-time) has been obtained from a commercial carrier. The Town makes available certain health insurance benefits for its retired employees and their dependents in accordance with State Statute. Retiree health care benefits are accounted for in the Town's OPEB plan.

\$ 751,000

General Liability, Automobile Liability, Public Official Liability, Workers' Compensation and Property: The Town retains the risk of loss for most exposures and maintains excess insurance coverage above the Town's retained risk of loss of \$100,000 per occurrence, \$200,000 aggregate for General Liability, Automobile Liability, Public Official Liability, and \$350,000 per claim for Workers' Compensation. An aggregate retention (Loss Fund) of \$800,000 applies to each fiscal year, with a \$5,000 maintenance deductible. The loss fund does not include the 5% deductible for a "named" windstorm.

Excess liability coverage of \$5,000,000 per occurrence, \$10,000,000 aggregate is maintained with commercial carriers for General Liability and Automobile Liability. Public Official Liability coverage of \$5,000,000 per occurrence and \$5,000,000 in the aggregate is also maintained. Excess Workers' Compensation coverage is maintained with commercial carriers at statutory limits and Property coverage is maintained with commercial carriers at \$35,956,550 for buildings and contents with a \$25,000 deductible per occurrence plus a 5% deductible per insured location for a "named" windstorm.

Florida Statutes limit the Town's maximum loss for most liability claims to \$100,000 per person and \$200,000 per occurrence. However, under certain circumstances a plaintiff can seek to recover damages in excess of statutory limits by introducing a claims bill to the Florida Legislature. The limits addressed in the Florida Statutes do not apply to claims filed in Federal courts.

2,997,000
\$ 3,748,000

The claims activity for the last two fiscal years is summarized as follows:

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE I - INSURANCE PROGRAM (Continued)

	<u>Year Ended September 30, 2007</u>	<u>Year Ended September 30, 2006</u>
Accrued claims liability at beginning of fiscal year	\$ 2,429,000	\$ 2,429,000
Current year claims and changes in estimates	4,506,000	3,608,000
Claim payments	<u>(3,187,000)</u>	<u>(3,608,000)</u>
Accrued claims liability at end of fiscal year	<u>\$ 3,748,000</u>	<u>\$ 2,429,000</u>

The Town is a party to various claims, legal actions and complaints. In the opinion of Town management, all such matters are adequately covered by claim reserves under its insurance program or if not covered, are without merit or involve such minimal amounts that an unfavorable disposition would not have a material effect on the Town's financial position. Settled claims have not exceeded commercial insurance coverages in any of the past three years.

NOTE J - COMMITMENTS AND CONTINGENCIES

The Town has several uncompleted construction contracts for improvements to Town facilities. The construction is being funded primarily from accumulated funds and bond proceeds, in the respective funds. At September 30, 2007, the remaining commitments on these uncompleted contracts were \$275,875. The uncompleted contracts at September 30, 2007, are summarized as follows:

	<u>Contract Amounts</u>	<u>Approved Payments</u>	<u>Retainage Payable</u>	<u>Remaining Contract Commitments</u>
General Fund	\$ 78,982	\$ 18,996	\$	\$ 59,986
Capital Improvement Fund	429,512	368,531	6,050	54,931
Beach Restoration Project Fund	723,100	593,165	65,908	64,027
Nonmajor Governmental Funds - Town Facilities Fund	<u>128,731</u>	<u>31,800</u>	<u></u>	<u>96,931</u>
Total	<u>\$ 1,360,325</u>	<u>\$ 1,012,492</u>	<u>\$ 71,958</u>	<u>\$ 275,875</u>

Property Tax Reform: During the 2007, the Florida Legislature passed property tax reform legislation limiting the property tax levies of local governments in the State of Florida. Local governments that adopt a property tax levy in excess of the limit under State law will lose their Half-Cent Sales Tax distribution from the State for the succeeding twelve months. For the fiscal year ending September 30, 2008, the maximum tax levy allowed by a majority vote of the governing body is generally based on a percentage reduction applied to the prior year (2006/2007) property tax revenue. The percentage reduction is calculated based on a compound annual growth rate in the per capita property taxes levied for fiscal years ended September 30, 2002 through 2007. The State law allows local governments to adopt a higher millage rate based on the following approval of the governing body: 1) a two thirds vote to adopt a rate equal to the prior year rolled-back millage rate; 2) a

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE J - COMMITMENTS AND CONTINGENCIES (Continued)

unanimous vote to adopt a rate equal to the prior year millage rate; or 3) any millage rate approved by referendum. For the fiscal year ending September 30, 2008 the Town adopted a millage rate of 3.3637 which is 5.03% less than the rolled back rate. This millage rate results in a total tax levy of \$40,738,716 for 2008, representing a reduction of 9.76%, from the property tax levy of 2007. Beginning in 2009, future property tax growth is limited to the annual growth rate of per capita personal income, which has averaged around 4% plus the value of new construction.

On January 29, 2008, Florida voters approved a constitutional amendment that changes how property is assessed for ad valorem taxes, by 1) increasing the homestead exemption from \$25,000 to \$50,000 (for property values between \$50,000 - \$75,000); 2) allowing the transfer (portability) to a new homestead property of up to \$500,000 of the accumulated savings under the 3% cap on annual increases in assessed value of a homestead property under the Save Our Homes constitutional amendment adopted in 1995; 3) providing a \$25,000 exemption for tangible personal property taxes paid by businesses; and, 4) creating a 10% cap on annual increases in assessed values for non-homestead properties.

The changes become effective on October 1, 2008, with the exception of the 10% assessment cap on non-homestead property which becomes effective on January 1, 2009. At present, there is no accurate way to determine the reduction of property tax revenue attributable to the additional \$25,000 homestead exemption or the provisions for portability and the assessment cap on non-homestead property.

NOTE K - PRIOR PERIOD ADJUSTMENT

The Town has determined that the Equipment Replacement Fund which was previously shown as a nonmajor capital projects fund would be more appropriately shown as an internal service fund. Accordingly, the net assets of the fund totaling \$10,765,871 at October 1, 2006 were reclassified between these two funds.

The beginning net assets of the Police Officers' Retirement Trust Fund and Firefighters' Retirement Trust Fund have been restated as a result of additional income in the amount of \$191,146 and \$226,449, respectively, that should have been recognized in the fiscal year ended September 30, 2006. The net effect of this adjustment would have been to increase the net increase in net assets of the fiduciary funds for 2006 by \$417,595.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue				
Taxes				
Ad Valorem	\$ 42,663,915	\$ 42,663,915	\$ 43,096,605	\$ 432,690
Local Option Gas Tax	330,000	330,000	360,853	30,853
Franchise Fees	2,120,000	2,120,000	2,478,487	358,487
Utility Service	4,065,000	4,065,000	4,105,957	40,957
	<u>49,178,915</u>	<u>49,178,915</u>	<u>50,041,902</u>	<u>862,987</u>
Licenses and Permits				
Occupational Licenses	690,000	690,000	740,875	50,875
Building Permits	4,341,750	4,341,750	6,201,211	1,859,461
Other License Fees and Permits	125,140	165,940	205,297	39,357
	<u>5,156,890</u>	<u>5,197,690</u>	<u>7,147,383</u>	<u>1,949,693</u>
Intergovernmental				
State Shared Revenue	1,081,200	1,172,114	1,154,120	(17,994)
Shared Revenue-local	127,914	87,000	95,489	8,489
	<u>1,209,114</u>	<u>1,259,114</u>	<u>1,249,609</u>	<u>(9,505)</u>
Charges for Services				
General Government	40,800	40,800	41,094	294
Public Safety	974,805	974,505	908,377	(66,128)
Physical Environment	1,034,000	1,034,000	1,022,063	(11,937)
Transportation	406,500	406,500	477,295	70,795
	<u>2,456,105</u>	<u>2,455,805</u>	<u>2,448,829</u>	<u>(6,976)</u>
Fines and Forfeitures	829,000	829,000	1,541,448	712,448
Investment Earnings	1,857,430	1,857,430	2,287,127	429,697
Grant Revenue	399,500	349,500	79,720	(269,780)
Miscellaneous				
Rents and Royalties	52,400	52,700	80,961	28,261
Other Miscellaneous	153,300	112,500	155,980	43,480
	<u>205,700</u>	<u>165,200</u>	<u>236,941</u>	<u>71,741</u>
Total Revenue	61,292,654	61,292,654	65,032,959	3,740,305

See notes to budgetary comparison schedule.

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
General Government				
Town Manager	\$ 2,376,677	\$ 2,580,002	\$ 2,185,622	\$ 394,380
Human Resources	788,960	788,960	721,640	67,320
Information Systems	1,912,825	2,067,825	2,042,836	24,989
Town Clerk	320,809	320,809	294,433	26,376
Finance	1,513,627	1,513,627	1,478,454	35,173
Planning, Zoning and Building	669,934	669,934	654,423	15,511
Permit Issuance	1,093,376	1,093,376	1,073,160	20,216
Contingency	922,650	8,823	0	8,823
Employee Benefits	993,700	993,700	993,700	0
	<u>10,592,558</u>	<u>10,037,056</u>	<u>9,444,268</u>	<u>592,788</u>
Public Safety				
Inspection and Compliance	1,178,940	1,178,940	1,177,219	1,721
Fire-Rescue	11,572,853	11,642,853	11,574,561	68,292
Police	15,224,924	15,423,724	14,863,262	560,462
Emergency/Disaster Response	96,226	96,226	61,524	34,702
	<u>28,072,943</u>	<u>28,341,743</u>	<u>27,676,566</u>	<u>665,177</u>
Physical Environment				
Administration	843,772	843,772	829,470	14,302
Sewer and Sanitation	7,623,171	7,708,171	7,323,627	384,544
Public Works	3,854,236	4,055,938	3,267,850	788,088
	<u>12,321,179</u>	<u>12,607,881</u>	<u>11,420,947</u>	<u>1,186,934</u>
Transportation				
Streets and Repairs	462,180	462,180	417,828	44,352
Traffic Control	698,689	698,689	651,979	46,710
	<u>1,160,869</u>	<u>1,160,869</u>	<u>1,069,807</u>	<u>91,062</u>
Culture and Recreation				
Recreation	158,034	158,034	138,376	19,658
Library	247,000	247,000	247,000	0
Parks and Beaches	1,658,541	1,658,541	1,326,962	331,579
	<u>2,063,575</u>	<u>2,063,575</u>	<u>1,712,338</u>	<u>351,237</u>

See notes to budgetary comparison schedule.

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Non-departmental	\$ 2,220,201	\$ 2,220,201	\$ 2,220,201	\$ 0
Debt Service				
Principal	87,904	87,904	87,904	0
Interest and Fiscal Charges	7,096	7,096	7,096	0
	<u>95,000</u>	<u>95,000</u>	<u>95,000</u>	<u>0</u>
Total Expenditures	56,526,325	56,526,325	53,639,127	2,887,198
Other financing sources (uses)				
Transfers in	1,350,000	550,000	550,000	0
Transfers out	0	(6,907,801)	(6,907,801)	0
	<u>1,350,000</u>	<u>(6,357,801)</u>	<u>(6,357,801)</u>	<u>0</u>
Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 6,116,329</u>	<u>\$ (1,591,472)</u>	5,036,031	<u>\$ 6,627,503</u>
Fund balance at October 1, 2006			24,389,252	
Net difference between GAAP and Non-GAAP budgetary basis			<u>1,210,773</u>	
Fund balance at September 30, 2007			<u>\$ 30,636,056</u>	

See notes to budgetary comparison schedule.

TOWN OF PALM BEACH, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2007

NOTE A - BUDGETARY ACCOUNTING

Budgets: Budgets are legally required to be adopted for the General Fund, the Series 2003 Debt Service Fund, and the Capital Projects Funds. All governmental fund budgets are prepared on the modified accrual basis of accounting. For budgetary purposes current year encumbrances, if any, are treated as expenditures. Unencumbered appropriations lapse at fiscal year end. State on-behalf payments for Police and Fire-Rescue pensions are not budgeted. Certain internal service fund charges are treated as expenditures in the General Fund budgetary statement, but are treated as transfers for GAAP purposes.

Under the Laws of the State of Florida and the Town Code, the Town Manager submits to the Mayor and Town Council, prior to July 31st, a proposed Annual Budget and Financial Plan for the fiscal year commencing the following October 1st. The Annual Budget and Financial Plan is prepared by fund, function and activity and includes all proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to October 1st, the budget is legally enacted by the Town Council through passage of an ordinance.

Changes or amendments to increase or decrease the total amount of budgeted revenue or expenditures for a given fund must be approved by a majority vote of the Town Council; however, changes, amendments or transfers within the total revenue or expenditures for functions, activities or departments of a given fund may be approved by the Town Manager.

During the current year, several budget amendments were approved by the Town Council and Town Manager. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget based on legally authorized revisions to the original budgets during the year. Unexpended appropriations lapse at year end.

Encumbrances: Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the General Fund and Capital Projects Funds. On a budgetary basis, encumbrances are recorded as expenditures of the current year. On a GAAP basis, encumbrances at year-end are reported as a reservation of fund balance for subsequent year expenditures.

NOTE B - BUDGET AND ACTUAL COMPARISONS

The Budgetary Comparison Schedule for the General Fund is required to be prepared under the basis of accounting used in preparing the budget. As indicated in Note A, the modified accrual basis of accounting is used for budgetary purposes. Current year encumbrances are treated as expenditures for budgetary purposes and state on-behalf payments for Police and Fire-Rescue pensions are not included in the budget. As a result, General Fund revenue and expenditures reported in the budget and actual statement differ from the corresponding amounts reported on the basis of U.S. generally accepted accounting principles. These differences can be reconciled as follows:

TOWN OF PALM BEACH, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2007

NOTE B - BUDGET AND ACTUAL COMPARISONS (Continued)

Current year encumbrances outstanding at year end	\$ 1,602,831
Prior year encumbrances paid in the current year	(392,058)
State on-behalf payments for Police and Fire-Rescue pension contributions not included in budgetary basis	
GAAP basis revenue	1,062,627
GAAP basis expenditure	<u>(1,062,627)</u>
NET DIFFERENCE BETWEEN GAAP AND BUDGETARY BASIS	1,210,773
 Revenue and other sources over expenditures and other uses BUDGETARY BASIS	 <u>5,036,031</u>
 Revenue and other sources over expenditures and other uses GAAP BASIS	 <u>\$ 6,246,804</u>

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

**MAJOR CAPITAL PROJECTS FUNDS
BUDGETARY COMPARISON SCHEDULES**

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - CAPITAL IMPROVEMENT FUND

Year Ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Investment earnings	\$ 575,000	\$ 575,000	\$ 650,926	\$ 75,926
Grant revenue	<u>402,000</u>	<u>402,000</u>	<u>79,204</u>	<u>(322,796)</u>
Total revenue	<u>\$ 977,000</u>	<u>\$ 977,000</u>	<u>\$ 730,130</u>	<u>\$ (246,870)</u>
EXPENDITURES				
Current				
General government	\$	\$ 21,070	\$	\$ 21,070
Public safety		40,000	18,780	21,220
Physical environment		2,056,031	1,320,152	735,879
Culture and recreation		14,302	5,428	8,874
Capital outlay	<u>4,811,776</u>	<u>14,027,273</u>	<u>5,151,441</u>	<u>8,875,832</u>
Total expenditures - budgetary basis	<u>\$ 4,811,776</u>	<u>\$ 16,158,676</u>	6,495,801	<u>\$ 9,662,875</u>
Current year encumbrances outstanding at year end			<u>(1,736,433)</u>	
GAAP basis expenditures			<u>\$ 4,759,368</u>	
OTHER FINANCING SOURCE (USE)				
Transfer in	\$ 3,378,801	\$ 3,378,801	\$ 3,378,801	\$ 0
Transfer out	<u>(306,000)</u>	<u>(306,000)</u>	<u>(307,380)</u>	<u>(1,380)</u>
Total other financing source (use)	<u>\$ 3,072,801</u>	<u>\$ 3,072,801</u>	<u>\$ 3,071,421</u>	<u>\$ (1,380)</u>

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - BEACH RESTORATION PROJECT FUND

Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Investment earnings	\$ 490,000	\$ 490,000	\$ 440,526	\$ (49,474)
Grant revenue	<u>9,570,000</u>	<u>9,570,000</u>	<u>3,154,725</u>	<u>(6,415,275)</u>
Total revenue	<u>\$ 10,060,000</u>	<u>\$ 10,060,000</u>	<u>\$ 3,595,251</u>	<u>\$ (6,464,749)</u>
EXPENDITURES				
Current				
Physical environment	\$ 10,000	\$ 1,867,884	\$ 1,038,423	\$ 829,461
Capital outlay	<u>21,198,401</u>	<u>5,017,955</u>	<u>4,442,408</u>	<u>575,547</u>
Total expenditures - budgetary basis	<u>\$ 21,208,401</u>	<u>\$ 6,885,839</u>	5,480,831	<u>\$ 1,405,008</u>
Current year encumbrances outstanding at year end			<u>(1,108,025)</u>	
GAAP basis expenditures			<u>\$ 4,372,806</u>	
OTHER FINANCING SOURCES (USE)				
Bond/loan proceeds	\$ 5,805,922	\$ 6,160,922	\$ 0	(6,160,922)
Transfer in	153,000	153,000	153,000	0
Transfer out	<u>(811,356)</u>	<u>(811,356)</u>	<u>(811,356)</u>	<u>0</u>
Total other financing sources (use)	<u>\$ 5,147,566</u>	<u>\$ 5,502,566</u>	<u>\$ (658,356)</u>	<u>\$ (6,160,922)</u>

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. The Town's special revenue funds are as follows:

State Forfeiture Fund - To account for Law Enforcement Trust Fund monies.

Federal Forfeiture Fund - To account for Federal forfeiture receipts.

Donation Fund - To account for monies donated to the Town.

DEBT SERVICE FUNDS

Debt service funds are used to account for the accumulation of resources for, and the payment of debt principal, interest and related costs. The Town's debt service funds are as follows:

Series 1993 Debt Service Fund

Series 2000 Debt Service Fund

Series 2003 Debt Service Fund

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.

Town Facilities Fund - To account for bond proceeds and other financial resources to be used for the construction of the new Central Fire-Rescue Station and renovations to Town Hall.

TOWN OF PALM BEACH, FLORIDA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

September 30, 2007

	Special Revenue		
	State Forfeiture Fund	Federal Forfeiture Fund	Donation Fund
ASSETS			
Equity in pooled cash and investments	\$ 184,376	\$ 54,997	\$ 364,322
Total assets	<u>\$ 184,376</u>	<u>\$ 54,997</u>	<u>\$ 364,322</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$	\$	\$ 500
Due to other funds			2,634
	<u>0</u>	<u>0</u>	<u>3,134</u>
FUND BALANCES			
Reserved:			
Reserved for specific purposes	184,376	54,997	353,961
Reserved for encumbrances			7,227
Reserved for debt service			
Unreserved:			
Designated for capital projects			
Total fund balances	<u>184,376</u>	<u>54,997</u>	<u>361,188</u>
Total liabilities and fund balances	<u>\$ 184,376</u>	<u>\$ 54,997</u>	<u>\$ 364,322</u>

<u>Debt Service</u> Series 2003 Debt Service Fund	<u>Capital Projects</u> Town Facilities Fund	<u>Total Nonmajor Governmental Funds</u>
\$ 37,150	\$ 4,045,748	\$ 4,686,593
<u>\$ 37,150</u>	<u>\$ 4,045,748</u>	<u>\$ 4,686,593</u>
\$ 0	\$ 355	\$ 855
<u>0</u>	<u>355</u>	<u>2,634</u>
		3,489
		593,334
37,150	397,700	404,927
		37,150
<u>37,150</u>	<u>3,647,693</u>	<u>3,647,693</u>
<u>\$ 37,150</u>	<u>\$ 4,045,393</u>	<u>\$ 4,683,104</u>
<u>\$ 37,150</u>	<u>\$ 4,045,748</u>	<u>\$ 4,686,593</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS

Year Ended September 30, 2007

	Special Revenue		
	State Forfeiture Fund	Federal Forfeiture Fund	Donation Fund
Revenue			
Fines and forfeitures			
Seizure deposits	\$ 1,000	\$ 29,837	\$ 9,194
Investment earnings	9,882	1,848	9,194
Contributions			330,798
	<u>10,882</u>	<u>31,685</u>	<u>339,992</u>
Expenditures			
Current			
General government			87,053
Public safety			169,618
Physical environment			26,466
Culture and recreation			26,603
Capital outlay			4,355
Debt service			
Principal retirement			
Interest and fiscal charges			
	<u>0</u>	<u>0</u>	<u>314,095</u>
Revenue over (under) expenditures	10,882	31,685	25,897
Other financing sources (uses)			
Transfers in			
Transfers out			(73,700)
Revenue and other sources over (under) expenditures and other uses	10,882	31,685	(47,803)
Fund balances at October 1, 2006	<u>173,494</u>	<u>23,312</u>	<u>408,991</u>
Fund balances at September 30, 2007	<u>\$ 184,376</u>	<u>\$ 54,997</u>	<u>\$ 361,188</u>

	Debt Service		Capital Projects	Total Nonmajor Governmental Funds
Series 1993 Debt Service Fund	Series 2000 Debt Service Fund	Series 2003 Debt Service Fund	Town Facilities Fund	
\$	\$	\$	\$	\$
		933	218,210	30,837
				240,067
				330,798
<u>0</u>	<u>0</u>	<u>933</u>	<u>218,210</u>	<u>601,702</u>
				87,053
				169,618
			49	26,515
				26,603
			220,321	224,676
		3,585,000		3,585,000
		756,578		756,578
<u>0</u>	<u>0</u>	<u>4,341,578</u>	<u>220,370</u>	<u>4,876,043</u>
0	0	(4,340,645)	(2,160)	(4,274,341)
		4,367,256	153,000	4,520,256
<u>(20,500)</u>	<u>(6,400)</u>			<u>(100,600)</u>
(20,500)	(6,400)	26,611	150,840	145,315
<u>20,500</u>	<u>6,400</u>	<u>10,539</u>	<u>3,894,553</u>	<u>4,537,789</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 37,150</u>	<u>\$ 4,045,393</u>	<u>\$ 4,683,104</u>

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - SERIES 2003 DEBT SERVICE FUND

Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Investment earnings	\$ 1,500	\$ 1,500	\$ 933	\$ (567)
EXPENDITURES				
Debt service				
Principal retirement	\$ 3,585,000	\$ 3,585,000	\$ 3,585,000	\$ 0
Interest and fiscal charges	753,354	758,354	756,578	1,776
Total expenditures	\$ 4,338,354	\$ 4,343,354	\$ 4,341,578	\$ 1,776
OTHER FINANCING SOURCE				
Transfer in	\$ 4,367,256	\$ 4,367,256	\$ 4,367,256	\$ 0

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - TOWN FACILITIES FUND

Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Investment earnings	<u>\$ 195,000</u>	<u>\$ 195,000</u>	<u>\$ 218,210</u>	<u>\$ 23,210</u>
EXPENDITURES				
Current				
Physical environment	\$	\$	\$ 49	\$ (49)
Capital outlay				
Town Hall renovations	<u>153,000</u>	<u>3,421,689</u>	<u>618,021</u>	<u>2,803,668</u>
Total expenditures - budgetary basis	<u>\$ 153,000</u>	<u>\$ 3,421,689</u>	618,070	<u>\$ 2,803,619</u>
Current year encumbrances outstanding at year end			<u>(397,700)</u>	
GAAP basis expenditures			<u>\$ 220,370</u>	
OTHER FINANCING SOURCE				
Transfer in	<u>\$ 153,000</u>	<u>\$ 153,000</u>	<u>\$ 153,000</u>	<u>\$ 0</u>

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.

Property, Liability and Workers Compensation Insurance Fund - To account for the Town's property, liability, and workers compensation insurance activities.

Group Health Insurance Fund - To account for the Town's health insurance activities.

Equipment Replacement Fund - To account for the accumulation of financial resources to be used for the acquisition of major capital equipment and vehicles.

TOWN OF PALM BEACH, FLORIDA

COMBINING BALANCE SHEET - INTERNAL SERVICE FUNDS

September 30, 2007

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Equipment Replacement Fund	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 20,000	\$ 36,643	\$	\$ 56,643
Equity in pooled cash and investments	9,053,200	3,063,427	11,086,297	23,202,924
Due from other funds			202	202
Other			408,486	408,486
Total current assets	<u>9,073,200</u>	<u>3,100,070</u>	<u>11,494,985</u>	<u>23,668,255</u>
Noncurrent assets				
Capital assets				
Equipment	39,812	8,269	1,389,460	1,437,541
Accumulated depreciation	<u>(4,564)</u>	<u>(6,864)</u>	<u>(121,638)</u>	<u>(133,066)</u>
Total capital assets, net of accumulated depreciation	<u>35,248</u>	<u>1,405</u>	<u>1,267,822</u>	<u>1,304,475</u>
Total assets	9,108,448	3,101,475	12,762,807	24,972,730
LIABILITIES				
Current liabilities				
Accounts payable	83,373	532,909	270,631	886,913
Accrued liabilities	2,999,530	752,808		3,752,338
Due to other funds	76	74,678		74,754
Total current liabilities	<u>3,082,979</u>	<u>1,360,395</u>	<u>270,631</u>	<u>4,714,005</u>
Noncurrent liability				
Compensated absences payable	12,155	754		12,909
NET ASSETS				
Invested in capital assets	35,248	1,405	1,267,822	1,304,475
Unrestricted	<u>5,978,066</u>	<u>1,738,921</u>	<u>11,224,354</u>	<u>18,941,341</u>
Total net assets	<u>\$ 6,013,314</u>	<u>\$ 1,740,326</u>	<u>\$ 12,492,176</u>	<u>\$ 20,245,816</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET ASSETS - INTERNAL SERVICE FUNDS

Year Ended September 30, 2007

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Equipment Replacement Fund	Total
Operating revenue				
Charges for services	\$ 2,220,201	\$ 3,650,601	\$ 1,234,215	\$ 7,105,017
Other	22,041		10,000	32,041
	<u>2,242,242</u>	<u>3,650,601</u>	<u>1,244,215</u>	<u>7,137,058</u>
Operating expenses				
Personal services	154,967	117,449		272,416
Contractual services	18,738	6,682		25,420
Insurance and claims	3,323,871	4,393,687		7,717,558
Repairs and maintenance			27,360	27,360
Depreciation	959	460	121,638	123,057
Other	10,900	3,308	11,093	25,301
	<u>3,509,435</u>	<u>4,521,586</u>	<u>160,091</u>	<u>8,191,112</u>
Operating Income (Loss)	(1,267,193)	(870,985)	1,084,124	(1,054,054)
Nonoperating revenue (expense)				
Investment earnings	440,317	242,129	590,616	1,273,062
Gain on sale of assets			51,565	51,565
OPEB funding		(16,000,000)		(16,000,000)
	<u>440,317</u>	<u>(15,757,871)</u>	<u>642,181</u>	<u>(14,675,373)</u>
Change in Net Assets	(826,876)	(16,628,856)	1,726,305	(15,729,427)
Net assets at October 1, 2006	<u>6,840,190</u>	<u>18,369,182</u>	<u>10,765,871</u>	<u>35,975,243</u>
Net assets at September 30, 2007	<u>\$ 6,013,314</u>	<u>\$ 1,740,326</u>	<u>\$ 12,492,176</u>	<u>\$ 20,245,816</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUNDS

Year Ended September 30, 2007

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Equipment Replacement Fund	Total
OPERATING ACTIVITIES				
Receipts from customers and users	\$ 2,220,201	\$ 3,650,601	\$ 1,239,145	\$ 7,109,947
Payments to employees	(154,412)	(116,336)		(270,748)
Payments to suppliers	(1,984,349)	(3,835,505)	(358,937)	(6,178,791)
Other receipts	22,041		10,000	32,041
Net cash provided by (used in) operating activities	103,481	(301,240)	890,208	692,449
NONCAPITAL FINANCING ACTIVITY				
OPEB funding		(16,000,000)		(16,000,000)
Net cash used in noncapital financing activity	0	(16,000,000)	0	(16,000,000)
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of property and equipment	(22,447)		(1,389,460)	(1,411,907)
Proceeds from sale of capital assets			51,565	51,565
Net cash used in capital and related financing activities	(22,447)	0	(1,337,895)	(1,360,342)
INVESTING ACTIVITY				
Investment earnings received	440,317	242,129	590,616	1,273,062
Net cash provided by investing activity	440,317	242,129	590,616	1,273,062
Net increase in cash and cash equivalents	521,351	(16,059,111)	142,929	(15,394,831)
Cash and cash equivalents at October 1, 2006	8,551,849	19,159,181	10,943,368	38,654,398
Cash and cash equivalents at September 30, 2007	<u>\$ 9,073,200</u>	<u>\$ 3,100,070</u>	<u>\$ 11,086,297</u>	<u>\$ 23,259,567</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (1,267,193)	\$ (870,985)	\$ 1,084,124	\$ (1,054,054)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	959	460	121,638	123,057
Changes in operating assets and liabilities:				
Decrease in accounts receivable			4,930	4,930
Increase in due from other funds			(202)	(202)
Decrease in prepaid expenses	100			100
Increase in other assets			(408,486)	(408,486)
Increase in accounts payable	50,276	500,458	122,248	672,982
Increase in accrued liabilities	1,319,133	432		1,319,565
Increase (decrease) in due to other funds	(216)	67,714	(34,044)	33,454
Increase in compensated absences payable	422	681		1,103
Net cash provided by (used in) operating activities	<u>\$ 103,481</u>	<u>\$ (301,240)</u>	<u>\$ 890,208</u>	<u>\$ 692,449</u>

FIDUCIARY FUNDS
COMBINING FINANCIAL STATEMENTS

TRUST FUNDS

Trust funds are used to account for the accumulation of resources that are required to be held in trust for the payment of retirement and other postemployment benefits.

General Employees Pension Trust Fund - To account for the accumulation of resources to be used for retirement benefits payable to eligible Town general employees and lifeguards.

Police Officers' Retirement Trust Fund - To account for the accumulation of resources to be used for retirement benefits payable to eligible Town police employees.

Firefighters' Retirement Trust Fund - To account for the accumulation of resources to be used for retirement benefits payable to eligible Town fire-rescue employees.

OPEB Trust Fund - To account for the accumulation of resources to be used for Town retiree healthcare benefits.

AGENCY FUND

Kreusler Park Fund - To account for the funds collected on behalf of Palm Beach County at Kreisler Park.

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF PLAN NET ASSETS -
TRUST FUNDS

September 30, 2007

	General Employees Pension Trust Fund	Police Officers' Retirement Trust Fund	Firefighters' Retirement Trust Fund	OPEB Trust Fund	Total
ASSETS					
Cash and short-term investments	\$ 621,616	\$ 1,792,418	\$ 1,778,607	\$ 2,358,392	\$ 6,551,033
Equity in pooled cash and investments				1,166,785	1,166,785
Accrued interest and dividends receivable	4,929	97,369	95,047	17,411	214,756
Due from State of Florida		240,192	822,435		1,062,627
Due from other funds				75,085	75,085
Other receivables		40,690	86,946		127,636
Investments, at fair value					
U.S. Government and Agency securities		2,716,721	2,694,907		5,411,628
Domestic common stocks	10,686,024	15,947,348	11,144,889		37,778,261
Domestic corporate bonds		8,621,573	8,638,755	1,558,597	18,818,925
Mutual funds	65,144,419	24,342,488	26,616,190	9,188,801	125,291,898
Alternative investments		8,940,360	8,910,683	3,214,604	21,065,647
Total investments	<u>75,830,443</u>	<u>60,568,490</u>	<u>58,005,424</u>	<u>13,962,002</u>	<u>208,366,359</u>
Total assets	76,456,988	62,739,159	60,788,459	17,579,675	217,564,281
LIABILITIES					
Accounts payable	75,401	61,817	50,197	177,792	365,207
Due to other funds	3,714				3,714
Other payables		215,124	208,491		423,615
DROP plan liability			632,236		632,236
Total liabilities	<u>79,115</u>	<u>276,941</u>	<u>890,924</u>	<u>177,792</u>	<u>1,424,772</u>
NET ASSETS HELD IN TRUST FOR PENSION AND RETIREE HEALTH BENEFITS					
	<u>\$ 76,377,873</u>	<u>\$ 62,462,218</u>	<u>\$ 59,897,535</u>	<u>\$ 17,401,883</u>	<u>\$ 216,139,509</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS -
TRUST FUNDS

Year Ended September 30, 2007

	General Employees Pension Trust Fund	Police Officers' Retirement Trust Fund	Firefighters' Retirement Trust Fund	OPEB Trust Fund	Total
ADDITIONS					
Contributions					
Employer	\$ 2,417,306	\$ 2,158,494	\$ 2,259,940	\$ 17,209,870	\$ 24,045,610
Employee	849,178	394,409	406,831	709,227	2,359,645
State		240,192	822,435		1,062,627
Total contributions	<u>3,266,484</u>	<u>2,793,095</u>	<u>3,489,206</u>	<u>17,919,097</u>	<u>27,467,882</u>
Investment income					
Net appreciation in fair value of investments	9,408,282	7,118,258	6,624,645	198,177	23,349,362
Interest and dividend income	101,161	992,754	982,053	675,003	2,750,971
Other	328,107	119,635			447,742
	<u>9,837,550</u>	<u>8,230,647</u>	<u>7,606,698</u>	<u>873,180</u>	<u>26,548,075</u>
Less investment expense	304,953	278,906	335,230	47,507	966,596
Net investment income	<u>9,532,597</u>	<u>7,951,741</u>	<u>7,271,468</u>	<u>825,673</u>	<u>25,581,479</u>
Total additions	12,799,081	10,744,836	10,760,674	18,744,770	53,049,361
DEDUCTIONS					
Benefit payments	2,843,302	2,867,092	2,924,063	1,336,827	9,971,284
Share account distributions			179,005		179,005
Refunds	102,795		30,887		133,682
Administrative expense	46,648	108,806	114,022	6,060	275,536
Total deductions	<u>2,992,745</u>	<u>2,975,898</u>	<u>3,247,977</u>	<u>1,342,887</u>	<u>10,559,507</u>
Net increase	9,806,336	7,768,938	7,512,697	17,401,883	42,489,854
Transfer of share account balances			1,186,941		1,186,941
Net assets held in trust for pension and retiree health benefits at October 1, 2006, as originally reported	66,571,537	54,502,134	50,971,448	0	172,045,119
Prior period adjustment		191,146	226,449		417,595
Net assets held in trust for pension and retiree health benefits at October 1, 2006, as restated	<u>66,571,537</u>	<u>54,693,280</u>	<u>51,197,897</u>	<u>0</u>	<u>172,462,714</u>
NET ASSETS HELD IN TRUST FOR PENSION AND RETIREE HEALTH BENEFITS AT SEPTEMBER 30, 2007	<u>\$ 76,377,873</u>	<u>\$ 62,462,218</u>	<u>\$ 59,897,535</u>	<u>\$ 17,401,883</u>	<u>\$ 216,139,509</u>

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUND

Year Ended September 30, 2007

	Balance October 1, 2006	Additions	Deductions	Balance September 30, 2007
KREUSLER PARK FUND				
ASSETS				
Equity in pooled cash and investments	\$ 18,334	\$ 184,931	\$ 203,265	\$ 0
Due from other funds	<u>0</u>	<u>206,000</u>	<u>186,272</u>	<u>19,728</u>
Total assets	<u>\$ 18,334</u>	<u>\$ 390,931</u>	<u>\$ 389,537</u>	<u>\$ 19,728</u>
LIABILITIES				
Accounts payable	<u>\$ 18,334</u>	<u>\$ 450,676</u>	<u>\$ 449,282</u>	<u>\$ 19,728</u>
Total liabilities	<u>\$ 18,334</u>	<u>\$ 450,676</u>	<u>\$ 449,282</u>	<u>\$ 19,728</u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Town of Palm Beach's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town of Palm Beach's overall financial health.

Contents	Page
Financial Trends.....	80
<i>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</i>	
Revenue Capacity	87
<i>These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.</i>	
Debt Capacity	96
<i>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	102
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments.</i>	
Operating Information	104
<i>These schedules contain information about the Town's operations and resources to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Town implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

Town of Palm Beach, Florida

Net Assets by Component

Last Five Fiscal Years

Accrual Basis of Accounting

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities					
Invested in capital assets, net of related debt	\$ 51,595,063	\$ 50,906,153	\$ 52,423,983	\$ 70,412,738	\$ 71,453,781
Restricted	0	250,907	199,674	234,245	276,523
Unrestricted	75,213,296	80,397,271	86,813,836	83,756,838	94,548,246
Total governmental activities net assets	\$ 126,808,359	\$ 131,554,331	\$ 139,437,493	\$ 154,403,821	\$ 166,278,550
Business-type activities					
Invested in capital assets, net of related debt	\$ 8,946,928	\$ 10,515,063	\$ 10,679,781	\$ 10,965,117	\$ 10,971,879
Unrestricted	2,781,185	3,129,161	4,091,466	4,117,835	4,715,002
Total business-type activities net assets	\$ 11,728,113	\$ 13,644,224	\$ 14,771,247	\$ 15,082,952	\$ 15,686,881
Primary government					
Invested in capital assets, net of related debt	\$ 60,541,991	\$ 61,421,216	\$ 63,103,764	\$ 81,377,855	\$ 82,425,660
Restricted	0	250,907	199,674	234,245	276,523
Unrestricted	77,994,481	83,526,432	90,905,302	87,874,673	99,263,248
Total primary government net assets	\$ 138,536,472	\$ 145,198,555	\$ 154,208,740	\$ 169,486,773	\$ 181,965,431

Town of Palm Beach, Florida

Changes in Net Assets

Last Five Fiscal Years

Accrual Basis of Accounting

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government	\$ 8,402,847	\$ 12,881,165	\$ 10,541,925	\$ 10,770,654	\$ 11,620,148
Public safety	19,803,167	22,872,573	27,865,411	27,115,822	30,526,540
Physical environment	9,307,102	11,851,242	12,267,718	19,746,156	15,169,120
Transportation	582,376	773,122	1,042,556	1,179,979	864,359
Culture and recreation	2,489,073	1,561,430	1,677,604	1,919,405	1,854,023
Interest on long-term debt	1,277,118	1,590,795	1,138,344	1,030,985	913,297
Total governmental activities expenses	<u>41,861,683</u>	<u>51,530,327</u>	<u>54,533,558</u>	<u>61,763,001</u>	<u>60,947,487</u>
Business-type activities:					
Leisure services	1,528,543	2,935,651	3,099,168	3,474,250	3,546,363
Total business-type activities expenses	<u>1,528,543</u>	<u>2,935,651</u>	<u>3,099,168</u>	<u>3,474,250</u>	<u>3,546,363</u>
Total primary government expenses	<u>\$ 43,390,226</u>	<u>\$ 54,465,978</u>	<u>\$ 57,632,726</u>	<u>\$ 65,237,251</u>	<u>\$ 64,493,850</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 5,859,442	\$ 6,317,510	\$ 7,094,336	\$ 6,745,625	\$ 7,308,586
Public safety	2,233,350	1,827,503	1,551,196	1,913,437	2,449,825
Physical environment	2,707,891	869,451	925,645	1,354,292	1,022,063
Transportation	398,614	433,041	393,012	410,584	540,123
Culture and recreation	354,790	0	0	0	54,004
Operating grants and contributions:					
General government	0	2,378,073	3,892,522	2,995,182	28,427
Public safety	713,611	182,917	1,394,472	963,866	1,214,891
Physical environment	722,869	60,470	1,612,048	9,672,675	163,213
Transportation	0	0	0	78,013	71,204
Culture and recreation	0	177,157	32,932	49,728	74,614
Capital grants and contributions:					
Public safety	52,768	478,202	68,524	179,952	30,837
Physical environment	2,567,523	607,209	0	0	3,154,725
Culture and recreation	0	21,791	0	0	0
Total governmental activities program revenues	<u>15,610,858</u>	<u>13,353,324</u>	<u>16,964,687</u>	<u>24,363,354</u>	<u>16,112,512</u>
Business-type activities:					
Charges for services:					
Leisure Services Fund	3,137,471	3,543,090	3,786,711	3,984,307	4,291,969
Operating grants and contributions	0	0	0	67,183	0
Total business-type activities program revenues	<u>3,137,471</u>	<u>3,543,090</u>	<u>3,786,711</u>	<u>4,051,490</u>	<u>4,291,969</u>
Total primary government program revenues	<u>\$ 18,748,329</u>	<u>\$ 16,896,414</u>	<u>\$ 20,751,398</u>	<u>\$ 28,414,844</u>	<u>\$ 20,404,481</u>
Net (expense)/revenue					
Governmental activities	\$ (26,250,825)	\$ (38,177,003)	\$ (37,568,871)	\$ (37,399,647)	\$ (44,834,975)
Business-type activities	1,608,928	607,439	687,543	577,240	745,606
Total primary government net expense	<u>\$ (24,641,897)</u>	<u>\$ (37,569,564)</u>	<u>\$ (36,881,328)</u>	<u>\$ (36,822,407)</u>	<u>\$ (44,089,369)</u>

Town of Palm Beach, Florida

Changes in Net Assets (continued)

Last Five Fiscal Years

Accrual Basis of Accounting

	Fiscal Year				
	2003	2004	2005	2006	2007
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes:					
Property taxes	\$ 29,815,341	\$ 32,778,331	\$ 35,539,136	\$ 39,008,774	\$ 43,096,605
Local option gas tax	224,517	219,755	222,226	360,210	360,853
Franchise fees	1,726,221	1,881,195	1,989,980	2,433,811	2,478,487
Utility service taxes	4,156,003	3,983,261	4,160,185	4,167,844	4,105,957
Intergovernmental, unrestricted	958,145	1,730,628	1,192,382	1,158,415	1,249,609
Investment earnings	2,285,717	1,676,047	2,661,913	4,709,493	4,891,708
Miscellaneous	850,582	1,905,491	0	0	51,565
Transfers	675,000	(1,251,733)	(313,789)	527,428	474,920
Total governmental activities	<u>40,691,526</u>	<u>42,922,975</u>	<u>45,452,033</u>	<u>52,365,975</u>	<u>56,709,704</u>
Business-type activities					
Investment earnings	55,287	56,939	125,691	261,893	333,243
Intergovernmental, unrestricted	0	0	0	0	0
Transfers	(675,000)	1,251,733	313,789	(527,428)	(474,920)
Total business-type activities	<u>(619,713)</u>	<u>1,308,672</u>	<u>439,480</u>	<u>(265,535)</u>	<u>(141,677)</u>
Total primary government	<u>\$ 40,071,813</u>	<u>\$ 44,231,647</u>	<u>\$ 45,891,513</u>	<u>\$ 52,100,440</u>	<u>\$ 56,568,027</u>
Changes in Net Assets					
Governmental activities	\$ 14,440,701	\$ 4,745,972	\$ 7,883,162	\$ 14,966,328	\$ 11,874,729
Business-type activities	989,215	1,916,111	1,127,023	311,705	603,929
Total primary government	<u>\$ 15,429,916</u>	<u>\$ 6,662,083</u>	<u>\$ 9,010,185</u>	<u>\$ 15,278,033</u>	<u>\$ 12,478,658</u>

Town of Palm Beach, Florida

Fund Balances of Governmental Funds

Last Five Fiscal Years

Modified Accrual Basis of Accounting

	Fiscal Year				
	2003	2004	2005	2006	2007
General Fund					
Reserved	\$ 918,224	\$ 2,881,233	\$ 1,213,317	\$ 1,379,142	\$ 2,188,726
Unreserved	20,511,244	23,413,449	24,761,271	23,010,110	28,447,330
Total General Fund	<u>\$ 21,429,468</u>	<u>\$ 26,294,682</u>	<u>\$ 25,974,588</u>	<u>\$ 24,389,252</u>	<u>\$ 30,636,056</u>
All other governmental funds					
Reserved	\$ 8,988,509	\$ 8,233,283	\$ 9,932,425	\$ 4,569,597	\$ 3,879,869
Unreserved, reported in:					
Capital Projects funds	47,027,447	42,062,662	35,813,734	34,579,119	22,254,563
Total all other governmental funds	<u>\$ 56,015,956</u>	<u>\$ 50,295,945</u>	<u>\$ 45,746,159</u>	<u>\$ 39,148,716</u>	<u>\$ 26,134,432</u>

Town of Palm Beach, Florida

Tax Revenues by Source, Governmental Funds

Last Ten Fiscal Years

Fiscal Year	Property Taxes*	Local Option Gas Tax	Franchise Fees	Utility Service Taxes	Total
1998	\$ 21,758,483	\$ 324,541	\$ 1,682,379	\$ 3,387,188	\$ 27,152,591
1999	22,763,822	330,627	1,725,946	3,530,034	28,350,429
2000	24,401,036	334,144	1,693,857	3,549,952	29,978,989
2001	26,280,565	342,479	2,049,125	3,560,240	32,232,409
2002	27,281,634	351,349	1,716,214	4,022,212	33,371,409
2003	29,815,341	224,517	1,726,221	4,156,003	35,922,082
2004	32,778,331	219,755	1,881,195	3,983,261	38,862,542
2005	35,539,136	222,226	1,989,980	4,160,185	41,911,527
2006	39,008,774	360,210	2,433,811	4,167,844	45,970,639
2007	43,096,605	360,853	2,478,487	4,105,957	50,041,902

Change:

1998-2007 98.1% 11.2% 47.3% 21.2% 84.3%

*Property taxes received for both General Fund and Debt Service Fund.

Town of Palm Beach, Florida

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

	Fiscal Year			
	1998	1999	2000	2001
Revenues				
Taxes	\$ 27,152,593	\$ 28,350,429	\$ 30,029,262	\$ 32,232,409
Licenses and permits	5,528,132	5,338,440	7,309,553	6,236,113
Intergovernmental	941,954	1,407,462	2,059,790	1,655,313
Grant revenue	65,963	374,854	622,278	1,260,721
Charges for services	1,709,726	1,952,511	2,131,584	2,309,482
Fines and forfeits	664,404	639,470	601,549	781,383
Contributions	305,776	614,531	233,803	1,040,744
Investment earnings	1,654,728	1,692,331	2,773,177	3,981,390
Miscellaneous	773,806	676,607	256,612	281,944
Total revenues	38,797,082	41,046,635	46,017,608	49,779,499
Expenditures				
General government	4,160,248	4,667,903	5,177,891	5,180,026
Public safety	15,636,623	16,970,445	16,426,549	17,156,353
Physical environment	6,646,824	7,096,446	6,311,150	6,676,052
Transportation	1,156,646	1,024,033	942,015	939,737
Culture/Recreation	1,598,415	1,765,913	1,733,867	1,756,614
Non-departmental	0	0	1,650,768	1,948,065
Capital Outlay	5,377,937	3,728,129	2,750,478	7,559,940
Debt service				
Principal	1,785,352	1,827,320	1,936,960	770,479
Interest and other fiscal charges	420,941	337,128	246,722	1,468,440
Bond issue costs	0	0	0	0
Total expenditures	36,782,986	37,417,317	37,176,400	43,455,706
Excess of revenues over (under) expenditures	2,014,096	3,629,318	8,841,208	6,323,793
Other financing sources (uses)				
Transfers in	4,640,088	3,941,536	4,108,419	12,402,818
Transfers out	(3,665,088)	(3,266,536)	(3,433,419)	(11,727,818)
Proceeds from sale of capital assets	0	0	0	0
Capital lease proceeds	0	0	0	676,387
Bonds issued	0	0	23,003,099	0
Redemption of bonds	0	0	0	0
Proceeds of refunding note	0	0	0	0
Total other financing sources (uses)	975,000	675,000	23,678,099	1,351,387
Net change in fund balances	\$ 2,989,096	\$ 4,304,318	\$ 32,519,307	\$ 7,675,180
Debt service as a percentage of non-capital expenditures	7.56%	6.87%	6.77%	6.65%

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$	33,371,408	\$ 35,323,171	\$ 38,862,542	\$ 41,911,527	\$ 45,970,639	\$ 50,041,902
	5,503,582	5,654,137	6,116,488	6,913,397	6,473,831	7,147,383
	1,874,958	3,671,884	1,927,469	2,072,960	2,153,286	2,312,236
	492,853	2,620,291	2,720,018	5,106,760	12,674,928	3,313,649
	2,227,358	2,560,809	2,054,178	2,097,306	2,487,444	2,448,829
	566,084	1,477,456	1,079,973	822,112	874,351	1,572,285
	944,886	0	0	0	0	0
	2,365,768	2,055,825	1,282,245	2,119,210	3,663,648	3,618,646
	223,421	1,034,628	1,185,826	781,153	495,349	567,739
	<u>47,570,318</u>	<u>54,398,201</u>	<u>55,228,739</u>	<u>61,824,425</u>	<u>74,793,476</u>	<u>71,022,669</u>
	5,975,712	5,610,928	6,647,556	7,817,780	8,315,398	8,932,304
	17,919,096	18,716,632	21,444,642	27,088,862	26,417,211	28,458,944
	7,001,958	7,879,102	10,350,736	10,928,714	18,557,179	12,773,809
	993,183	582,376	769,745	1,043,893	1,185,987	838,808
	1,953,697	2,448,947	1,561,430	1,678,681	1,938,137	1,748,780
	2,292,624	2,746,915	4,822,927	2,510,033	2,390,000	2,220,201
	8,760,344	12,360,305	7,627,971	8,062,746	20,270,287	8,089,774
	766,832	765,063	3,825,289	4,135,584	3,564,637	3,672,904
	1,346,513	1,158,641	1,372,527	1,014,223	864,847	763,674
		350,466				0
	<u>47,009,959</u>	<u>52,619,375</u>	<u>58,422,823</u>	<u>64,280,516</u>	<u>83,503,683</u>	<u>67,499,198</u>
	560,359	1,778,826	(3,194,084)	(2,456,091)	(8,710,207)	3,523,471
	10,451,455	10,333,656	9,761,263	11,392,115	14,210,192	8,602,057
	(9,776,455)	(9,658,656)	(9,386,855)	(13,805,904)	(13,682,764)	(8,127,137)
	0	0	1,964,879	0	0	0
	140,795	0	0	0	0	0
	0	6,108,358	0	0	0	0
	0	(18,936,555)	0	0	0	0
	0	19,016,765	0	0	0	0
	<u>815,795</u>	<u>6,863,568</u>	<u>2,339,287</u>	<u>(2,413,789)</u>	<u>527,428</u>	<u>474,920</u>
\$	<u>1,376,154</u>	<u>\$ 8,642,394</u>	<u>\$ (854,797)</u>	<u>\$ (4,869,880)</u>	<u>\$ (8,182,779)</u>	<u>\$ 3,998,391</u>
	<u>5.85%</u>	<u>5.06%</u>	<u>11.40%</u>	<u>10.08%</u>	<u>7.53%</u>	<u>8.07%</u>

Town of Palm Beach, Florida

Historic and Projected General Fund Non-Ad Valorem Revenues

Last Nine Fiscal Years Actual and Next Year Budgeted

	Actual FY1999	Actual FY2000	Actual FY2001	Actual FY2002
Franchise Fees (4)	\$ 1,725,946	\$ 1,693,857	\$ 2,049,125	\$ 1,716,214
Utility Service Tax	3,556,197	3,549,952	3,560,240	4,022,212
Occupational Licenses	572,005	547,441	634,645	605,737
Building Permits (1)	4,460,447	6,406,102	5,158,528	4,781,034
Other License Fees & Permits	207,819	245,086	219,919	116,811
State Shared Revenue (2)	840,777	872,579	833,836	903,840
Grants	10,178	217,939	26,212	44,608
Local Shared Revenue	32,483	596,487	86,922	163,871
General Government	41,421	34,135	28,739	30,709
Public Safety	527,801	655,934	775,900	662,763
Physical Environment	789,701	829,803	893,973	907,551
Transportation	331,804	343,076	340,899	351,495
Culture - Recreation (3)	281,102	268,636	269,969	274,840
Fines & Forfeitures	632,805	600,722	758,453	550,323
Contributions	145,201	0	25,801	250
Investment Earnings	1,208,413	1,637,841	1,782,377	665,828
Rents & Royalties	21,973	71,695	70,203	92,470
Special Assessments	0	0	0	0
Sale of Capital Assets (5)	101,622	33,041	35,014	41,923
Miscellaneous Other	266,727	70,974	150,926	88,808
Total Non-Ad Valorem Revenues	\$ 15,754,422	\$ 18,675,300	\$ 17,701,681	\$ 16,021,287

(1) Excludes community service fee (Community Service fee discontinued for FY2003).

(2) Excludes 8th cent motor fuel tax and fuel tax refund.

(3) The Recreation activities were consolidated with the Marina and Golf Fund to create the Leisure Services Enterprise Fund in FY2004.

(4) In FY2002 the Simplified Telecommunications Tax went into effect eliminating franchise fees for cable and telephone companies and combining them into the public service tax for a new simplified tax.

(5) Proceeds from the sale of capital assets are deposited in the Equipment Replacement Fund.

	Actual FY2003	Actual FY2004	Actual FY2005	Actual FY2006	Actual FY2007	Budgeted FY2008
\$	1,726,221	\$ 1,881,195	\$ 1,989,980	\$ 2,433,811	\$ 2,478,487	\$ 2,630,000
	4,156,003	3,983,261	4,160,185	4,167,844	4,105,957	4,115,000
	617,974	697,297	695,544	721,659	740,875	747,000
	4,906,964	5,273,284	6,073,756	5,628,019	6,201,211	4,499,750
	129,199	145,907	144,097	124,153	205,297	409,400
	846,318	893,193	954,356	1,029,461	1,142,553	1,274,000
	52,768	150,735	165,216	162,824	135,131	19,200
	290,620	196,841	207,581	204,636	40,077	40,000
	36,095	46,244	49,565	46,062	41,094	36,700
	940,784	705,442	729,084	1,065,595	908,376	1,429,836
	892,634	869,451	925,645	991,712	1,022,063	1,058,000
	398,614	433,054	393,012	410,584	477,295	634,700
	292,682	0	0	0	0	0
	863,474	846,677	811,038	770,067	1,541,448	1,028,200
	0	150,000	4,035	900	0	11,500
	583,091	527,686	905,025	1,902,793	2,287,127	2,070,000
	60,573	72,377	50,460	39,634	80,961	54,310
	0	0	0	0	0	0
	0	0	0	0	0	0
	69,386	83,894	140,317	243,602	147,348	127,000
\$	16,863,400	\$ 16,956,538	\$ 18,398,896	\$ 19,943,356	\$ 21,555,300	\$ 20,184,596

Description of Certain Major Sources of Non-Ad Valorem Revenues As Defined in Bond Document (Unaudited)

Franchise Fees

Public utilities operating within the Town of Palm Beach must pay to the Town a franchise fee in return for the right to do business within the Town and for the right to use public rights-of-way. Franchise agreements currently in effect include: Florida Public Utilities, Florida Power & Light, BellSouth Telecommunications, and Comcast Cable.

Utility Service Tax

The Town levies a utility tax on the purchase of electricity, metered or bottled gas, water service and telecommunication services. The Town levies this tax at the state allowed maximum of 10% for all services.

Occupational Licenses

Any person engaging in or managing any business, occupation or profession, within the limits of the Town of Palm Beach must obtain an occupational license. All licenses must be secured at the time the business begins operation and are renewed thereafter each October 1. The fee for each license is based on the business in which the entity is engaged.

Building Permits

Building permit fees include all building, electrical, mechanical and plumbing permits as well as architectural fees, variance application fees, and landmark application fees. Building permit fees were reduced for FY2008.

Other License Fees and Permits

These revenues include, right of way permits, parking permits and registrations.

State Shared Revenue

Revenues that are distributed from the State of Florida to the Town of Palm Beach are included in this line item. A portion of this revenue is State Revenue Sharing. The current structure of the revenue sharing program has three revenue sources for municipalities: Sales & Use Tax, one-cent Municipal Gas Tax and the State Alternative Fuel Decal Users Fee. Of these sources, the one-cent Municipal Gas Tax (Local Option Gas Tax) is restricted to expenditures for roads and has not been included in the *Historic and Projected Non Ad Valorem Revenue* Chart. Also included in the State Shared Revenue sections are the following distributions from the State of Florida: Alcoholic Beverage License and Sales Tax.

Local Revenue Sharing

Local shared revenue includes a portion of the Palm Beach County Occupational License fees and a 911 equipment reimbursement.

General Government Revenues

These revenues include charges for copies, meeting tapes, lien search fees, microfiche, certification of copies and sales of maps and code books.

Public Safety Revenue

Public Safety Revenue includes special detail pay for police and fire officers, EMS transport fees, burglar alarm registration and false alarm fees, police ID cards, and Direct Connect Alarm fees. In FY2006 new fire inspection fees were approved by the Town Council. In FY2008, fees were increased for false alarm charges.

Physical Environment Revenue

Physical Environment Revenue includes solid waste collection fees, (collected through a non-ad valorem assessment), recycling fees and beach cleaning fees.

Transportation

Revenues include parking meter and permit collections. In FY2008, parking meter fees were increased.

Culture - Recreation

Recreation fees have been transferred to the Leisure Services Enterprise Fund beginning in FY2004.

Fines and Forfeitures

Fines and penalties received from traffic violations, parking meter violations right-of-way violations and code compliance fines.

Contributions

Contributions represent donations by citizens and businesses for various Town projects.

Investment Earnings

Represents interest earnings on cash, cash equivalents, and investments.

Grant Revenue

Reflected in the grant total for FY2008 budget is the anticipated receipt of funds for criminal justice assistance and bullet proof vests.

Rents and Royalties

Represents revenue from the rental of public property, pay phone and vending machine commissions.

Sale of Capital Assets

Revenue represents proceeds from the sale of capital assets. Sale proceeds have been deposited in the Equipment Replacement Fund since FY2003.

Miscellaneous Other Revenue

Revenues include a fee paid to the Town for the administration of Kreuzler Park parking lot, fees associated with charitable solicitations, a rebate for Town towing, State highway lighting maintenance, insurance proceeds for hurricane damage and other miscellaneous revenues.

Outstanding Town Indebtedness

The Town does not have any general obligation bonds outstanding as of September 30, 2007. In May 2000, the Town issued \$23,530,000 of Non-Ad Valorem Revenue Bonds, which were partially refunded with the Series 2003A bonds, in the amount of \$18,385,000, issued in April 2003. The Series 2003B Bonds were issued in the amount of \$6,130,000. Both 2003 series bonds are special obligations of the Town payable solely from and secured solely by non-ad valorem revenue and any unused bond proceeds and related investment income.

The Town has no outstanding short-term indebtedness other than certain capital lease obligations. The Town leases vehicles and equipment through capital leasing arrangements in the General Fund. The assets acquired through capital leases consist of vehicles and equipment with a carrying value (original cost) of \$733,971 as of September 30, 2007. At the present time the Town does not have any other authorized but unissued debt.

Town of Palm Beach, Florida

Assessed Value and Actual Value of Taxable Property

Last Nine Fiscal Years

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property	Less: Tax-exempt Property	Total Taxable Value	Total Direct Tax Rate	Total Assessed Value	Assessed Value as a % of Actual Value
1999	\$ 4,400,252,336	\$ 531,039,279	\$ 513,815	\$ 171,911,209	\$ (246,246,682)	\$ 4,857,469,951	\$ 4.7528	\$ 5,103,716,639	95%
2000	4,821,990,971	584,752,591	515,428	187,976,974	(257,665,350)	5,337,570,614	4.6452	5,595,145,964	95%
2001	5,400,734,073	620,602,412	515,428	127,148,409	(203,178,569)	5,945,821,753	4.5059	6,149,000,322	97%
2002	6,206,528,438	713,221,831	581,586	198,001,569	(273,176,208)	6,845,157,216	4.0641	7,118,333,424	96%
2003	8,080,983,466	718,908,958	582,176	191,393,118	(1,484,871,904)	7,506,995,814	4.0541	8,991,867,718	83%
2004	8,988,874,192	748,443,954	582,895	216,411,548	(1,681,379,665)	8,272,932,924	4.0529	9,954,312,589	83%
2005	9,931,612,775	812,906,404	584,205	213,751,855	(1,945,418,542)	9,013,436,697	4.0287	10,958,855,239	82%
2006	11,779,370,251	847,044,936	613,890	246,102,739	(2,619,553,324)	10,253,578,492	3.9080	12,873,131,816	80%
2007	14,127,084,784	999,659,666	750,509	283,725,731	(3,500,257,437)	11,910,963,253	3.7273	15,411,220,688	77%

Comparable information prior to 1999 is not available

Assessed value is an annual determination of the just or fair market value of the property, or the value of the homestead property as limited pursuant to State law.

Taxable value is the assessed value of property minus the amount of any applicable exemption provided under State law.

Property in Palm Beach County is reassessed every three years on average.

Town of Palm Beach, Florida

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

Fiscal Year	Town Direct Rates			Overlapping Rates			Total All
	General Fund	Debt Service	Total Direct	School District	Palm Beach County	Special Taxing Districts	
1998	4.3588	0.4313	4.7901	9.5570	4.8666	2.3600	21.5737
1999	4.3400	0.4128	4.7528	9.6820	4.8582	2.2343	21.5273
2000	4.3000	0.3452	4.6452	9.0430	4.9456	2.1856	20.8194
2001	4.4019	0.1040	4.5059	8.9180	4.9362	2.2630	20.6231
2002	3.9757	0.0884	4.0641	8.9780	4.9351	2.4558	20.4330
2003	3.9706	0.0835	4.0541	8.7790	4.8084	2.4883	20.1298
2004	3.9768	0.0761	4.0529	8.5710	4.7910	2.5557	19.9706
2005	3.9594	0.0693	4.0287	8.4320	4.7677	2.5257	19.7541
2006	3.9080	0	3.9080	8.1060	4.7192	2.5114	19.2446
2007	3.7273	0	3.7273	7.8720	4.4775	2.3254	18.4022

Tax rate limits	- Ten mills per Florida Statute 200.81 (one mill equals \$1 per \$1,000 of assessed valuation).
Scope of tax rate limit	- No municipality shall levy ad valorem taxes for real and tangible personal property in excess of ten mills of the assessed value, except for special benefits and debt service on obligations issued with the approval of those taxpayers subject to ad valorem taxes.
Taxes assessed	- January 1
Taxes due	- March 31
Taxes delinquent	- April 1
Discount allowed	- 4% November; 3% December, 2% January; 1% February
Penalties for delinquent	- 2.5% after April 1, increase .5% each ten days; maximum 5%
Tax collector	- Palm Beach County
Tax collector's commission	- None

Town of Palm Beach, Florida

Principal Property Tax Payers

September 30, 2007 and Nine Years Ago

	2007			
	Taxable			Percentage of
	Assessed	Taxes	Rank	Town Taxable
	Value			Assessed Value
Breakers	\$ 227,165,978	\$ 846,716	1	2.22%
Nelson Peltz	77,654,175	289,440	2	0.76%
Trump Properties LLC	56,039,392	208,875	3	0.55%
JV Associates	54,000,000	201,274	4	0.53%
Sydell Miller	46,122,910	171,914	5	0.45%
Everglades Club Inc.	38,498,260	143,495	6	0.38%
James Clark	38,404,904	143,147	7	0.37%
Casa Cajco, Inc.	34,140,678	127,252	8	0.33%
Irwin Kramer & Terry Allen	34,087,045	127,053	9	0.33%
Worth Avenue Associates LTD	34,000,000	126,728	10	0.33%
Thirty Eight East Corporation				
Abraham Gosman				
Sydney Spiegel Trust				
First Union National Bank				
Totals	<u>\$ 640,113,342</u>	<u>\$ 2,385,894</u>		<u>6.24%</u>

Source: Palm Beach County Property Appraiser

1998			
<u>Taxable Assessed Value</u>	<u>Taxes</u>	<u>Rank</u>	<u>Percentage of Town Taxable Assessed Value</u>
\$ 112,100,440	\$ 536,972	1	2.49%
26,681,185	127,806	4	0.59%
16,544,484	79,250	9	0.37%
34,000,000	162,863	3	0.76%
26,105,334	125,047	6	0.58%
26,600,000	127,417	5	0.59%
34,975,601	167,537	2	0.78%
22,501,775	107,785	7	0.50%
21,103,003	101,085	8	0.47%
15,939,729	76,353	10	0.35%
<u>\$ 336,551,551</u>	<u>\$ 1,612,115</u>		<u>7.49%</u>

Town of Palm Beach, Florida

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Net Tax Levy*	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Property Tax Collections	Collections as a Percent of Current Levy
1998	\$ 22,648,882	\$ 21,758,483	96.07%	\$ 36,111	\$ 21,794,594	96.23%
1999	23,743,569	22,763,823	95.87%	21,276	22,785,099	95.96%
2000	25,307,729	24,401,036	96.42%	19,382	24,420,418	96.49%
2001	27,216,139	26,280,565	96.56%	10,646	26,291,211	96.60%
2002	28,188,467	27,281,634	96.78%	43,368	27,325,002	96.94%
2003	31,072,246	29,815,341	95.95%	14,019	29,829,360	96.00%
2004	34,130,901	32,778,331	96.04%	57,193	32,835,524	96.20%
2005	36,908,773	35,539,136	96.29%	15,151	35,554,287	96.33%
2006	40,661,213	39,003,587	95.92%	5,187	39,008,774	95.94%
2007	44,882,990	43,096,605	96.02%	68,469	43,165,074	96.17%

Note: All property taxes are assessed and collected by Palm Beach County without charge to the Town. Collections are distributed in full as collected.

* Tax levy, net of allowance for discounts.

Town of Palm Beach, Florida

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Revenue Refunding Bonds	Revenue Bonds	Capital Leases				
1998	\$ 6,440,000	\$	\$	\$ 619,183	\$	7,059,183	N/A	\$ 725
1999	4,810,000			421,863		5,231,863	N/A	537
2000	3,080,000		23,530,000	214,904		26,824,904	2.54%	2,756
2001	2,515,000		23,530,000	685,812		26,730,812	2.53%	2,746
2002	1,935,000		23,530,000	639,774		26,104,774	2.47%	2,682
2003	1,325,000	18,385,000	6,130,000	484,711		26,324,711	2.49%	2,704
2004	680,000	18,275,000	6,065,000	349,422		25,369,422	2.40%	2,606
2005		18,045,000	5,945,000	263,838		24,253,838	2.30%	2,491
2006		14,685,000	5,825,000	179,201		20,689,201	1.94%	2,125
2007		11,225,000	5,700,000	91,297		17,016,297	1.60%	1,748

Note: Details about the Town's outstanding debt can be found in the notes to the financial statements.

Town of Palm Beach, Florida

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less:		Total	Percentage of Assessed Value of Taxable Property	Per Capita
		Amounts Available in Debt Service Fund				
1998	\$ 6,440,000	\$ 410,000		\$ 6,030,000	\$ 0.09%	\$ 620
1999	4,810,000	507,000		4,303,000	0.05%	443
2000	3,080,000	537,000		2,543,000	0.04%	273
2001	2,515,000	371,000		2,144,000	0.02%	222
2002	1,935,000	279,000		1,656,000	0.01%	171
2003	1,325,000	199,000		1,126,000	0.01%	116
2004	680,000	111,000		569,000	0.01%	59
2005	0	0		0	N/A	0
2006	0	0		0	N/A	0
2007	0	0		0	N/A	0

Note: The basis of assessed value is approximately one hundred percent (100%) of actual value. For each fiscal year ending September 30, property is valued as of January 1st of the preceding calendar year.

General Obligation Bonds were retired in 2005

Town of Palm Beach, Florida

Direct and Overlapping Governmental Activities Debt
September 30, 2007

	Total Outstanding	Percentage Applicable to Town of Palm Beach ⁽¹⁾	Amount Applicable to Town of Palm Beach
Direct:			
Town of Palm Beach	\$ 0	100.00%	\$ 0
Overlapping:			
Palm Beach County	\$ 313,515,000	7.45%	23,356,868
Palm Beach County School District	66,345,000	7.45%	4,942,703
Total overlapping debt	379,860,000		28,299,571
Total direct and overlapping debt payable from ad valorem taxes	\$ 379,860,000		\$ 28,299,571
Estimated population			9,744
Total direct and overlapping debt per capita			\$ 2,904

⁽¹⁾ Based on 2007 ratio of assessed taxable values.

Source: Finance Department, Town of Palm Beach, Florida
Palm Beach County Property Appraiser
School Board of Palm Beach County

Town of Palm Beach, Florida

Legal Debt Margin Information

Last Ten Fiscal Years

(dollars in thousands)

	Fiscal Year			
	1998	1999	2000	2001
Debt limit	\$ 235,806,432	\$ 248,010,388	\$ 272,277,473	\$ 301,905,169
Total net debt applicable to limit	6,029,508	4,302,787	2,642,603	2,143,460
Legal debt margin	<u>\$ 229,776,924</u>	<u>\$ 243,707,601</u>	<u>\$ 269,634,870</u>	<u>\$ 299,761,709</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>2.56%</u>	<u>1.73%</u>	<u>0.97%</u>	<u>0.71%</u>

The Town of Palm Beach has a 5% debt limit as a percent of assessed valuation per Section 7.01 of the Town Charter.

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 349,293,795	\$ 383,252,606	\$ 421,272,713	\$ 459,672,622	\$ 602,438,544	\$ 600,200,062
<u>1,656,079</u>	<u>1,125,981</u>	<u>568,576</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 347,637,716</u>	<u>\$ 382,126,625</u>	<u>\$ 420,704,137</u>	<u>\$ 459,672,622</u>	<u>\$ 602,438,544</u>	<u>\$ 600,200,062</u>
<u>0.47%</u>	<u>0.29%</u>	<u>0.13%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

Town of Palm Beach, Florida

Pledged Revenue Coverage

Last Six Fiscal Years

Fiscal Year	Non-Ad Valorem Revenue Available for Debt Coverage	Current Debt Service			Current Coverage
		Principal	Interest	Total	
		2002	\$ 16,021,287	\$ 0	
2003	16,863,400	0	1,211,858	1,211,858	13.92
2004	16,956,538	3,045,000	2,203,824	5,248,824	3.23
2005	18,398,896	3,370,000	1,884,144	5,254,144	3.50
2006	19,943,356	3,480,000	854,485	4,334,485	4.60
2007	21,720,573	3,585,000	750,354	4,335,354	5.01

The Town's revenue bonds are special obligations of the Town payable solely from and secured solely by non-ad valorem revenue and any unused bond proceeds and related investment income. The original revenue bonds were issued in May of 2000 and in April 20 03 refunding bonds were issued as well as additional bonds to finance the construction of a new Fire -Rescue facility and renovate Town Hall.

Town of Palm Beach, Florida

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population⁽¹⁾	Personal Income	Per Capita Personal Income⁽²⁾	Median Age⁽²⁾	Education Level in Years of Schooling	School Enrollment⁽²⁾	Unemployment Rate⁽³⁾
1998	9,722	N/A	\$ N/A	N/A	N/A	N/A	6.4%
1999	9,722	N/A	N/A	N/A	N/A	N/A	5.8%
2000	9,676	N/A	109,219	66.6	N/A	414	5.7%
2001	9,676	N/A	109,219	66.6	N/A	414	4.7%
2002	9,676	N/A	109,219	66.6	N/A	414	6.0%
2003	9,682	N/A	109,219	66.6	N/A	414	6.4%
2004	9,662	N/A	109,219	66.6	N/A	414	5.8%
2005	9,662	N/A	109,219	66.6	N/A	414	5.8%
2006	9,735	N/A	109,219	66.6	N/A	414	4.7%
2007	9,744	N/A	109,219	66.6	N/A	414	4.8%

Data Sources:

⁽¹⁾ The population for 1998 through 1999 and 2003 through 2007 was obtained from the University of Florida, Bureau of Economic Business Administration. The population for 2000 through 2002 was obtained from the 2000 U.S. Census Bureau count.

⁽²⁾ Source: 2000 U.S. Census Bureau

⁽³⁾ Source: Business Development Board of Palm Beach County. Data is for the West Palm Beach to Boca Raton metropolitan area.

N/A - Not Available

Town of Palm Beach, Florida

Principal Employers

September 30, 2007 and Nine Years Ago

	2007			1998		
	Employees ⁽¹⁾	Rank	Percentage of Total Town Employment ⁽²⁾	Employees	Rank	Percentage of Total Town Employment
Employer						
Breakers Hotel	2,200	1	16.07%	N/A		N/A
Four Seasons Resort	420	2	3.07%	N/A		N/A
Town of Palm Beach	415	3	3.03%	N/A		N/A
Everglades Club	360	4	2.63%	N/A		N/A
Testa's Palm Beach	221	5	1.61%	N/A		N/A
Publix	200	6	1.46%	N/A		N/A
Wachovia	168	7	1.23%	N/A		N/A
Bath and Tennis Club	150	8	1.10%	N/A		N/A
Colony Hotel	120	9	0.88%	N/A		N/A
Brazilian Court Hotel	120	10	0.88%	N/A		N/A
Totals	<u>4,374</u>		<u>31.95%</u>	<u>N/A</u>		<u>N/A</u>

Source: ⁽¹⁾ Various Town employers

⁽²⁾ Daytime Population Source (13,691) - Business Development Board of Palm Beach County

N/A - Not Available

Town of Palm Beach, Florida

Full-time Equivalent Town Government Employees by Function / Program

Last Five Fiscal Years

	Full-time Equivalent Employees as of September 30,				
	2003	2004	2005	2006	2007
General government	83.52	82.02	86.84	86.98	86.45
Public Safety					
Building official	1.00	1.00	1.00	1.00	1.00
Land development	8.40	8.90	8.90	10.40	10.90
Police officers	78.00	78.00	78.00	78.00	78.00
Firefighters	74.00	77.00	77.00	79.00	80.00
Civilian Police/Fire	58.25	58.20	59.20	59.20	59.20
Physical Environment					
Sanitation	44.26	44.26	44.27	44.27	44.24
Storm Sewer Maintenance	15.43	15.43	15.32	17.32	17.60
Transportation					
Roads and Streets	6.03	6.03	5.91	5.91	5.61
Culture and Recreation					
Leisure services	29.24	30.13	29.83	30.28	32.23
Total	398.13	400.97	406.27	412.36	415.23

Town of Palm Beach, Florida

Operating Indicators by Function / Program

Last Five Fiscal Years

Function	Fiscal Year				
	2003	2004	2005	2006	2007
Public Safety					
Police					
Physical arrests	1,791	1,617	2,151	2,134	1,889
Parking violations	23,948	23,591	23,060	23,328	21,835
Traffic violations	4,070	4,050	6,859	4,904	4,210
Fire					
Number of fire calls	1,101	1,471	1,853	1,220	1,364
Number of EMS Calls	1,499	1,383	1,429	1,074	1,644
Physical Environment					
Sanitation					
Refuse collected (tons)	10,131	10,407	10,891	10,744	10,534
Recyclables collected (tons)	1,730	1,736	1,758	1,751	1,780
Transportation					
Roads and Streets					
Street resurfacing (miles)	2	2	2	8	7
Pot holes repaired	50	50	50	50	46
Culture and Recreation					
Leisure Services					
Youth athletic participants	N/A	N/A	3,729	4,704	7,628
Camp program participants	N/A	N/A	4,567	6,339	10,089
Youth enrichment participants	N/A	N/A	5,262	5,260	6,263
Adult Enrichment/Fitness participants	N/A	N/A	3,729	4,704	9,202
Special Events Offered	5	5	5	5	7
Special Events participants	N/A	1,175	1,233	1,450	1,461
Tennis Participants	N/A	28,338	31,289	35,091	35,136
Rounds of Golf	35,426	35,468	33,875	31,118	28,952
Range buckets sold	20,717	20,258	20,456	21,080	19,180
Annual Marina Leases	81	81	82	82	82
Seasonal Marina Leases	3	3	2	2	2
Total transient vessels	809	655	785	696	681

Sources: Town departments

N/A: Not available.

Town of Palm Beach, Florida

Capital Asset Statistics by Function / Program

Last Ten Fiscal Years

Function	Fiscal Year					
	1998	1999	2000	2001	2002	2003
Public Safety						
Police						
Stations	1	1	1	1	1	1
Patrol Units	22	22	22	22	22	22
Fire						
Fire Stations	3	3	3	3	3	3
Fire trucks	7	7	7	7	7	7
ALS Rescue Vehicles	3	3	3	4	4	4
Physical Environment						
Sanitation						
Garbage Trucks	17	17	17	17	17	17
Trash Trucks	12	12	12	12	12	12
Transportation						
Roads and Streets						
Street lights	757	778	788	825	826	826
Lane miles	103	103	103	103	103	103
Culture and Recreation						
Leisure Services						
Ballfields - lighted	1	1	1	1	1	1
Basketball courts	1	1	1	1	1	1
Multi-purpose fields	1	1	1	1	1	1
Tennis courts	8	8	8	8	11	11
Dock slips	86	87	87	87	87	87
Golf courses	1	1	1	1	1	1
Playgrounds	1	1	1	1	1	1
Recreation centers	1	1	1	1	1	1
Tennis pro-shops	1	1	1	1	2	2
Parks	9	9	9	9	9	9

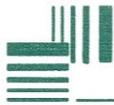
Sources: Town departments

Note: Data is not available for general government.

N/A: Not available.

Fiscal Year			
2004	2005	2006	2007
1	1	1	1
22	22	21	21
3	3	3	3
7	7	7	7
5	5	5	5
17	17	17	17
12	12	12	12
826	826	826	878
103	103	103	103
1	1	1	0
1	1	1	1
1	1	1	1
12	12	14	14
87	87	87	88
1	1	1	1
1	1	1	1
1	1	1	1
2	2	2	2
9	9	9	10

**COMPLIANCE REPORTS AND
MANAGEMENT LETTER**



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Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing Standards*

The Honorable Mayor and Members
of the Town Council
Town of Palm Beach
Palm Beach, Florida

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Palm Beach, Florida, as of and for the year ended September 30, 2007, which collectively comprise the basic financial statements of the Town of Palm Beach, Florida, and have issued our report thereon dated February 21, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Town's Police Officers' Retirement Trust Fund and Firefighters' Retirement Trust Fund, as described in our report on the Town of Palm Beach's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

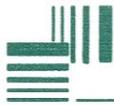
As part of obtaining reasonable assurance about whether the financial statements of the Town of Palm Beach, Florida, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

We noted certain matters that we reported to management of the Town of Palm Beach, Florida, in a separate letter dated February 21, 2008.

This report is intended solely for the information and use of the Town Council and management of the Town of Palm Beach, Florida, the Auditor General of the State of Florida, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Cale, Danten, Levine,
Dunker, Porter & Veil, P.A.*

February 21, 2008



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Independent Auditor's Report on Compliance With
Requirements Applicable to Each Major State Financial
Assistance Project and on Internal Control Over Compliance

To the Honorable Mayor and Members
of the Town Council
Town of Palm Beach, Florida

Compliance

We have audited the compliance of the Town of Palm Beach, Florida, with the types of compliance requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major state financial assistance projects for the year ended September 30, 2007. The major state financial assistance projects of the Town of Palm Beach, Florida, are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state financial assistance projects is the responsibility of the management of the Town of Palm Beach, Florida. Our responsibility is to express an opinion on compliance by the Town of Palm Beach, Florida, based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. Those standards, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state financial assistance project occurred. An audit includes examining, on a test basis, evidence about compliance by the Town of Palm Beach, Florida, with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of compliance by the Town of Palm Beach, Florida, with those requirements.

In our opinion, the Town of Palm Beach, Florida, complied, in all material respects, with the requirements referred to above that are applicable to its major state financial assistance projects for the year ended September 30, 2007.

Internal Control Over Compliance

The management of the Town of Palm Beach, Florida, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to state financial assistance projects. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major state financial assistance project to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the internal control over compliance of the Town of Palm Beach, Florida.

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

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

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

This report is intended solely for the information and use of the Town Council and management of the Town of Palm Beach, Florida, the Auditor General of the State of Florida, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Cale, Danten, Levine,
Dunker, Porter & Veil, P.A.*

February 21, 2008

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Year Ended September 30, 2007

Grantor/ Program Title	CFDA Number	Contract/Grantor Number	2007 Program Expenditures	Transfers to Subrecipients
STATE FINANCIAL ASSISTANCE				
Florida Department of Environmental Protection				
Direct Awards				
Beach Erosion Control Program	37.003	00PB1	\$ 30,375	\$
Beach Erosion Control Program	37.003	06PB4	24,477	
Beach Erosion Control Program	37.003	07PB1	191,050	
2004 Hurricane Recovery Plan Grant Program	37.065	H5PB2	<u>268,035</u>	
Total Florida Department of Environmental Protection			<u>\$ 513,937</u>	<u>\$ 0</u>

See notes to schedule of expenditures of state financial assistance.

TOWN OF PALM BEACH, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES
OF STATE FINANCIAL ASSISTANCE

September 30, 2007

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Financial Assistance includes the state grant activity of the Town of Palm Beach, Florida (the "Town"), and is presented in accordance with requirements of the Florida Single Audit Act and Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Grant expenditures are presented on the modified accrual basis of accounting.

NOTE B - SCOPE OF AUDIT

The Town did not receive federal awards in excess of \$500,000 and is not required to have an audit of federal funds in accordance with the provisions of OMB Circular A-133. State Financial Assistance Projects have been audited in accordance with the Florida Single Audit Act and Chapter 10.550 of the Rules of the Auditor General. The Town had two state financial assistance projects with expenditures meeting the definition of a Type A program under the provisions of the Florida Single Audit Act. The following Type A projects were audited as major State financial assistance projects:

<u>State Project</u>	<u>State CSFA No.</u>
Florida Department of Environmental Protection Beach Erosion Control Program	37.003
2004 Hurricane Recovery Plan Grant Program	37.065

NOTE C - LOCAL MATCH EXPENDITURES

Local match expenditures of \$456,641 were required for the state financial assistance projects. The Town met all required match expenditures prior to receiving grant reimbursements.

NOTE D - CONTINGENCY

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the State of Florida. Any disallowed claims, including amounts already received, might constitute a liability of the Town for the return of those funds. In the opinion of management, all grant expenditures were in compliance with the terms of the grant agreements and applicable State laws and regulations.

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
STATE FINANCIAL ASSISTANCE PROJECTS

Year Ended September 30, 2007

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unqualified Opinion*
Internal control over financial reporting:
Material weakness(es) identified? Yes No
Significant deficiency(ies) identified that are not
considered to be material weakness? Yes None reported
Noncompliance material to financial statements noted? Yes No

State Financial Assistance Projects

Internal control over major State Financial Assistance Projects:
Material weakness(es) identified? Yes No
Significant deficiency(ies) identified that are not
considered to be material weakness? Yes None reported

Type of auditor's report issued on compliance for major State
Financial Assistance Projects: *Unqualified Opinion*

Any audit findings disclosed that are required to be
reported in accordance with Rule 10.557,
Rules of the Auditor General? Yes No

Identification of major state financial assistance projects:

State Projects

State CSFA No.

Florida Department of Environmental Protection	
Direct awards	
Beach Erosion Control Program	37.003
2004 Hurricane Recovery Plan Grant Program	37.065

Dollar threshold used to distinguish between Type A and
Type B programs: \$ 156,832

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
STATE FINANCIAL ASSISTANCE PROJECTS

Year Ended September 30, 2007

SECTION II - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

<u>Finding Number</u>	<u>Finding</u>
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2007-1 Account Miscodings

Criteria: Internal controls should provide for adequate reviews and approvals to ensure that transactions are properly recorded.

Condition: We noted several instances of miscoding and misposting of accounting information in the general ledger. For example, grant receipts received during the year were all posted to current grant revenue rather than to the grants receivable accounts.

Effect: This example resulted in an overstatement of grant revenue. Other mispostings resulted in improperly stated account balances.

Recommendation: Procedures should be implemented to review transactions for accuracy and completeness. In addition, the financial statements should be reviewed on a monthly basis for items that appear to be unusual

Management Response: The FEMA grant receipts that were coded to revenue instead of receivable were thought to be receipts resulting from the increase of Federal cost sharing for Hurricane Wilma and therefore new revenue rather than a payment against a receivable. Until the FEMA projects are finalized through the official close-out process, there will be a receivable balance attributable to FEMA. Balance sheet accounts will be reviewed for unusual items on a monthly basis.

2007-2 Journal Entries

Criteria: Internal controls should provide for procedures to ensure all journal entries are accounted for and properly recorded.

Condition: During our procedures related to the preparation and posting of journal entries during the fiscal year, we noted 28 journal entry numbers that were missing from the journal entry file. Of the 28 journal entry numbers, nine journal entries were subsequently found to have been issued, but were misfiled. The remaining 19 journal entry numbers were apparently never used.

Effect: Because the sequence of prenumbered journal entries is not accounted for, it is not possible to know if all journal entries have been properly recorded.

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
STATE FINANCIAL ASSISTANCE PROJECTS

Year Ended September 30, 2007

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

<u>Finding Number</u>	<u>Finding</u>
---------------------------	----------------

Recommendation: We recommend that the journal entry log be reviewed at the end of each month for sequentially issued journal entries and for proper inclusion of documentation and approvals.

Management Response: Prior to the implementation of the EDEN software system, journal entries were written on pre-numbered forms. These forms could be misplaced or misfiled. On the new EDEN software system, journal entries are entered into the system directly and backup for the entry is scanned into the system and attached to the entry. Each of the journal entries are numbered by the software automatically. We have eliminated the need to keep manual files of paper journal entries.

2007-3 Timely Recording of Grant Reimbursement Requests

Criteria: Internal controls should provide for the timely recording of transactions in order for accurate financial reporting to take place.

Condition: The Town records grant revenue at the time they prepare the corresponding grant reimbursement request. Since these are not being prepared and submitted on a timely basis, revenue is not being recorded timely. These reimbursement requests should be prepared when the expenditures are incurred. A State grant reimbursement request for the quarter ending September 30, 2007 was not completed until January 15, 2008.

Effect: Since the Town records grant revenue at the time the reimbursement request is prepared, the financial statements are misstated to the extent these requests are not prepared timely. In addition, this results in a delay in the Town receiving its reimbursement.

Recommendation: We recommend that the Finance department maintain a log of all outstanding grants and request monthly or quarterly reimbursement information from the department handling the grant. It is imperative that such information be submitted to the Finance department on a timely basis if accurate financial statements are to be prepared.

Management Response: After a review of prior year grant reimbursement requests submitted to the State of Florida, it was determined by the Town Engineer that all expenses eligible for reimbursement had not been claimed by the Town in the past. The Town Engineer and the Accounting Supervisor worked together to review prior year

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
STATE FINANCIAL ASSISTANCE PROJECTS

Year Ended September 30, 2007

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

<u>Finding Number</u>	<u>Finding</u>
----------------------------------	-----------------------

claims, copy invoices and amend the grant reimbursement forms. This process involved a lot of staff time and caused the delay in the quarterly reports. The Finance Department currently maintains a log of all outstanding grants, but will start requesting quarterly reports from the appropriate department.

SECTION III - STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

None

SECTION IV - OTHER MATTERS

1. A summary Schedule of Prior Audit Findings is not required because there were no prior audit findings related to State Financial Assistance.



TOWN OF PALM BEACH

Finance Department

CORRECTIVE ACTION PLAN

The Town of Palm Beach, Florida, respectfully submits the following corrective action plan for the fiscal year ended September 30, 2007. The findings from the schedule of findings and questioned costs for the year ended September 30, 2007 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule of findings and questioned costs.

A. FINANCIAL STATEMENT FINDINGS

<u>Finding Number</u>	<u>Finding</u>
-----------------------	----------------

2007-1	Account Miscodings
---------------	---------------------------

Criteria: Internal controls should provide for adequate reviews and approvals to ensure that transactions are properly recorded.

Condition: We noted several instances of miscoding and misposting of accounting information in the general ledger. For example, grant receipts received during the year were all posted to current grant revenue rather than to the grants receivable accounts.

Effect: This example resulted in an overstatement of grant revenue. Other mispostings resulted in improperly stated account balances.

Recommendation: Procedures should be implemented to review transactions for accuracy and completeness. In addition, the financial statements should be reviewed on a monthly basis for items that appear to be unusual

Action Taken: The FEMA grant receipts that were coded to revenue instead of receivable were thought to be receipts resulting from the increase of Federal cost sharing for Hurricane Wilma and therefore new revenue rather than a payment against a receivable. Until the FEMA projects are finalized through the official close-out process, there will be a receivable balance attributable to FEMA. Balance sheet accounts will be reviewed for unusual items on a monthly basis.

A. FINANCIAL STATEMENT FINDINGS – SIGNIFICANT DEFICIENCIES (Continued)

**Finding
Number**

Finding

2007-2 Journal Entries

Criteria: Internal controls should provide for procedures to ensure all journal entries are accounted for and properly recorded.

Condition: During our procedures related to the preparation and posting of journal entries during the fiscal year, we noted 28 journal entry numbers that were missing from the journal entry file. Of the 28 journal entry numbers, nine journal entries were subsequently found to have been issued, but were misfiled. The remaining 19 journal entry numbers were apparently never used.

Effect: Because the sequence of prenumbered journal entries is not accounted for, it is not possible to know if all journal entries have been properly recorded.

Recommendation: We recommend that the journal entry log be reviewed at the end of each month for sequentially issued journal entries and for proper inclusion of documentation and approvals.

Action Taken: Prior to the implementation of the EDEN software system, journal entries were written on pre-numbered forms. These forms could be misplaced or misfiled. On the new EDEN software system, journal entries are entered into the system directly and backup for the entry is scanned into the system and attached to the entry. Each of the journal entries are numbered by the software automatically. We have eliminated the need to keep manual files of paper journal entries.

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Effect: Since the Town records grant revenue at the time the reimbursement request is prepared, the financial statements are misstated to the extent these requests are not prepared timely. In addition, this results in a delay in the Town receiving its reimbursement.

Recommendation: We recommend that the Finance department maintain a log of all outstanding grants and request monthly or quarterly reimbursement information from the department handling the grant. It is imperative that such information be submitted to the Finance department on a timely basis if accurate financial statements are to be prepared.

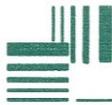
Action Taken: After a review of prior year grant reimbursement requests submitted to the State of Florida, it was determined by the Town Engineer that all expenses eligible for reimbursement had not been claimed by the Town in the past. The Town Engineer and the Accounting Supervisor worked together to review prior year claims, copy invoices and amend the grant reimbursement forms. This process involved a lot of staff time and caused the delay in the quarterly reports. The Finance Department currently maintains a log of all outstanding grants, but will start requesting quarterly reports from the appropriate department.

If you have any additional questions concerning this corrective action plan adopted by the Town, please contact me at extension 4724.

Sincerely,

A handwritten signature in cursive script that reads "Jane Struder".

Jane Struder, CPA
Finance Director



CALER, DONTEN, LEVINE, DRUKER, PORTER & VEIL, P.A.

WILLIAM K. CALER, JR., CPA
LOUIS M. COHEN, CPA
JOHN C. COURTNEY, CPA, JD
DAVID S. DONTEN, CPA
SCOTT D. DRUKER, CPA, JD
JAMES B. HUTCHISON, CPA
JOEL H. LEVINE, CPA
JAMES F. MULLEN, IV, CPA
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CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Management Letter

The Honorable Mayor and
Members of the Town Council
Town of Palm Beach
Palm Beach, Florida

We have audited the basic financial statements of the Town of Palm Beach, Florida, as of and for the year ended September 30, 2007, and have issued our report thereon dated February 21, 2008.

We conducted our audit in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated February 21, 2008, should be considered in assessing the results of our audit. Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in the management letter.

CURRENT YEAR COMMENTS AND RECOMMENDATIONS

The Rules of the Auditor General require disclosure in the management letter of the following matters if not already addressed in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, unless clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures; (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit for the year ended September 30, 2007 disclosed no such matters that are required to be disclosed. The Rules of the Auditor General also require that we address in the management letter any other findings or recommendations noted during our audit. Accordingly, we present the following comments and recommendations for your consideration.

(2007-4) Travel Expenditures

The Town's travel policy states that employees will complete an estimated travel expense form prior to travel. In our sample of ten travel expenditures, we noted that four employees did not prepare and submit an estimated travel expense form. If the purpose of this form is to obtain approvals for travel and therefore, control expenditures, then the policy should be enforced. If the policy is for some other purpose, then management should reevaluate the policy to see if it should be changed.

(2007-5) Information Systems

Physical Facilities

The Town's server room has a water-based sprinkler system, which would put out any fires, but could destroy or damage the electronic computer equipment. Consideration should be given to replacing the sprinkler system with some type of gas based extinguishing system that would not damage the electronic components.

Data Protection

The Town's financial data backups are currently not encrypted. We recommend that financial data backups be encrypted to protect the information in the event of theft or loss.

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

The Rules of the Auditor General require that we address in the management letter, if not already addressed in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, whether or not inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules, regulations and contractual provisions reported in the preceding annual financial audit report have been corrected. Additionally, the Rules of the Auditor General require that we address in the management letter, if not already addressed in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, whether or not recommendations made in the preceding management letter have been followed or otherwise no longer apply. We noted that our recommendations related to comments (2006-1) Segregation of Duties, (2006-2) Accounting Process and Review, (2006-3) Purchasing, (2006-5) Investments, (2006-6) Fixed Assets, (2006-7) Information Systems included in our management letter dated January 5, 2007 for the year ended September 30, 2006 were adequately addressed or no longer apply. Comment (2006-4) Purchasing Cards was partially implemented but has one item that still requires attention as described below.

(2006-4) Purchasing Cards

The Town's purchasing policy requires two verbal quotes for all purchases between \$1,000 and \$2,000. In the prior year, we noted one purchase in our sample that was within this range, but for which no verbal quotes were obtained. During the current year, we noted three purchases within this range that did not have the required verbal quotes. We recommend that the Town follow-up and document all violations of this policy.

OTHER REQUIRED INFORMATION

Consideration of Financial Emergency Criteria

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit, we determined that the Town of Palm Beach, Florida, has not met any of the conditions described in Section 218.503(1), Florida Statutes during the fiscal year ended September 30, 2007, and therefore, is not considered to be in a state of financial emergency.

Financial Condition Assessment Procedures

In connection with our audit, we applied financial condition assessment procedures, pursuant to Rule 10.556(7), Rules of the Auditor General, for the year ended September 30, 2007. The results of our procedures disclosed no matters that are required to be reported.

Annual Financial Report

In connection with our audit, we reviewed the Annual Financial Report of Units of Local Government filed by the Town of Palm Beach, Florida, with the Department of Financial Services pursuant to Section 218.32, Florida Statutes, for the fiscal year ended September 30, 2007. We noted that the amounts reported in the annual financial report were in substantial agreement with the audited financial statements for the year ended September 30, 2007.

Investment of Public Funds

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town of Palm Beach, Florida, complied with Section 218.415, Florida Statutes, for the year ended September 30, 2007.

This report is intended solely for the information and use of the Town Council and management of the Town of Palm Beach, Florida, state awarding and pass-through agencies, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Cale, Danten, Levine,
Dunker, Porter & Veil, P.A.*

February 21, 2008



TOWN OF PALM BEACH

Finance Department

March 3, 2008

Mayor and Town Council
Peter B. Elwell, Town Manager

Subject: Management Letter responses

The following are comments and recommendations from the Town's auditing firm of Caler, Donten, Levine, Druker, Porter & Veil, P.A., that involve matters that they did not consider to be material weaknesses or material instances of noncompliance under standards established by the American Institute of Certified Public Accountants. Several comments are addressed in our corrective action plan. The remaining comments and responses by Town staff are as follows.

(2007-4) Travel Expenditures

The Town's travel policy states that employees will complete an estimated travel expense form prior to travel. In our sample of travel expenditures, we noted that not all employees prepare and submit an estimated travel expense form. If the purpose of this form is to obtain approvals for travel and therefore, control expenditures, then the policy should be enforced. If the policy is for some other purpose, then management should reevaluate the policy to see if it should be changed.

Management response: The purpose of the estimated travel expense form is to obtain approvals for travel. All directors will be reminded of this policy and we will notify departments when there is a violation of this policy for appropriate department action.

(2007-5) Information Systems

Physical Facilities

The Town's server room has a water-based sprinkler system, which would put out any fires, but could destroy or damage the electronic computer equipment. Consideration should be given to replacing the sprinkler system with some type of gas based extinguishing system that would not damage the electronic components.

Data Protection

The Town's financial data backups are currently not encrypted. We recommend that financial data backups be encrypted to protect the information in the event of theft or loss.

Management response:

Physical Facilities

The computer rooms in Town Hall and the EOC have water based fire control systems. We will explore alternative options during the Town Hall renovation to determine if a gas based system could be economically installed.

Data Protection

The Town does not encrypt the data backups because by doing so, the risk of not being able to retrieve the data because of encryption problems is too great. The data backups are there for the sole purpose of being able to retrieve the data when it is most critical. The Office of Information Systems feels that the encryption methods that are available are not reliable enough for safe and effective restores.

(2006-4) Purchasing Cards

The Town's purchasing policy requires two verbal quotes for all purchases between \$1,000 and \$2,000. In the prior year, we noted one purchase in our sample that was within this range, but for which no verbal quotes were obtained. During the current year, we noted three purchases within this range that did not have the required verbal quotes. We recommend that the Town follow-up and document all violations of this policy.

Management response: The Town checks for violations of purchasing card policies each month when the statement is reconciled. The Department Director is notified of any violations and appropriate action is taken. We will remind all cardholders of the purchasing limits and make sure that all violations are reported to the applicable Director.

If you require any further information or have any questions regarding the audit or the Management Letter please contact me at my extension 4724.

Sincerely,



Jane Struder, CPA
Finance Director