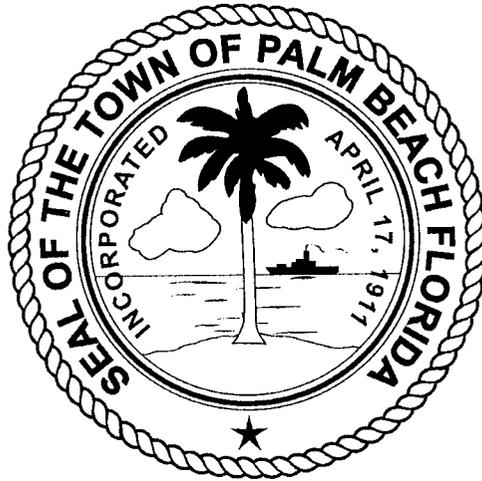


COMPREHENSIVE ANNUAL FINANCIAL REPORT  
TOWN OF PALM BEACH, FLORIDA  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008



Prepared by the Finance Department

Jane Struder, CPA  
Finance Director



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TOWN OF PALM BEACH, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2008

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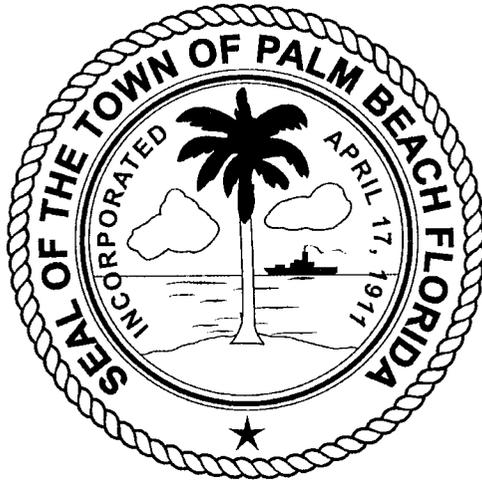
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# TOWN OF PALM BEACH

Finance Department

February 20, 2009

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, 2008, 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, 2008. 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 9,797 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 410 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.

The Florida Legislature enacted House Bill 1B in 2007 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 for FY08 was 5% due to reductions in the millage rate that were adopted since 2002.

For future budgets, including FY09, 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%.

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 5.9% to \$12,619,015,444 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 2008 the following accomplishments occurred:

- The Town-wide storm drainage improvements continued in FY08. The D-8 Basin/Country Club Road project expanded the capacity of the storm drains in the Country Club Road, Slope Trail, Ridgeview Drive and Fairview Road areas. Storm drains and sanitary sewer mains on Sanford Avenue were expanded and also included new curb, gutter and pavement. The drainage system was rebuilt on South Woods Road between North Lake Way and East Woods Road and included additional inlets, new curbing and pavement.
- Storm drain improvements were made on North Ocean Blvd, from Onondaga to Manana, Bermuda Lane, Everglade Avenue, Seabreeze Avenue, Regent Park and LaPuerta Way.

- Water mains in Sanford Avenue and South Woods Road were replaced during the storm drain projects. Replacement mains in North County Road, Country Club Road, Slope Train and Fairview Road were completed.
- The renovation of Town Hall began in August 2008. This project is expected to take 18 - 24 months.
- The planned renovation of the Par 3 golf course includes three initiatives: renovation of the Golf Course, the installation of an alternative water source and a new irrigation system, and the construction of a new club house. The Town has committed \$2 million from the Recreation Enterprise Fund and a citizen's committee is in the process of raising \$4 million in private monies to fund the project.
- The renovation of the Seaview Tennis Complex was completed in 2008.
- A natural turf replacement plan to ensure a safe and consistent playing surface for the various sports that take place at Seaview Park was completed in August 2008.
- The plans and specifications for the Fuel Tank Replacement Program were substantially complete as of late FY08.
- The financial package, (including general ledger, payroll, purchasing, accounts receivable and fixed assets) of the new enterprise wide software Tyler Technologies, EDEN was implemented during 2008.
- 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 2008. During a series of meetings to discuss the options for cost reductions and revenue enhancements, the Town Council approved cost saving measures totaling \$461,416 and non-tax revenue enhancements totaling \$197,940.
- All funds from the State Board of Administration were liquidated before the fund was frozen in November 2007. These funds have been reinvested in an Evergreen Investments Institutional U.S. Government Money Market Fund.

*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 2009.

- Construct Reach 8 Beach Restoration Project and provide for truncated portion.
- Commence construction of upgraded sand transfer plant at Lake Worth Inlet and obtain Federal funding for pipeline extension.
- Adopt a long-term plan defining the future scope and financing of the Town's coastal protection program.
- Adopt a budget that maintains the Town's high levels of service while complying with the severe state-imposed caps on budget growth. If this cap is exceeded, be very explicit about the specific reasons for Town Council vote to override.

- Address water quality and quantity issues to improve service provided by West Palm Beach (short and long term) and consider options for water independence or alternative suppliers (long term).

### *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 re-appropriated as part of the following year's budget.

**Cash Management:** The Town invests its excess reserves primarily in an Evergreen Investments Institutional U.S. Government Money Market Fund, the Florida League of Cities Investment Trust and a \$2 million U.S. Treasury obligation. As of September 30, 2008, the investments with the Evergreen Money Market Fund totaled \$64,550,723 and the Florida League of Cities Investment Trust balance was \$29,683,852. The Town generated investment earnings of \$2,835,664 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 Fund:** 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.

**Internal Service Funds:** The Town maintains three internal service funds. Two of these funds account for the Town's risk management activities, while the third internal service fund accounts for the accumulation of resources to be used for the acquisition of major capital equipment and vehicles.

#### **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 Kreusler 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, Porter & Veil, P.A., performed this audit for fiscal year 2008. 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, 2007. This was the 20<sup>th</sup> 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

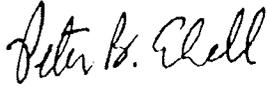
Town believes the current report continues to conform to the Certificate of Achievement Program requirements, and we are therefore submitting this year's report to the GFOA.

The Town also received the GFOA Award for Distinguished Budget Presentation for the Town's budget for the fiscal year ended September 30, 2008.

**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, 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, 2007

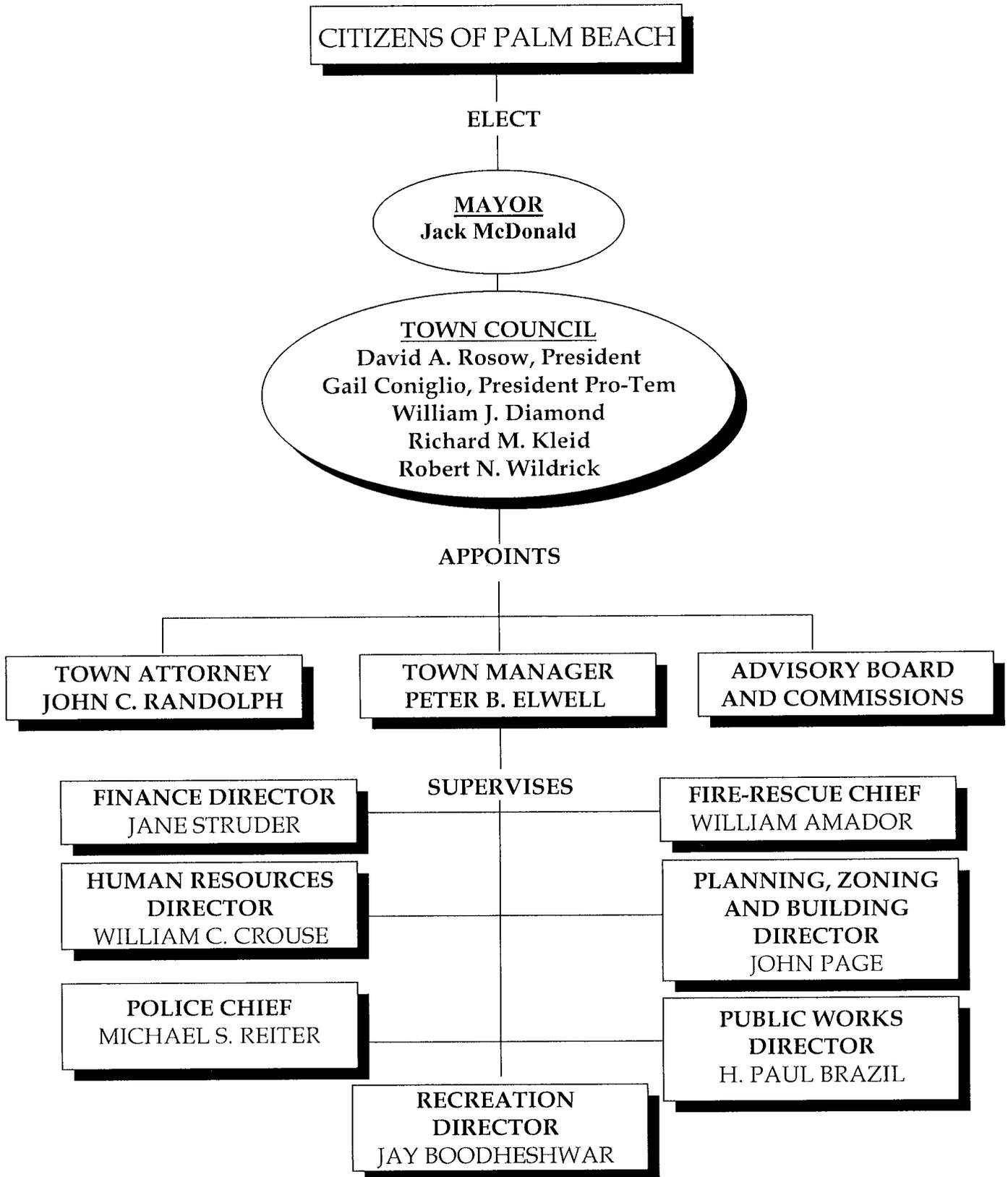
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# TOWN OF PALM BEACH ORGANIZATIONAL STRUCTURE



Note: Organizational structure as of February 10, 2009



CERTIFIED PUBLIC ACCOUNTANTS

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THOMAS A. PENCE, JR., CPA  
SCOTT L. PORTER, CPA  
MARK D. VEIL, CPA

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF  
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, 2008, 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 58% and 44%, 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. The financial statements of the Firefighters' Retirement System and the Police Officers' Retirement System were not audited in accordance with *Government Auditing Standards*. 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, 2008, 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 18, 2009, 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 13 and 58 through 62, 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 combining and individual fund financial statements and schedules 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.

*Caler, Donten, Levine,  
Porter & Veil, P.A.*

February 18, 2009

## 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, 2008. 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 \$185,670,471 (net assets). Of this amount, \$95,392,584 (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 \$62,408,188 an increase of \$5,637,700 in comparison with the prior year. Approximately 37% 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 \$31,858,624. The undesignated fund balance is \$23,005,185.
4. The Town's total government-wide revenue was \$74,612,345, while total expenses were \$70,907,305.
5. Governmental Activities generated \$68,035,640 in revenue (excluding transfers) with \$67,457,302 in expenses.
6. Business-type Activities generated \$6,576,705 in revenue (excluding transfers) with \$3,450,003 in expenses.
7. The Town's long-term debt increased by \$7,689,568 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 14-16 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 nine 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, beach restoration project fund, and the Town facilities fund all of which are considered major funds. Data for the other five 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 17-20 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 with 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 Recreation Enterprise 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 21-23 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 fund 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 24-25.

*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 26-57 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 58-62 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 63-80 of this report.

### **Government-wide Financial Analysis**

**Net assets.** On the following page, is a summary of the fiscal year 2008 Statement of Net Assets found on page 14 and comparative information for fiscal year 2007.

**Town of Palm Beach, Florida**  
**Net Assets**  
**September 30, 2008 and 2007**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>ASSETS</b>						
Current and other assets	\$117,932,238	\$109,428,687	\$ 7,319,674	\$ 5,646,057	\$125,251,912	\$115,074,744
Capital assets, net	<u>90,891,944</u>	<u>88,112,984</u>	<u>12,635,374</u>	<u>10,971,879</u>	<u>103,527,318</u>	<u>99,084,863</u>
Total assets	208,824,182	197,541,671	19,955,048	16,617,936	228,779,230	214,159,607
<b>LIABILITIES</b>						
Current liabilities	13,202,690	10,768,085	1,534,741	717,948	14,737,431	11,486,033
Long-term liabilities	<u>28,184,604</u>	<u>20,495,036</u>	<u>186,724</u>	<u>213,107</u>	<u>28,371,328</u>	<u>20,708,143</u>
Total liabilities	41,387,294	31,263,121	1,721,465	931,055	43,108,759	32,194,176
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	75,658,381	71,453,781	12,635,374	10,971,879	88,293,755	82,425,660
Restricted	1,184,132	276,523	800,000		1,984,132	276,523
Unrestricted	<u>90,594,375</u>	<u>94,548,246</u>	<u>4,798,209</u>	<u>4,715,002</u>	<u>95,392,584</u>	<u>99,263,248</u>
Total net assets	<u>\$167,436,888</u>	<u>\$166,278,550</u>	<u>\$ 18,233,583</u>	<u>\$ 15,686,881</u>	<u>\$185,670,471</u>	<u>\$181,965,431</u>

Net assets may serve over time as a useful indicator of a government's financial position. At September 30, 2008, the Town's assets exceeded liabilities by \$185,670,471. Net assets increased by \$3,705,040 as a result of a \$1,158,338 increase in governmental activities and an increase of \$2,546,702 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 \$95,392,584.

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 \$88,293,755. 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, 2008, as compared to September 30, 2007:

**Town of Palm Beach, Florida**  
**Changes in Net Assets**  
**For the Fiscal Years Ended September 30, 2008 and 2007**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 12,129,355	\$ 11,374,601	\$ 4,523,039	\$ 4,291,969	\$ 16,652,394	\$ 15,666,570
Operating grants and contributions	2,970,481	1,552,349			2,970,481	1,552,349
Capital grants and contributions	421,732	3,185,562	1,884,649		2,306,381	3,185,562
General revenue:						
Property taxes	41,457,249	43,096,605			41,457,249	43,096,605
Local option gas tax	337,785	360,853			337,785	360,853
Franchise fees	2,447,544	2,478,487			2,447,544	2,478,487
Utility service taxes	4,496,507	4,105,957			4,496,507	4,105,957
Intergovernmental	1,108,340	1,249,609			1,108,340	1,249,609
Investment earnings	2,666,647	4,891,708	169,017	333,243	2,835,664	5,224,951
Gain on sale of capital assets		51,565				51,565
Total revenue	<u>68,035,640</u>	<u>72,347,296</u>	<u>6,576,705</u>	<u>4,625,212</u>	<u>74,612,345</u>	<u>76,972,508</u>
<b>Expenses</b>						
General						
government	14,194,382	11,620,148			14,194,382	11,620,148
Public safety	29,688,750	30,526,540			29,688,750	30,526,540
Physical						
environment	19,802,683	15,169,120			19,802,683	15,169,120
Transportation	1,131,044	864,359			1,131,044	864,359
Culture and recreation	1,814,544	1,854,023			1,814,544	1,854,023
Interest on long-term debt	825,899	913,297			825,899	913,297
Recreation						
Enterprise			3,450,003	3,546,363	3,450,003	3,546,363
Total expenses	<u>67,457,302</u>	<u>60,947,487</u>	<u>3,450,003</u>	<u>3,546,363</u>	<u>70,907,305</u>	<u>64,493,850</u>
<b>Increase in Net Assets</b>						
<b>Before Transfers</b>	578,338	11,399,809	3,126,702	1,078,849	3,705,040	12,478,658
Transfers	580,000	474,920	(580,000)	(474,920)	0	0
Increase in net assets	<u>1,158,338</u>	<u>11,874,729</u>	<u>2,546,702</u>	<u>603,929</u>	<u>3,705,040</u>	<u>12,478,658</u>
Net assets at beginning 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>
Net assets at end of year	<u>\$167,436,888</u>	<u>\$166,278,550</u>	<u>\$18,233,583</u>	<u>\$15,686,881</u>	<u>\$185,670,471</u>	<u>\$181,965,431</u>

The Town's combined net assets increased by \$3,705,040 or 2.0% during 2008. This improvement can be attributed to governmental activities that increased \$1,158,338 or 31% of the total growth in net assets of the Town and business-type activities that increased \$2,546,702 or 69% of the total growth in net assets. The increase in net assets of the governmental activities is attributable to cost savings measures in governmental operations and the increase in net assets of the business-type activity is a result of donations received for the Par 3 renovation project.

### Financial Analysis

**Governmental funds.** The fund financial statements for the governmental funds are provided on pages 17-20. 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 \$62,408,188, which increased by \$5,637,700 from September 30, 2007. This increase was primarily due to revenue note proceeds to finance the Town Hall renovation project, net of related capital outlays.

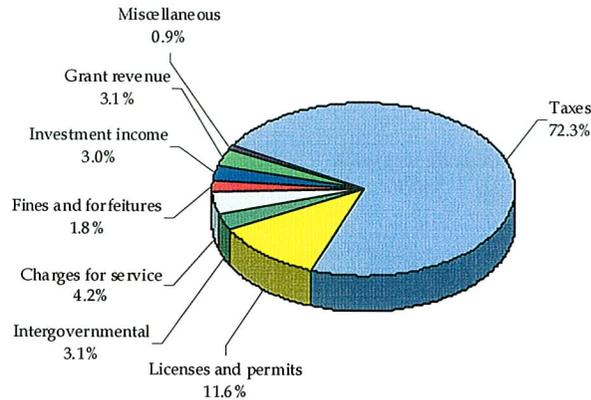
The following schedule presents a summary of all governmental fund revenue for the fiscal year ended September 30, 2008, and the amount and percentage of increases and decreases in relation to prior year revenues:

	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2007</u>	<u>Percent Increase (Decrease)</u>
<b>Revenue</b>				
Taxes	\$ 48,739,085	72.3%	\$ (1,302,817)	(2.6)%
Licenses and permits	7,835,468	11.6	688,085	9.6
Intergovernmental	2,107,927	3.1	(204,309)	(8.8)
Charges for services	2,808,298	4.2	359,469	14.7
Fines and forfeitures	1,194,275	1.8	(378,010)	(24.0)
Investment income	2,036,192	3.0	(1,582,454)	(43.7)
Grant revenue	2,070,335	3.1	(1,243,314)	(37.5)
Miscellaneous	<u>613,605</u>	<u>0.9</u>	<u>45,866</u>	8.1
<b>Total Revenue</b>	<u>\$ 67,405,185</u>	<u>100.0%</u>	<u>\$ (3,617,484)</u>	(5.1)%

The most significant changes in revenue and other financing sources are described below:

- Property taxes decreased due to property tax reform measures implemented by the State of Florida.
- License and permit revenue increased due to an increase in building permit activity.
- Intergovernmental revenue decreased due to declines in sales tax revenue and a reduction in the County 911 reimbursement.
- Charges for services increased due to increases in false alarm fees and special detail usage as well as higher parking meter rates.
- Fine and forfeiture income declined due to a large code enforcement fine received in FY2007.
- Investment income decreased due to lower rates of return on investments.
- Grant revenue decreased due to funding received in FY2007 for the beach restoration projects.
- Miscellaneous revenue increased due to higher receipts for charitable solicitation permits, state highway maintenance receipts and higher receipts for the rooftop leases.

## Revenues by Source Governmental Funds



The following schedule presents a summary of all governmental funds expenditures for the fiscal year ended September 30, 2008, and the percentage of increases and decreases in relation to prior year amounts:

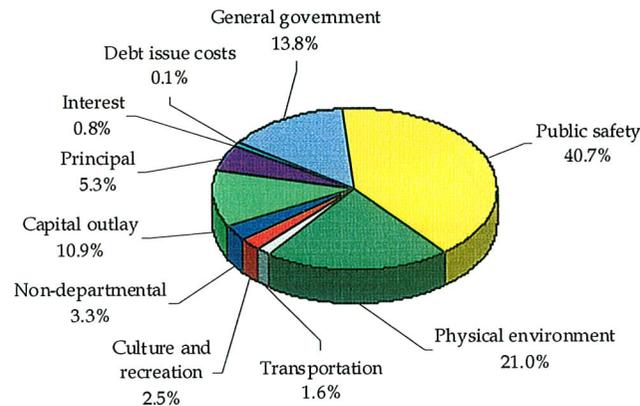
Expenditures	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2007</u>	<u>Percent Increase (Decrease)</u>
<b>Current:</b>				
General government	\$ 9,986,924	13.8%	\$ 1,054,620	11.8%
Public safety	29,464,707	40.7	1,005,763	3.5
Physical environment	15,175,670	21.0	2,401,861	18.8
Transportation	1,160,600	1.6	321,792	38.4
Culture and recreation	1,829,385	2.5	80,605	4.6
Non-departmental	2,414,968	3.3	194,767	8.8
<b>Capital Outlay</b>	<b>7,859,165</b>	<b>10.9</b>	<b>(230,609)</b>	<b>(2.9)</b>
<b>Debt Service:</b>				
Principal	3,811,297	5.3	138,393	3.8
Interest	614,269	0.8	(149,405)	19.6
<b>Debt Issue Costs</b>	<b>30,500</b>	<b>0.1</b>	<b>30,500</b>	<b>100.0</b>
<b>Total Expenditures</b>	<b><u>\$ 72,347,485</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 4,848,287</u></b>	<b><u>7.2%</u></b>

Total expenditures increased 7.2% from FY2007. The reasons for the major increases and decreases are as follows:

- General government expenditures increased due to increased legal costs and increases in benefit costs.
- Public safety expenditures increased due to the purchase of electronic chalking equipment and increases in pension costs.
- Physical environment costs increased due to legal and monitoring costs for coastal projects funded through the general fund and the implementation of a new parking program including the purchase of parking kiosks.
- Transportation expenditures increased due to resurfacing of lots at Phipps park and increased street lighting and maintenance expenditures.
- Culture and recreation expenditures increased due to increases in library funding and increases in parks maintenance expenditures.
- Non-departmental expenditures represent the transfer to the Internal Service Insurance Funds.

- Capital outlay decreased due to significant expenditures related to beach renourishment projects that occurred in FY2007.
- Debt service payments decreased slightly in FY2008.

## Expenditures by Function Governmental Activities



**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 \$23,005,185, while the total fund balance was \$32,374,215. The total fund balance of the General Fund increased by \$1,738,159 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 36.3% of total General Fund expenditures including transfers out.

The fund balance of the Capital Improvement Fund decreased from the prior year by \$2,172,906. 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 \$2,465,200. This decrease is a result of expenditures for beach projects and transfers out for debt service on the related bonds.

The fund balance of the Town Facilities Fund increased by \$7,991,226 over the prior year. This increase is a result of the proceeds from the 2008 Revenue Note issued for the Town Hall renovation project.

Other governmental funds which include special revenue funds and debt service funds had an increase in fund balance of \$546,421. This increase is due to the capitalized interest from the Revenue Note deposited in the debt service fund.

**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 Recreation Enterprise Fund.

Unrestricted net assets of the Recreation Enterprise Fund were \$4,798,209 at September 30, 2008. Net assets for this fund increased \$2,546,702, which is attributable to donations received for the Par 3 project.

## 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 FY2008 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 3.9% more than the final budget (excluding transfers from fund balance) due to an unusually high volume of construction activity, resulting in higher building permit revenue, higher utility tax revenue and higher than anticipated code enforcement fines. Actual expenditures were 6.2% less than the final budget due to the implementation of a Town-wide hiring freeze, and other cost containment measures implemented in FY08.

## 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, 2008, net capital assets of governmental activities totaled \$90,891,944 and the net capital assets of the business-type activities totaled \$12,635,374 (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.

<b>Town of Palm Beach</b>						
<b>Capital Assets</b>						
<b>September 30, 2008 and 2007</b>						
	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	Total	Total
	2008	2007	2008	2007	2008	2007
Land	\$ 8,039,238	\$ 8,039,238	\$ 5,623,777	\$ 5,623,777	\$ 13,663,015	\$ 13,663,015
Construction in Progress	17,034,864	12,997,605	2,072,844	778,863	19,107,708	13,776,468
Buildings	12,126,031	12,527,678	1,299,565	713,483	13,425,596	13,241,161
Improvements other than buildings	466,060	477,006	3,530,361	3,743,721	3,996,421	4,220,727
Equipment	7,885,576	6,703,277	108,827	112,035	7,994,403	6,815,312
Infrastructure	<u>45,340,175</u>	<u>47,368,180</u>	<u>                  </u>	<u>                  </u>	<u>45,340,175</u>	<u>47,368,180</u>
	<u>\$ 90,891,944</u>	<u>\$ 88,112,984</u>	<u>\$ 12,635,374</u>	<u>\$ 10,971,879</u>	<u>\$103,527,318</u>	<u>\$ 99,084,863</u>

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

- The Town-wide storm drainage improvements continued in FY2008. The D-8 Basin/Country Club Road project expanded the capacity of the storm drains in the Country Club Road, Slope Trail, Ridgeview Drive and Fairview Road areas. Storm drains and sanitary sewer mains on Sanford Avenue were expanded and also included new curb, gutter and pavement. The drainage system was rebuilt on South Woods Road between North Lake Way and East Woods Road and included additional inlets, new curbing and pavement.

- Storm drain improvements were made on North Ocean Blvd, from Onondaga to Manana, Bermuda Lane, Everglade Avenue, Seabreeze Avenue, Regent Park and LaPuerta Way.
- Water mains in Sanford Avenue and South Woods Road were replaced during the storm drain projects. Replacement mains in North County Road, Country Club Road, Slope Train and Fairview Road were completed.
- The renovation of Town Hall began in August 2008. This project is expected to take 18 - 24 months.
- The planned renovation of the Par 3 golf course includes three initiatives: renovation of the Golf Course, the installation of an alternative water source and a new irrigation system, and the construction of a new club house. The Town has committed \$2 million from the Recreation Enterprise Fund and a citizen's committee is in the process of raising \$4 million in private monies to fund the project. Over \$1 million in professional services related to the golf course and clubhouse design will be donated.
- The renovation of the Seaview Tennis Complex was completed in 2008.
- A natural turf replacement plan to ensure a safe and consistent playing surface for the various sports that take place at Seaview Park was completed in August 2008.
- The plans and specifications for the Fuel Tank Replacement Program were substantially complete as of late FY2008.

### Debt Administration

As of September 30, 2008, the Town had \$13,205,000 in revenue bonds outstanding and a \$10,000,000 revenue note payable as compared to revenue bond of \$16,925,000 and capital lease obligations of \$91,297 at September 30, 2007, a 36% increase due to the issuance of a \$10 million revenue note payable, net of debt retirements in fiscal year 2008. 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, 2008 and 2007

	2008	2007
Revenue Bonds	\$ 13,205,000	\$ 16,925,000
Revenue Note Payable	10,000,000	0
Capital Lease Obligations	0	91,297
<b>Total</b>	<b>\$ 23,205,000</b>	<b>\$ 17,016,297</b>

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 2009 the Town Council adopted a General Fund budget, including transfers out, of \$67,335,600 representing a 4.7% increase from FY2008. The FY2009 budget includes an across the board pay increase and special competitive pay increases for all firefighters and police officers and funding for pending litigation for a beach permit. The taxable value increased by 7.73% in FY2009 and the Town's total millage rate decreased from 3.3637 to 3.2512 or 3.34%.

Preparation of the FY2009 budget was challenging due to additional property tax reform measures adopted by the State of Florida.

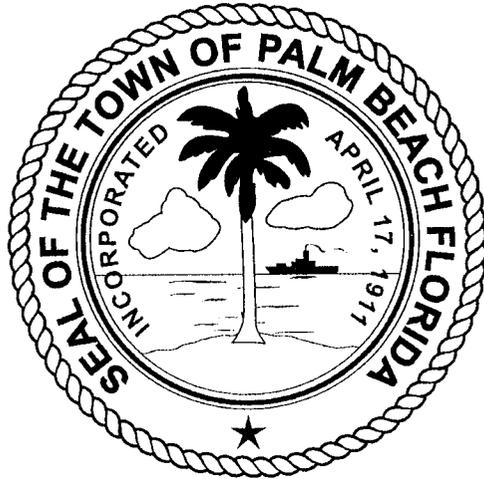
For future budgets, millage rate increases will be limited to the rolled back rate plus growth in personal income. Local governments will be allowed to override the cap by extraordinary vote, either a 2/3 vote of the Council for up to a 10% increase over the rolled back rate, or a unanimous vote of the 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 FY2009, 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 will be preparing a Long Term Financial Plan to forecast the affects on revenues from the economic downturn, and increases in expenditures related to anticipated increases in retirement funding and capital and coastal project funding.

### **Requests for Information**

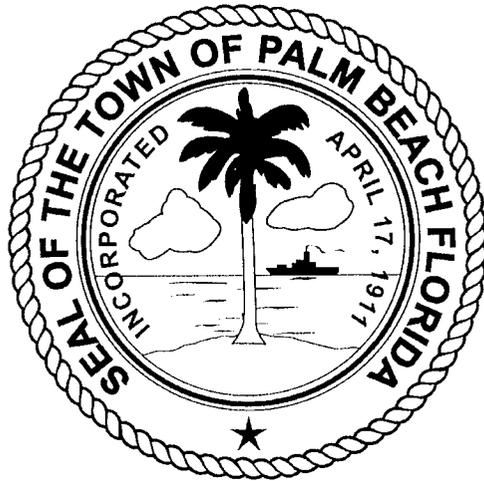
This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability. Questions concerning information provided in this report or requests for additional financial information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

**Finance Department  
Town of Palm Beach  
360 South County Road  
Palm Beach, FL 33480  
561-838-5444  
[www.townofpalmbeach.com](http://www.townofpalmbeach.com)**



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## **BASIC FINANCIAL STATEMENTS**



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TOWN OF PALM BEACH, FLORIDA

STATEMENT OF NET ASSETS

September 30, 2008

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 61,069	\$ 2,300	\$ 63,369
Equity in pooled cash and investments	90,176,432	7,237,101	97,413,533
Accounts receivable, net of allowance for doubtful accounts of \$859,289	1,072,374	12,687	1,085,061
Due from other governments	3,568,813	62,516	3,631,329
Receivable from fiduciary funds	159,312		159,312
Internal balances	(2,506)	2,506	0
Inventory	489,544		489,544
Prepays	26,047	2,564	28,611
Net OPEB asset	14,097,870		14,097,870
Unamortized debt issue costs	161,471		161,471
Investment in joint venture	8,121,812		8,121,812
Capital assets			
Land	8,039,238	5,623,777	13,663,015
Construction in progress	17,034,864	2,072,844	19,107,708
Depreciable capital assets, net	65,817,842	4,938,753	70,756,595
Total assets	<u>208,824,182</u>	<u>19,955,048</u>	<u>228,779,230</u>
<b>LIABILITIES</b>			
Accounts and contracts payable	5,369,042	874,438	6,243,480
Accrued liabilities	6,196,623	37,009	6,233,632
Accrued interest payable	198,342		198,342
Customer deposits		213,500	213,500
Unearned revenue	1,438,683	409,794	1,848,477
Long-term debt			
Due within one year	5,184,270	40,000	5,224,270
Due in more than one year	23,000,334	146,724	23,147,058
Total liabilities	<u>41,387,294</u>	<u>1,721,465</u>	<u>43,108,759</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	75,658,381	12,635,374	88,293,755
Restricted for:			
Debt service	600,816		600,816
Public safety	256,872		256,872
Capital project		800,000	800,000
Specific purposes	326,444		326,444
Unrestricted	90,594,375	4,798,209	95,392,584
Total net assets	<u>\$ 167,436,888</u>	<u>\$ 18,233,583</u>	<u>\$ 185,670,471</u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF ACTIVITIES

Year Ended September 30, 2008

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Governmental activities</b>				
General government	\$ 14,194,382	\$ 8,016,246	\$ 847,910	\$
Public safety	29,688,750	2,330,239	1,253,809	10,957
Physical environment	19,802,683	1,041,072	158,231	410,775
Transportation	1,131,044	657,135	694,700	
Culture and recreation	1,814,544	84,663	15,831	
Interest on long-term debt	825,899			
Total governmental activities	67,457,302	12,129,355	2,970,481	421,732
<b>Business-type activities</b>				
Leisure services	3,450,003	4,523,039		1,884,649
Total	\$ 70,907,305	\$ 16,652,394	\$ 2,970,481	\$ 2,306,381

**General revenue**

Property taxes

Local option gas tax

Franchise fees

Utility service taxes

Intergovernmental not restricted to specific programs

Investment income

**Transfers**

Total general revenue and transfers

Change in net assets

Net assets at October 1, 2007

Net assets at September 30, 2008

Net Revenue (Expenses) and  
Changes in Net Assets

Governmental Activities	Business-type Activity	Total
\$ (5,330,226)	\$	\$ (5,330,226)
(26,093,745)		(26,093,745)
(18,192,605)		(18,192,605)
220,791		220,791
(1,714,050)		(1,714,050)
(825,899)		(825,899)
(51,935,734)	0	(51,935,734)
	2,957,685	2,957,685
(51,935,734)	2,957,685	(48,978,049)
41,457,249		41,457,249
337,785		337,785
2,447,544		2,447,544
4,496,507		4,496,507
1,108,340		1,108,340
2,666,647	169,017	2,835,664
580,000	(580,000)	0
53,094,072	(410,983)	52,683,089
1,158,338	2,546,702	3,705,040
166,278,550	15,686,881	181,965,431
\$ 167,436,888	\$ 18,233,583	\$ 185,670,471

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA  
BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2008

	Major Governmental Funds					Total Governmental Funds
	General Fund	Capital Improvement Fund	Beach Restoration Project Fund	Town Facilities Fund	Other Governmental Funds	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,318	\$	\$	\$	\$	\$ 2,318
Equity in pooled cash and investments	35,887,198	9,777,161	6,318,706	12,674,200	1,208,922	65,866,187
Accounts receivable	1,072,374					1,072,374
Due from other governments	68,140	1,193,124	2,290,096	17,453		3,568,813
Due from other funds	174,946					174,946
Inventory	489,544					489,544
Prepaid items	26,047					26,047
<b>TOTAL ASSETS</b>	<u>\$ 37,720,567</u>	<u>\$ 10,970,285</u>	<u>\$ 8,608,802</u>	<u>\$ 12,691,653</u>	<u>\$ 1,208,922</u>	<u>\$ 71,200,229</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts and contracts payable	\$ 1,459,424	\$ 1,873,759	\$ 891,425	\$ 655,034	\$ 22,907	\$ 4,902,549
Accrued liabilities	2,443,872					2,443,872
Due to other funds	4,373		681		1,883	6,937
Deferred revenue	1,438,683					1,438,683
<b>TOTAL LIABILITIES</b>	<u>5,346,352</u>	<u>1,873,759</u>	<u>892,106</u>	<u>655,034</u>	<u>24,790</u>	<u>8,792,041</u>
<b>FUND BALANCES</b>						
Reserved	515,591				1,184,132	1,699,723
Unreserved, designated for/ reported in:						
Subsequent year's budget	4,789,400					4,789,400
Specific purposes	4,064,039	9,096,526	7,716,696	12,036,619		32,913,880
Unreserved, undesignated	23,005,185					23,005,185
	<u>32,374,215</u>	<u>9,096,526</u>	<u>7,716,696</u>	<u>12,036,619</u>	<u>1,184,132</u>	<u>62,408,188</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 37,720,567</u>	<u>\$ 10,970,285</u>	<u>\$ 8,608,802</u>	<u>\$ 12,691,653</u>	<u>\$ 1,208,922</u>	<u>\$ 71,200,229</u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

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

September 30, 2008

<b>Total Governmental Fund Balances</b>	<b>\$ 62,408,188</b>
<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.	88,420,394
Net OPEB asset created through funding of the employer contribution to the defined benefit OPEB plan is not recognized in the funds.	14,097,870
Investment in joint venture is not a financial resource and, therefore is not reported in the funds.	8,121,812
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.	22,594,224
Deferred issue costs on long-term debt are not financial resources and therefore are not reported in the governmental funds.	161,471
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	(198,342)
Compensated absences	(3,564,822)
Termination benefits	(1,613,827)
Revenue bonds payable	(12,990,080)
Revenue note payable	(10,000,000)
	<hr/>
Net Assets of Governmental Activities	<b>\$ 167,436,888</b>
	<hr/> <hr/>

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, 2008

	Major Governmental Funds					Total Governmental Funds
	General Fund	Capital Improvement Fund	Beach Restoration Project Fund	Town Facilities Fund	Other Governmental Funds	
<b>Revenue</b>						
Taxes	\$ 48,739,085	\$	\$	\$	\$	\$ 48,739,085
Licenses and permits	7,835,468					7,835,468
Intergovernmental	2,107,927					2,107,927
Charges for services	2,808,298					2,808,298
Fines and forfeitures	1,183,318				10,957	1,194,275
Investment earnings	1,368,751	308,970	220,797	122,591	15,083	2,036,192
Grant revenue	139,975	1,519,585	297,157	113,618		2,070,335
Miscellaneous	312,271				301,334	613,605
Total revenue	<u>64,495,093</u>	<u>1,828,555</u>	<u>517,954</u>	<u>236,209</u>	<u>327,374</u>	<u>67,405,185</u>
<b>Expenditures</b>						
Current						
General government	9,883,975				102,949	9,986,924
Public safety	29,277,904				186,803	29,464,707
Physical environment	11,745,927	2,014,533	1,400,231	1,500	13,479	15,175,670
Transportation	1,160,600					1,160,600
Culture and recreation	1,819,633	3,481			6,271	1,829,385
Non-departmental	2,414,968					2,414,968
Capital outlay	1,162,524	4,109,447	901,484	1,654,700	31,010	7,859,165
Debt service						
Principal	91,297				3,720,000	3,811,297
Interest	2,106				612,163	614,269
Debt issue costs					30,500	30,500
Total expenditures	<u>57,558,934</u>	<u>6,127,461</u>	<u>2,301,715</u>	<u>1,656,200</u>	<u>4,703,175</u>	<u>72,347,485</u>
Revenue over (under) expenditures	6,936,159	(4,298,906)	(1,783,761)	(1,419,991)	(4,375,801)	(4,942,300)
<b>Other Financing Sources (Uses)</b>						
Revenue note proceeds				9,441,717	558,283	10,000,000
Transfers in	550,000	2,126,000			4,363,939	7,039,939
Transfers out	(5,748,000)		(681,439)	(30,500)		(6,459,939)
Total other financing sources (uses)	<u>(5,198,000)</u>	<u>2,126,000</u>	<u>(681,439)</u>	<u>9,411,217</u>	<u>4,922,222</u>	<u>10,580,000</u>
Net Change in Fund Balances	1,738,159	(2,172,906)	(2,465,200)	7,991,226	546,421	5,637,700
Fund balances at October 1, 2007	<u>30,636,056</u>	<u>11,269,432</u>	<u>10,181,896</u>	<u>4,045,393</u>	<u>637,711</u>	<u>56,770,488</u>
und balances at September 30, 2008	<u>\$ 32,374,215</u>	<u>\$ 9,096,526</u>	<u>\$ 7,716,696</u>	<u>\$ 12,036,619</u>	<u>\$ 1,184,132</u>	<u>\$ 62,408,188</u>

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, 2008

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

<b>Net change in fund balances-total governmental funds</b>	<b>\$ 5,637,700</b>
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	7,859,165
Less current year depreciation	(5,888,112)
Net book value of asset disposals	(359,168)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds	
	108,903
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.	
Revenue note issued	(10,000,000)
Debt issue costs paid	30,500
Repayments:	
Revenue bonds payable	3,720,000
Capital lease payments	91,297
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	258,102
Accrued interest	(27,711)
Amortization of bond issue costs	(41,745)
Amortization of loss on refunding	(236,470)
Amortization of bond premiums	94,296
Change in net OPEB asset	(823,000)
Change in termination benefits	(1,613,827)
Internal service funds are used by management to charge the costs of certain activities to individual funds	
The net income of the internal service funds is reported with governmental activities	<u>2,348,408</u>
<b>Change in net assets of governmental activities</b>	<b><u>\$ 1,158,338</u></b>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

September 30, 2008

	Business-type Activities - Recreation Enterprise Fund	Governmental Activities - Internal Service Funds
	<u>Fund</u>	<u>Funds</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 2,300	\$ 58,751
Equity in pooled cash and investments	7,237,101	24,310,245
Accounts receivable	12,687	
Due from other funds	2,506	1,867
Grants receivable	62,516	
Prepaid expenses	2,564	
Total current assets	<u>7,319,674</u>	<u>24,370,863</u>
Noncurrent assets		
Capital assets		
Land	5,623,777	
Construction in progress	2,072,844	
Buildings	1,827,239	
Improvements other than buildings	6,054,197	
Equipment	351,837	2,994,511
	<u>15,929,894</u>	<u>2,994,511</u>
Less accumulated depreciation	(3,294,520)	(522,961)
Total capital assets, net of accumulated depreciation	<u>12,635,374</u>	<u>2,471,550</u>
Total assets	19,955,048	26,842,413
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	874,438	466,493
Accrued liabilities	37,009	3,752,751
Due to other funds		13,070
Compensated absences payable	40,000	
Customer deposits	213,500	
Unearned revenue	409,794	
Total current liabilities	<u>1,574,741</u>	<u>4,232,314</u>
Noncurrent liability		
Compensated absences payable	146,724	15,875
Total liabilities	<u>1,721,465</u>	<u>4,248,189</u>
<b>NET ASSETS</b>		
Invested in capital assets	12,635,374	2,471,550
Restricted for golf course renovations	800,000	
Unrestricted	4,798,209	20,122,674
Total net assets	<u>\$ 18,233,583</u>	<u>\$ 22,594,224</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, 2008

	Business-type Activities - Recreation Enterprise Fund	Governmental Activities - Internal Service Funds
	<u>                    </u>	<u>                    </u>
<b>Operating revenue</b>		
Golf fees and related revenue	\$ 722,462	\$
Marina fees and related revenue	3,258,532	
Charges for services	474,347	8,390,890
Other operating revenue	67,698	91,423
	<u>4,523,039</u>	<u>8,482,313</u>
<b>Operating expenses</b>		
Personal services	1,924,244	241,362
Contractual services	353,488	29,320
Repairs and maintenance	111,403	
Equipment rental	15,566	
Materials and supplies	159,698	
Utilities	417,233	
Insurance and claims		6,027,535
Depreciation	280,831	398,053
Other	79,857	63,744
	<u>3,342,320</u>	<u>6,760,014</u>
Operating income	1,180,719	1,722,299
<b>Nonoperating revenue (expense)</b>		
Investment earnings	169,017	630,455
Loss on disposal of capital assets	(107,683)	(4,346)
	<u>61,334</u>	<u>626,109</u>
Income before capital contributions and transfers	1,242,053	2,348,408
Capital contributions	1,884,649	
Transfers out	(580,000)	
	<u>1,304,649</u>	
Change in net assets	2,546,702	2,348,408
Net assets at October 1, 2007	<u>15,686,881</u>	<u>20,245,816</u>
Net assets at September 30, 2008	<u>\$ 18,233,583</u>	<u>\$ 22,594,224</u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended September 30, 2008

	Business-type Activities - Recreation Enterprise Fund	Governmental Activities - Internal Service Fund
<b>OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 4,489,062	\$ 8,390,890
Payments to employees	(1,944,468)	(238,313)
Payments to suppliers	(333,763)	(6,194,513)
Other receipts	71,442	90,384
Net cash provided by operating activities	2,282,273	2,048,448
<b>NONCAPITAL FINANCING ACTIVITY</b>		
Transfers to other funds	(580,000)	
Net cash used in noncapital financing activity	(580,000)	0
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of property and equipment	(1,658,444)	(1,569,474)
Capital contributions	1,491,084	
Net cash provided by (used in) capital and related financing activities	(167,360)	(1,569,474)
<b>INVESTING ACTIVITY</b>		
Investment earnings received	169,017	630,455
Net cash provided by investing activity	169,017	630,455
Net increase in cash and cash equivalents	1,703,930	1,109,429
Cash and cash equivalents at October 1, 2007	5,535,471	23,259,567
Cash and cash equivalents at September 30, 2008	\$ 7,239,401	\$ 24,368,996
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 1,180,719	\$ 1,722,299
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	280,831	398,053
Changes in operating assets and liabilities:		
Decrease in accounts receivable	19,810	
Increase in due from other funds	(2,506)	(1,665)
Decrease in grants receivable	3,744	
Increase in prepaid expenses	(144)	
Decrease in other assets		408,486
Increase (decrease) in accounts payable	794,132	(420,420)
Increase in accrued liabilities	8,750	413
Increase (decrease) in due to other funds	9,409	(61,684)
Decrease in customer deposits	(10,200)	
Increase in unearned revenue	24,111	
Increase (decrease) in compensated absences payable	(26,383)	2,966
Net cash provided by operating activities	\$ 2,282,273	\$ 2,048,448
<b>NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Contributed services for golf course renovation	\$ 393,565	\$ 0

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

September 30, 2008

	<u>Trust Funds</u>	<u>Kreusler Park Agency Fund</u>
<b>ASSETS</b>		
Cash and short-term investments	\$ 19,416,256	\$
Equity in pooled cash and investments	1,961,439	17,532
Accrued interest and dividends receivable	165,858	
Due from State of Florida	338,626	
Other receivables	182,607	
Investments, at fair value		
U.S. Government and Agency securities	4,708,156	
Domestic common stocks	20,249,841	
Domestic corporate bonds	14,899,510	
Mutual funds	94,841,515	
Alternative investments	28,522,535	
Total investments	<u>163,221,557</u>	<u>0</u>
Total assets	185,286,343	17,532
<b>LIABILITIES</b>		
Accounts payable	312,076	17,532
Due to other funds	159,312	
Other payables	114,649	
DROP plan liability	976,431	
Total liabilities	<u>1,562,468</u>	<u>17,532</u>
<b>NET ASSETS</b>		
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>\$ 183,723,875</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, 2008

	<u>Trust Funds</u>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 8,972,463
Employee	2,438,588
State	999,587
Other	61,905
	<u>12,472,543</u>
	Total contributions
Investment income (loss)	
Net depreciation in fair value of investments	(35,623,393)
Interest and dividend income	3,126,779
Other	164,513
	<u>(32,332,101)</u>
Less investment expense	1,160,633
	<u>(33,492,734)</u>
	Net investment loss
	Total additions (loss)
	(21,020,191)
<b>DEDUCTIONS</b>	
Benefit payments	10,750,141
Share account distributions	60,404
Refunds	124,538
Administrative expense	460,360
	<u>11,395,443</u>
	Total deductions
	Net decrease
	(32,415,634)
Net assets held in trust for pension and retiree health benefits at October 1, 2007	<u>216,139,509</u>
NET ASSETS HELD IN TRUST FOR PENSION AND RETIREE HEALTH BENEFITS AT SEPTEMBER 30, 2008	<u>\$ 183,723,875</u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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, 2008

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, 2008, 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, 2007. 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, 2008, the outstanding balance

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

due to the State Loan Fund was \$10,042,522.

At September 30, 2008, 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>100.0000%</u>

For the fiscal year ended September 30, 2008, the Town paid the following amounts to ECR:

Operations	\$ 595,671
Sewer disposal	234,489
Debt service	123,120
Renewal and replacement	319,113
O&M Central Pump Station	91,200
Sewer Force Main Testing	<u>185,445</u>
	<u>\$ 1,549,038</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, 2008

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.

The *Town Facilities Fund* accounts for bond proceeds and other financial resources to be used for the renovation of Town Hall.

**Proprietary Fund Financial Statements** – Proprietary Fund Financial Statements include a Balance Sheet and a Statement of Revenue, Expenses 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 *Recreation Enterprise 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.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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) 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. All franchise fees are based on gross receipts. 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

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

of the Recreation Enterprise 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. 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.

Property Tax Reform: During 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 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, 2009 the Town adopted a millage rate of 3.2512 which is 3.33% higher than the rolled back rate. This millage rate results in a total tax levy of \$42,543,000 for 2009, representing an increase of 4.43%, from the property tax levy of 2008. 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.

Cash and Cash Equivalents: Cash and cash equivalents are defined as deposits with financial institutions, money market accounts and mutual funds 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.

Investments: Investments are stated at fair value. Securities and mutual funds held by the Town and traded on a national exchange are valued at the last reported sales price and transactions are recorded on a trade date basis.

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

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

individual basis in the year the Town deems them to be uncollectible.

Inventory and Prepaid Items: 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 and prepaid items 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 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.

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

*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.

**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 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

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 paid to the Town by the State totaled \$999,587 for the fiscal year ended September 30, 2008.

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 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.

Recent Accounting Pronouncement: The GASB has issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," which establishes accounting and financial reporting requirements for intangible assets. The requirements of this statement will be effective for the Town for the fiscal year ending September 30, 2010. Management has not completed its analysis of the effects of this statement, if any, on the financial statements of the Town.

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, 2008, excluding amounts held by Fiduciary Funds, include petty cash of \$4,960 and deposits with financial institutions with a carrying value of \$58,409 and a bank balance of \$119,185. Cash and short-term investments of the Fiduciary Funds at September 30, 2008, consist of deposits with financial institutions with a carrying value of approximately \$9,417,000 and a bank balance of \$9,416,000 and U.S. Treasury money market mutual funds with a carrying value of \$9,999,442.

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

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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

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, 2008 had a carrying value of \$3,164,209 and a bank balance of \$3,346,003, 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, 2008 consist of investments in the Florida Municipal Investment Trust with a carrying value of \$29,683,852, an investment in a U.S. Treasury bill with a carrying value (fair value) of \$1,993,720 and an investment in a U.S. Government money market mutual fund with a carrying value of \$64,550,723. The Town's OPEB Trust and Kreusler Park Agency Funds had equity in pooled cash and investments of \$1,961,439 and \$17,532, respectively, at September 30, 2008. The money market mutual fund deposits are uninsured and uncollateralized.

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 (\$17,909,416 at September 30, 2008) and the Intermediate High Quality Bond portfolio (\$11,774,436 at September 30, 2008). 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 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, Freddie Mac, 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.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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

The carrying value (fair value) of the Town's Fiduciary Funds' investments at September 30, 2008, were as follows:

	<u>Fair Value</u>
U.S. Government and Agency securities	\$ 4,708,156
Domestic common stocks	20,249,841
Domestic corporate bonds	14,899,510
Mutual funds	
Publicly traded	
Equity	36,174,938
Fixed income	5,464,651
Not publicly traded - pooled funds	
Equity	39,091,817
Fixed income	14,110,109
Alternative investments	<u>28,522,535</u>
Total investments	<u>\$ 163,221,557</u>

At September 30, 2008, approximately 33% 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, 2008, approximately 17.5% 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 equity 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.

In addition to interest rate risk, credit risk, custodial credit risk, and concentration of credit risk, the alternative investment funds expose the fiduciary funds to certain other 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.

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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

The value, liquidity, and related income of certain securities with contractual cash flows, such as asset backed securities collateralized by mortgage obligations, commercial mortgage backed securities, and mutual funds investing in these securities or entities, are particularly sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

Due to the various risks associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

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 to 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 weighted average maturities of the Town's investments in the Florida Municipal Investment Trust's 1-3 Year High Quality Bond Fund and Intermediate High Quality Bond fund were 1.43 years and 4.01 years, respectively. 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, 2008.

Investment Type	Fair Value of Investment Maturities			
	Less Than One Year	One to Five Years	Six to Ten Years	More Than Ten Years
U.S. Government Security	\$ 1,993,720	\$	\$	\$
<u>Fiduciary Funds Investments</u>				
U.S. Government and Agency securities	40,355	591,183	1,302,457	2,774,161
Corporate bonds	1,071,359	4,118,421	1,459,692	8,250,038
Fixed income mutual funds		15,599,240	3,975,520	
Total	\$ 3,105,434	\$ 20,308,844	\$ 6,737,669	\$ 11,024,199

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 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

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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

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. At September 30, 2008, the Town had an investment in a U.S. Government money market mutual fund in its cash and investment pool with a carrying value of \$64,550,723 that had a credit rating of AAA. The Town's fiduciary funds had investments in U.S. Treasury money market mutual funds with a carrying value of \$9,999,442 that were unrated. The NRSRO ratings for the Town's investments at September 30, 2008 are summarized below. All other securities are not rated.

<u>Investment Type</u>	<u>NRSRO Rating</u>	<u>Fair Value</u>
<u>U.S. Government Security</u>	AAA	\$ 1,993,720
<u>Florida Municipal Investment Trust</u>		
1-3 Year High Quality Bond	AAA	17,909,416
Intermediate High Quality Bond	AAA	<u>11,774,436</u>
		29,683,852
<u>Fiduciary Funds</u>		
U.S. Government and Agency securities	AAA	4,708,156
Corporate bonds	AAA	981,350
Corporate bonds	AA	1,201,537
Corporate bonds	A	6,997,587
Corporate bonds	BAA	621,138
Corporate bonds	BBB	3,506,398
Corporate bonds	D	29,375
Corporate bonds	Unrated	1,562,125
Fixed income mutual funds	AAA	17,330,280
Fixed income mutual funds	AA	1,648,152
Fixed income mutual funds	A	318,042
Fixed income mutual funds	BBB	<u>278,286</u>
		<u>39,182,426</u>
Total		<u>\$ 70,859,998</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 mutual funds, alternative investments, 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.

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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

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. 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. Investments in broadly-based index funds, mutual funds, alternative investments, and U.S. Government and Agency securities are excluded from this limitation.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. While there was no direct exposure to foreign currency risk in the Town's investments at September 30, 2008, the Town's fiduciary funds do invest in international equity mutual funds that had a fair value of \$15,575,104 at September 30, 2008.

NOTE C - CAPITAL ASSETS

The capital asset activity for the year ended September 30, 2008 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>12,997,605</u>	<u>6,665,634</u>	<u>(2,628,375)</u>	<u>17,034,864</u>
Total capital assets not being depreciated	21,036,843	6,665,634	(2,628,375)	25,074,102
Capital assets being depreciated				
Buildings	20,898,529	37,404		20,935,933
Improvements other than buildings	1,333,618			1,333,618
Equipment	13,722,859	2,763,004	(1,251,479)	15,234,384
Infrastructure	<u>68,542,257</u>	<u>2,410,144</u>	<u>(1,251,479)</u>	<u>70,952,401</u>
Total capital assets being depreciated	104,497,263	5,210,552	(1,251,479)	108,456,336
Less accumulated depreciation for				
Buildings	(8,370,851)	(439,051)		(8,809,902)
Improvements other than buildings	(856,612)	(10,946)		(867,558)
Equipment	(7,019,582)	(1,398,019)	1,068,793	(7,348,808)
Infrastructure	<u>(21,174,077)</u>	<u>(4,438,149)</u>	<u>(1,068,793)</u>	<u>(25,612,226)</u>
Total accumulated depreciation	<u>(37,421,122)</u>	<u>(6,286,165)</u>	<u>1,068,793</u>	<u>(42,638,494)</u>
Total capital assets being depreciated, net	<u>67,076,141</u>	<u>(1,075,613)</u>	<u>(182,686)</u>	<u>65,817,842</u>
Governmental activities capital assets, net	<u>\$ 88,112,984</u>	<u>\$ 5,590,021</u>	<u>\$ (2,811,061)</u>	<u>\$ 90,891,944</u>

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE C - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/ programs as follows:

Governmental Activities

General government	\$	152,219
Public safety		912,846
Physical environment		4,817,446
Culture and recreation		5,601
Capital assets held by the Town's internal service funds are charged to the various functions based on their usage of the assets		398,053
Total depreciation expense - governmental activities	\$	6,286,165

<u>Business-type Activities</u>	Balance at Beginning of Year	Increases	Decreases	Balance at End of Year
Capital assets not being depreciated				
Land	\$ 5,623,777	\$	\$	\$ 5,623,777
Construction in progress	778,863	2,020,382	(726,401)	2,072,844
Total capital assets not being depreciated	6,402,640	2,020,382	(726,401)	7,696,621
Capital assets being depreciated				
Buildings	1,204,868	622,371		1,827,239
Improvements other than buildings	6,054,197			6,054,197
Equipment	370,150	31,627	(49,940)	351,837
Total capital assets being depreciated	7,629,215	653,998	(49,940)	8,233,273
Less accumulated depreciation for				
Buildings	(491,385)	(36,289)		(527,674)
Improvements other than buildings	(2,310,476)	(213,360)		(2,523,836)
Equipment	(258,115)	(31,182)	46,287	(243,010)
Total accumulated depreciation	(3,059,976)	(280,831)	46,287	(3,294,520)
Total capital assets being depreciated, net	4,569,239	373,167	(3,653)	4,938,753
Business-type activities capital assets, net	\$ 10,971,879	\$ 2,393,549	\$ (730,054)	\$ 12,635,374

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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 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, the Beach Restoration Project Fund, and the Town Facilities Fund to the nonmajor funds were used to fund debt service. Transfers from the Recreation Enterprise Fund to the General Fund were used to pay for various culture and recreation projects. Transfers from the Recreation Enterprise Fund to the Capital Improvement Fund were used to fund various Town-wide capital 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, 2008 are summarized as follows:

**Due to/from other funds:**

Receivable Fund	Payable Fund	Amount
General Fund	Beach Restoration Project Fund	\$ 681
	Nonmajor Funds	1,883
	Internal Service Funds	13,070
	Trust Funds	159,312
Recreation Enterprise Fund	General Fund	2,506
Internal Service Funds	General Fund	<u>1,867</u>
		<u>\$ 179,319</u>

**Interfund transfers:**

	Transfers In - Reported in			
	General Fund	Capital Improvement Fund	Nonmajor Funds	Total
Transfers Out: Reported in				
General Fund	\$	\$ 2,096,000	\$ 3,652,000	\$ 5,748,000
Beach Restoration Project Fund			681,439	681,439
Town Facilities Fund			30,500	30,500
Recreation Enterprise Fund	<u>550,000</u>	<u>30,000</u>	<u>          </u>	<u>580,000</u>
	<u>\$ 550,000</u>	<u>\$ 2,126,000</u>	<u>\$ 4,363,939</u>	<u>\$ 7,039,939</u>

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE E - LONG-TERM DEBT

Changes in long-term debt for the year ended September 30, 2008 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	\$ 3,835,833	\$ 2,852,716	\$(3,107,852)	\$ 3,580,697	\$ 580,000
Termination benefits payable		1,613,827		1,613,827	729,270
Capital lease obligations	91,297		(91,297)	0	
Revenue bonds payable	16,925,000		(3,720,000)	13,205,000	3,875,000
Revenue note payable	<u>0</u>	<u>10,000,000</u>	<u>                    </u>	<u>10,000,000</u>	<u>0</u>
Total long-term debt	<u>\$ 20,852,130</u>	<u>\$ 14,466,543</u>	<u>\$(6,919,149)</u>	28,399,524	<u>\$ 5,184,270</u>
Unamortized premiums				80,669	
Unamortized loss on refunding				(295,589)	
Current maturities				<u>(5,184,270)</u>	
Net long-term debt				<u>\$ 23,000,334</u>	

Business-type Activities

Compensated absences	<u>\$ 213,107</u>	<u>\$ 104,170</u>	<u>\$(130,553)</u>	<u>\$ 186,724</u>	<u>\$ 40,000</u>
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The compensated absences liability and liability for termination benefits of the governmental activities are liquidated primarily by the Town's General Fund.

**CAPITAL LEASE OBLIGATIONS**

The Town leased vehicles and equipment through a \$583,000 capital leasing arrangement in the General Fund. The leased assets are recorded in the government-wide balance sheet at their original cost of \$733,971, net of accumulated amortization of \$321,097 at September 30, 2008. The Town made its final payment under this obligation during the fiscal year ended September 30, 2008.

**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 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

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE E - LONG-TERM DEBT (Continued)

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>
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>\$ 7,630,000</u>	<u>\$ 277,382</u>	<u>\$ 7,907,382</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:

<u>Year Ending September 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE E - LONG-TERM DEBT (Continued)

Year Ending September 30,	Interest Rate	Principal	Interest	Total
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>\$ 5,575,000</u>	<u>\$ 3,909,307</u>	<u>\$ 9,484,307</u>

REVENUE NOTE PAYABLE

On June 24, 2008, the Town issued a \$10,000,000 Town of Palm Beach, Florida, Public Improvement Revenue Note, Series 2008 (the "Note") to (1) finance the acquisition, construction, renovation and equipping of various improvements to the Town Hall and other public facilities of the Town and (2) pay certain costs of issuance related to the Note. The Note bears interest at 63.7% of the BBA LIBOR Daily Floating Rate for U.S. Dollar deposits with a one month term (the "BBA LIBOR Rate") plus .715% (3.22% at September 30, 2008). Principal and interest payments are due on January 1, April 1, July 1, and October 1, commencing on January 1, 2011 and 2009, respectively, until maturity on July 1, 2028. The note is a special obligation of the Town payable solely from and secured solely by non-ad valorem revenue and any unused Note proceeds and related investment income. The annual debt service requirements for the Note are as follows:

Year Ending September 30,	Principal	Interest	Total
2009	\$	\$ 269,783	\$ 269,783
2010		303,000	303,000
2011	435,000	318,498	753,498
2012	580,000	300,990	880,990
2013	580,000	282,314	862,314
2014	565,000	263,758	828,758
2015	560,000	245,686	805,686
2016	560,000	227,654	787,654
2017	560,000	209,622	769,622
2018	560,000	191,590	751,590
2019	560,000	173,558	733,558
2020	560,000	155,526	715,526
2021	560,000	137,494	697,494
2022	560,000	119,462	679,462

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE E - LONG-TERM DEBT (Continued)

Year Ending September 30,	Principal	Interest	Total
2023	\$ 560,000	\$ 101,430	\$ 661,430
2024	560,000	83,398	643,398
2025	560,000	65,366	625,366
2026	560,000	47,334	607,334
2027	560,000	29,302	589,302
2028	560,000	10,143	570,143
	<u>\$ 10,000,000</u>	<u>\$ 3,535,908</u>	<u>\$ 13,535,908</u>

Interest requirements for the Note are calculated using the interest rate effective at September 30, 2008. The interest rate on the Note changes effective with each change in the BBA LIBOR Rate.

Annual Requirements

The annual debt service requirements to maturity, including interest of \$7,722,597 (excluding compensated absences, which have no fixed maturity and termination benefits payable) are as follows:

Year Ending September 30,	Revenue Bonds	Revenue Note	Total
2009	\$ 4,334,678	\$ 269,783	\$ 4,604,461
2010	4,332,290	303,000	4,635,290
2011	380,578	753,498	1,134,076
2012	380,445	880,990	1,261,435
2013	379,913	862,314	1,242,227
2014-2018	1,894,756	3,943,310	5,838,066
2019-2023	1,893,934	3,487,470	5,381,404
2024-2028	1,897,095	3,035,543	4,932,638
2029-2033	1,898,000		1,898,000
	<u>\$ 17,391,689</u>	<u>\$ 13,535,908</u>	<u>\$ 30,927,597</u>

Interest Expense: Total interest costs incurred and paid on all Town debt for the year ended September 30, 2008 totaled \$641,980 and \$614,269 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, 2008 outstanding Series 2000 Revenue Bonds in the amount of \$7,610,000 are considered defeased.

Pledged Revenues: As discussed previously, the Town has pledged future non-ad valorem revenues to repay \$23,205,000 of outstanding revenue bonds and notes. These bonds and notes are payable solely from non-ad valorem revenues and are payable through 2033. Annual principal and interest payments are expected to

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE E - LONG-TERM DEBT (Continued)

require less than 23 percent of such revenues. The total principal and interest remaining to be paid on the bonds and notes is \$30,927,597. Principal and interest paid for 2008 on the outstanding revenue bonds and note and total non-ad valorem revenues were \$4,332,163 and \$21,621,146, respectively.

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, 2008 as follows:

	Major Governmental Funds				
	General Fund	Capital Improvement Fund	Beach Restoration Project Fund	Town Facilities Fund	Other Governmental Funds
<b>Reserved Fund Balances</b>					
Reserved for inventory	\$ 489,544	\$	\$	\$	\$
Reserved for prepaid items	26,047				
Reserved for specific purposes					583,316
Reserved for debt service					600,816
<b>Total Reserved Fund Balances</b>	<b>515,591</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,184,132</b>
<b>Designated Fund Balances</b>					
Designated for subsequent year's budget	4,789,400				
Designated for specific purposes					
East Central Regional Wastewater Treatment Facility	1,101,842				
Capital projects Equipment		9,096,526		12,036,619	
Beach restoration projects			7,716,696		
Compensated absences	2,962,197				
Total Designated for Specific Purposes	4,064,039	9,096,526	7,716,696	12,036,619	0
<b>Total Designated Fund Balances</b>	<b>8,853,439</b>	<b>9,096,526</b>	<b>7,716,696</b>	<b>12,036,619</b>	<b>0</b>
<b>Undesignated Fund Balances</b>	<b>23,005,185</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Fund Balances</b>	<b>\$ 32,374,215</b>	<b>\$ 9,096,526</b>	<b>\$ 7,716,696</b>	<b>\$ 12,036,619</b>	<b>\$ 1,184,132</b>

TOWN OF PALM BEACH, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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.

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 and security transactions are recorded on a trade date basis.

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, 2008, 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%	19.15%
Lifeguard employees	7.21%	27.15%
Police employees	6.98%	46.0%
Fire-Rescue employees	6.82%	50.4%

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE G - RETIREMENT PLANS (Continued)

Annual Pension Cost and Net Pension Obligation: The annual pension cost, net pension obligation and required contribution for the fiscal year ended September 30, 2008 were determined as part of the actuarial valuation of the Plans as of September 30, 2006, using the entry age actuarial cost method. The Town's annual pension cost and net pension obligation to the Plans for the fiscal year ended September 30, 2008 were as follows:

	<u>General Employees</u>	<u>Police Officers'</u>	<u>Firefighters'</u>
Annual required contribution	\$ 2,614,902	\$ 2,595,889	\$ 2,875,169
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	2,614,902	2,595,889	2,875,169
Contributions made	<u>(2,614,902)</u>	<u>(2,595,889)</u>	<u>(2,875,169)</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>

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, 2007	September 30, 2007	September 30, 2007
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	4-30 years	4-30 years	4-30 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%

TOWN OF PALM BEACH, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE G - RETIREMENT PLANS (Continued)

	General Employees	Police Officers'	Firefighters'
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 regarding annual pension costs for the Town's Plans for the last three fiscal years ended September 30<sup>th</sup> is shown below.

**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>			
2006	\$ 2,845,570	100%	\$ 0
2007	3,266,484	100%	0
2008	2,614,902	100%	0

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE G - RETIREMENT PLANS (Continued)

<u>Plan Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<u>Police Officers'</u>			
2006	\$ 1,942,589	100%	\$ 0
2007	2,448,457	100%	0
2008	2,592,527	100%	0
<u>Firefighters'</u>			
2006	\$ 1,796,000	100%	\$ 0
2007	2,411,101	100%	0
2008	2,875,169	100%	0

Funded Status: The schedule of funding progress presents multi-year information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability. A schedule of funding progress for the last three actuarial plan years ended September 30<sup>th</sup> is shown below.

**SCHEDULE OF FUNDING PROGRESS**  
(in thousands)

<u>Year</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial 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>						
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%
2007	72,161	77,632	5,471	93.0%	12,697	43.1%
<u>Police Officers'</u>						
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%
2007	58,486	63,742	5,256	91.8%	5,334	98.5%
<u>Firefighters'</u>						
2005	\$ 45,765	\$ 59,314	\$ 13,549	77%	\$ 5,237	259%
2006	49,220	64,220	14,984	77%	5,710	262%
2007	54,723	67,027	12,304	81.6%	5,573	220.8%

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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 157 retirees receiving benefits and a total of 376 active participants, of which 376 are not yet eligible to receive benefits. As of September 30, 2008, there are 607 dependents of retirees and active dependents.

Annual OPEB Cost and Net OPEB Obligation: For fiscal year 2007/2008, 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, 2008 were as follows:

Annual required contribution	\$ 2,289,000	
Interest on net pension obligation	0	
Adjustment to annual required contribution	0	
Annual OPEB cost	2,289,000	
Contributions made	(1,466,000)	
Decrease in net OPEB asset	823,000	
Net OPEB obligation (asset), October 1, 2007	(14,920,870)	
Net OPEB obligation (asset), September 30, 2008	\$ (14,097,870)	

Trend Information: Three-year trend information will be presented beginning next year. Fiscal year ended September 30, 2007 was the year of implementation of GASB 43 and 45 and the Town has elected to implement prospectively. As such, comparative data for prior years is not available.

Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net Pension Obligation (Asset)
9-30-07	\$ 2,289,000	\$ 17,209,870	752%	\$ (14,920,870)
9-30-08	2,289,000	1,466,000	64%	(14,097,870)

Funded Status and Funding Progress: Since 2006/2007 was 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. Funded status tables will be presented beginning next year as of October 1, 2008, which is the date of the next actuarial valuation.

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

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE H - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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.

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.

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE H - OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Statement of Plan Net Assets  
September 30, 2008**

Assets	
Cash and short-term investments	\$ 1,016,964
Equity in pooled cash and investments	1,961,439
Accrued interest and dividends receivable	8,059
Investments, at fair value	<u>12,898,977</u>
Total Assets	15,885,439
Liabilities	
Accounts payable	<u>99,559</u>
Net Assets held in trust for OPEB benefits	<u>\$ 15,785,880</u>

**Statement of Changes in Plan Net Assets  
Year Ended September 30, 2008**

Additions	
Contribution	
Employer	\$ 1,466,000
Employee	781,157
Federal	<u>61,905</u>
Total contributions	2,309,062
Investment income (loss)	
Net depreciation in fair value of investments	(2,860,641)
Interest and dividend income	<u>494,436</u>
Total investment loss	(2,366,205)
Less: investment expense	<u>78,896</u>
Net investment loss	<u>(2,445,101)</u>
Total additions (loss)	(136,039)
Deductions	
Benefit payments	1,466,315
Administrative expenses	<u>13,649</u>
Total deductions	<u>1,479,964</u>
Net decrease	(1,616,003)
Net assets held in trust for OPEB benefits, October 1, 2007	<u>17,401,883</u>
Net assets held in trust for OPEB benefits, September 30, 2008	<u>\$ 15,785,880</u>

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE I - TERMINATION BENEFITS

During the year, the Town approved a one-time early retirement incentive program ("ERIP") for eligible employees. To be eligible, employees were required to 1) meet the age and service conditions for normal retirement or 2) have completed a minimum of ten years of service with the Town effective September 30, 2008, and be within two years of reaching the age and service conditions for normal retirement. Employees who participated in the Town's Deferred Retirement Option Plan ("DROP") on or before September 30, 2008, were also eligible. Department directors were excluded from participation in the ERIP. Employees who took advantage of the ERIP would receive the following incentives under the program:

- Non-DROP - Two years of employee's base salary at 60% paid over 24 months, beginning with the first full bi-weekly payroll period ending after October 1, 2008. Employees were also given the option to have their eligible sick leave, vacation and compensatory leave payout paid over the 24 month period or as a lump sum in conjunction with their final paycheck as an employee.
- DROP - Four months of base pay at 100% paid out over twelve months, beginning with the first full bi-weekly payroll period ending after October 1, 2008. DROP participants were required to have their eligible sick leave payout paid with their ERIP pay over the twelve month period of time. Accumulated vacation and compensatory leave could be taken over the twelve month period or as a lump sum payment with their final paycheck as an employee.

In addition, under the program the Town would pay 100% of DROP participants' medical insurance premiums only for the twelve month period beginning October 1, 2008. During this period, the retiree would be responsible for his/her dependent medical insurance premiums as established by the Town Council. After this time, the retiree would be allowed to elect medical coverage at the actuarially determined premium rates that are established by the Town Council. Employees meeting the age and service conditions for normal retirement would be eligible to elect medical and dental coverage as a Town retiree paying the actuarially determined rates that are established by the Town Council for retirees and their dependents.

At September 30, 2008, the present value of future incentive payments and estimated insurance premiums reported as a liability in the statement of net assets was \$1,613,827. A two percent discount rate was used to determine the present value. Expenditures are recognized in the governmental funds as the incentive payments and related insurance benefits are incurred.

The Town funds the plan on a pay-as-you-go basis. As of September 30, 2008, 21 employees had elected to participate in the ERIP, 5 of which continued employment with the Town for up to one year beyond September 30, 2008, as allowed under the program. The amount of the ERIP incentive for employees continuing employment after their election to participate in the ERIP is the amount that was calculated at the time the election was made. Payment of the ERIP for retained employees commences on the first full bi-weekly payroll period following the employee's separation from service with the Town.

NOTE J - 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.

TOWN OF PALM BEACH, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE J - INSURANCE PROGRAM (Continued)

A claims liability of approximately \$3,748,000 is included in accrued liabilities of the Internal Service Funds at September 30, 2008. 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, 2008 were determined by 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, 2008 are summarized as follows:

	<u>Accrued Claims Liability</u>
<p><b>Group Accident and Health:</b> 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, 2008, these benefits covered 376 active employees, 157 retirees and 607 dependents. Net costs for the year ended September 30, 2008 were approximately \$4,261,000. 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 2008). 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.</p>	\$ 751,000
<p><b>General Liability, Automobile Liability, Public Official Liability, Workers' Compensation and Property:</b> 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 \$780,000 applies to each fiscal year, with a \$5,000 maintenance deductible. The loss fund does not include the 5% deductible for a "named" windstorm.</p>	

TOWN OF PALM BEACH, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE J - INSURANCE PROGRAM (Continued)

	<u>Accrued Claims Liability</u>
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.	\$ <u>2,997,000</u>
	\$ <u>3,748,000</u>

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

	<u>Year Ended September 30, 2008</u>	<u>Year Ended September 30, 2007</u>
Accrued claims liability at beginning of fiscal year	\$ 3,748,000	\$ 2,429,000
Current year claims and changes in estimates	3,280,000	4,506,000
Claim payments	<u>(3,280,000)</u>	<u>(3,187,000)</u>
Accrued claims liability at end of fiscal year	<u>\$ 3,748,000</u>	<u>\$ 3,748,000</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 K - COMMITMENTS

Contractual Commitments: 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, 2008, the remaining commitments on these uncompleted contracts were \$10,083,467. The uncompleted contracts at September 30, 2008, are summarized as follows:

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

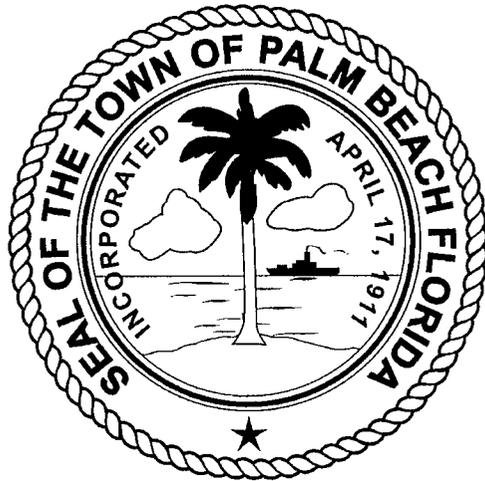
September 30, 2008

NOTE K - COMMITMENTS (Continued)

	<u>Contract Amounts</u>	<u>Approved Payments</u>	<u>Retainage Payable</u>	<u>Remaining Contract Commitments</u>
General Fund	\$ 290,562	\$ 239,902	\$ 34,260	\$ 16,400
Capital Improvement Fund	2,370,394	1,361,871	147,427	861,096
Town Facilities Fund	10,366,181	1,226,581	44,887	9,094,713
Recreation Enterprise Fund	<u>1,434,839</u>	<u>1,245,066</u>	<u>78,515</u>	<u>111,258</u>
Total	<u>\$ 14,461,976</u>	<u>\$ 4,073,420</u>	<u>\$ 305,089</u>	<u>\$ 10,083,467</u>

Subsequent to year end, the Town Council awarded construction contracts totaling \$3,776,000 for the renovation of the Town's Par 3 golf course. These contracts will be funded from the Recreation Enterprise Fund.

**REQUIRED SUPPLEMENTARY INFORMATION**



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TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenue</b>				
Taxes				
Ad Valorem	\$ 40,738,785	\$ 40,738,785	\$ 41,457,249	\$ 718,464
Local Option Gas Tax	387,000	387,000	337,785	(49,215)
Franchise Fees	2,630,000	2,630,000	2,447,544	(182,456)
Utility Service	4,115,000	4,115,000	4,496,507	381,507
	<u>47,870,785</u>	<u>47,870,785</u>	<u>48,739,085</u>	<u>868,300</u>
Licenses and Permits				
Occupational Licenses	747,000	747,000	741,535	(5,465)
Building Permits	4,499,750	4,499,750	6,844,875	2,345,125
Other License Fees and Permits	209,400	209,400	249,058	39,658
	<u>5,456,150</u>	<u>5,456,150</u>	<u>7,835,468</u>	<u>2,379,318</u>
Intergovernmental				
State Shared Revenue	1,283,000	1,283,000	1,083,640	(199,360)
Shared Revenue-local	40,000	40,000	24,700	(15,300)
	<u>1,323,000</u>	<u>1,323,000</u>	<u>1,108,340</u>	<u>(214,660)</u>
Charges for Services				
General Government	36,700	36,700	34,413	(2,287)
Public Safety	1,429,836	1,429,836	1,146,921	(282,915)
Physical Environment	1,058,000	1,058,000	1,041,072	(16,928)
Transportation	634,700	634,700	585,892	(48,808)
	<u>3,159,236</u>	<u>3,159,236</u>	<u>2,808,298</u>	<u>(350,938)</u>
Fines and Forfeitures	1,028,200	1,028,200	1,183,318	155,118
Investment Earnings	2,070,000	2,070,000	1,368,751	(701,249)
Grant Revenue	19,200	19,200	139,975	120,775
Miscellaneous				
Rents and Royalties	54,310	54,310	111,320	57,010
Other Miscellaneous	138,500	138,500	200,951	62,451
	<u>192,810</u>	<u>192,810</u>	<u>312,271</u>	<u>119,461</u>
<b>Total Revenue</b>	<b>61,119,381</b>	<b>61,119,381</b>	<b>63,495,506</b>	<b>2,376,125</b>

See notes to budgetary comparison schedule.

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures</b>				
General Government				
Town Manager	\$ 2,030,604	\$ 2,419,541	\$ 2,343,809	\$ 75,732
Human Resources	795,032	808,998	725,997	83,001
Information Systems	2,040,575	2,084,684	2,024,077	60,607
Town Clerk	332,773	351,773	349,210	2,563
Finance	1,573,872	1,559,641	1,500,733	58,908
Planning, Zoning and Building	735,643	830,458	820,121	10,337
Permit Issuance	1,195,612	1,089,918	1,010,861	79,057
Contingency	926,000	725,632		725,632
Employee Benefits		1,466,000	1,466,000	0
	<u>9,630,111</u>	<u>11,336,645</u>	<u>10,240,808</u>	<u>1,095,837</u>
Public Safety				
Inspection and Compliance	999,174	1,112,757	1,111,717	1,040
Fire-Rescue	11,836,084	11,918,878	11,891,178	27,700
Police	16,598,557	16,560,582	15,698,678	861,904
Emergency/Disaster Response	87,524	92,530	46,413	46,117
	<u>29,521,339</u>	<u>29,684,747</u>	<u>28,747,986</u>	<u>936,761</u>
Physical Environment				
Administration	846,464	847,036	803,755	43,281
Sewer and Sanitation	7,664,733	8,186,152	7,528,925	657,227
Public Works	4,081,019	4,469,386	3,749,269	720,117
	<u>12,592,216</u>	<u>13,502,574</u>	<u>12,081,949</u>	<u>1,420,625</u>
Transportation				
Streets and Repairs	346,431	484,935	457,382	27,553
Traffic Control	679,257	802,611	703,218	99,393
	<u>1,025,688</u>	<u>1,287,546</u>	<u>1,160,600</u>	<u>126,946</u>
Culture and Recreation				
Recreation	148,031	163,403	129,226	34,177
Library	259,350	259,350	259,350	0
Parks and Beaches	1,545,299	1,546,228	1,431,057	115,171
	<u>1,952,680</u>	<u>1,968,981</u>	<u>1,819,633</u>	<u>149,348</u>

See notes to budgetary comparison schedule.

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Non-departmental	\$ 3,858,000	\$ 2,415,000	\$ 2,414,968	\$ 32
Debt Service				
Principal	91,297	91,297	91,297	0
Interest and Fiscal Charges	3,703	3,703	2,106	1,597
	<u>95,000</u>	<u>95,000</u>	<u>93,403</u>	<u>1,597</u>
<b>Total Expenditures</b>	58,675,034	60,290,493	56,559,347	3,731,146
<b>Other financing sources (uses)</b>				
Transfers in	550,000	550,000	550,000	0
Transfers out	(5,748,000)	(5,748,000)	(5,748,000)	0
	<u>(5,198,000)</u>	<u>(5,198,000)</u>	<u>(5,198,000)</u>	<u>0</u>
Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (2,753,653)</u>	<u>\$ (4,369,112)</u>	1,738,159	<u>\$ 6,107,271</u>
Fund balance at October 1, 2007			<u>30,636,056</u>	
Fund balance at September 30, 2008			<u>\$ 32,374,215</u>	

See notes to budgetary comparison schedule.

TOWN OF PALM BEACH, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2008

NOTE A - BUDGETARY ACCOUNTING

Budgets: Budgets are legally required to be adopted for the General Fund, the Series 2003 and 2008 Debt Service Funds, and the Capital Projects Funds. All governmental fund budgets are prepared on the modified accrual basis of accounting.

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. Encumbrances lapse at year end and become obligations of the subsequent year's budget. At September 30, 2008, the Town had commitments related to unperformed contracts, which have been re-appropriated in the 2008-2009 annual budget. These amounts are not included in the current year's expenditures as reported in these financial statements.

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. On-behalf payments from the state of Florida for Police and Fire-Rescue pensions are not included in the budget. Certain internal service fund charges are treated as expenditures in the General Fund budgetary statement, but are treated as transfers for GAAP purposes. 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:

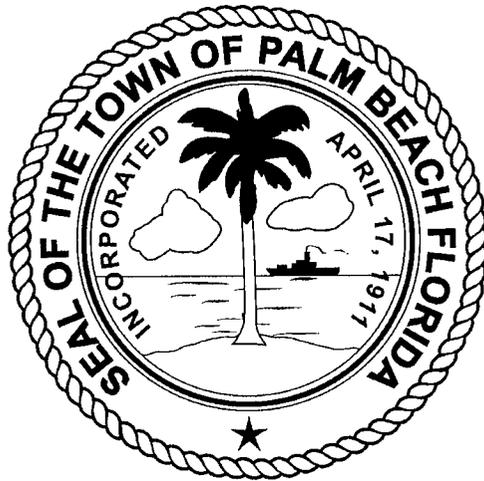
TOWN OF PALM BEACH, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2008

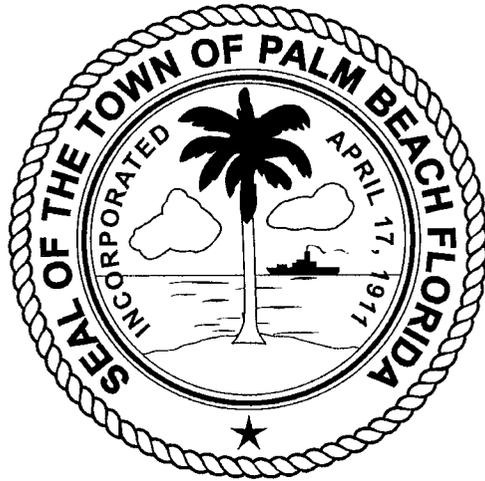
NOTE B - BUDGET AND ACTUAL COMPARISONS (Continued)

	<u>Revenue</u>	<u>Expenditures</u>
Budgetary basis	\$ 63,495,506	\$ 56,559,347
State on-behalf payments for Police and Fire-Rescue pension contributions not included in budgetary basis	<u>999,587</u>	<u>999,587</u>
GAAP basis	<u>\$ 64,495,093</u>	<u>\$ 57,558,934</u>



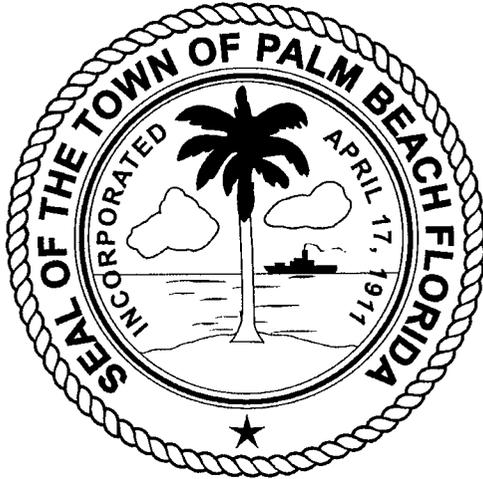
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**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**



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**MAJOR CAPITAL PROJECTS FUNDS  
BUDGETARY COMPARISON SCHEDULES**



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TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - CAPITAL IMPROVEMENT FUND

Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Investment earnings	\$ 425,000	\$ 425,000	\$ 308,970	\$ (116,030)
Grant revenue	795,000	795,000	1,519,585	724,585
Total revenue	<u>\$ 1,220,000</u>	<u>\$ 1,220,000</u>	<u>\$ 1,828,555</u>	<u>\$ 608,555</u>
<b>EXPENDITURES</b>				
Current				
Physical environment	\$ 500,000	\$ 2,621,153	\$ 2,014,533	\$ 606,620
Culture and recreation		9,264	3,481	5,783
Capital outlay	2,721,000	11,838,656	4,109,447	7,729,209
Total expenditures - budgetary basis	<u>\$ 3,221,000</u>	<u>\$ 14,469,073</u>	<u>\$ 6,127,461</u>	<u>\$ 8,341,612</u>
<b>OTHER FINANCING SOURCE</b>				
Transfer in	<u>\$ 2,126,000</u>	<u>\$ 2,126,000</u>	<u>\$ 2,126,000</u>	<u>\$ 0</u>

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - BEACH RESTORATION PROJECT FUND

Year Ended September 30, 2008

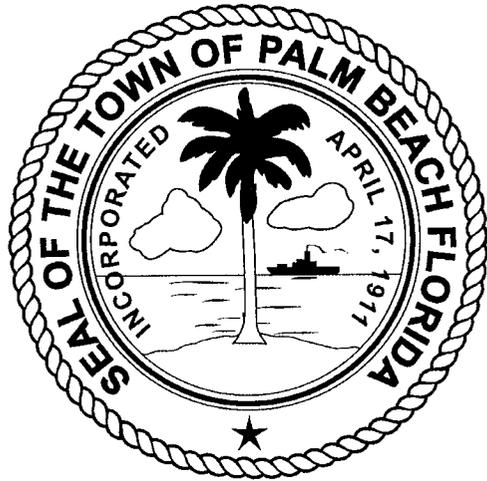
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Investment earnings	\$ 265,000	\$ 265,000	\$ 220,797	\$ (44,203)
Grant revenue			297,157	297,157
Total revenue	<u>\$ 265,000</u>	<u>\$ 265,000</u>	<u>\$ 517,954</u>	<u>\$ 252,954</u>
<b>EXPENDITURES</b>				
Current				
Physical environment	\$ 10,000	\$ 948,211	\$ 1,400,231	\$ (452,020)
Capital outlay	0	2,987,116	901,484	2,085,632
Total expenditures - budgetary basis	<u>\$ 10,000</u>	<u>\$ 3,935,327</u>	<u>\$ 2,301,715</u>	<u>\$ 1,633,612</u>
<b>OTHER FINANCING USE</b>				
Transfer out	<u>\$ (681,439)</u>	<u>\$ (681,439)</u>	<u>\$ (681,439)</u>	<u>\$ 0</u>

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - TOWN FACILITIES FUND

Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Investment earnings	\$ 80,000	\$ 80,000	\$ 122,591	\$ 42,591
Grant revenue			113,618	113,618
Total revenue	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ 236,209</u>	<u>\$ 156,209</u>
<b>EXPENDITURES</b>				
Current				
Physical environment	\$	\$	\$ 1,500	\$ (1,500)
Capital outlay		12,612,537	1,654,700	10,957,837
Total expenditures - budgetary basis	<u>\$ 0</u>	<u>\$ 12,612,537</u>	<u>\$ 1,656,200</u>	<u>\$ 10,956,337</u>
<b>OTHER FINANCING SOURCE (USE)</b>				
Revenue note proceeds	\$	\$ 9,411,217	\$ 9,441,717	\$ 30,500
Transfer out			(30,500)	(30,500)
Total other financing source	<u>\$ 0</u>	<u>\$ 9,411,217</u>	<u>\$ 9,411,217</u>	<u>\$ 0</u>



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## **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 2003 Debt Service Fund**

**Series 2008 Debt Service Fund**

TOWN OF PALM BEACH, FLORIDA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

September 30, 2008

	Special Revenue		
	State Forfeiture Fund	Federal Forfeiture Fund	Donation Fund
<b>ASSETS</b>			
Equity in pooled cash and investments	\$ 190,138	\$ 67,531	\$ 346,937
Total assets	<u>\$ 190,138</u>	<u>\$ 67,531</u>	<u>\$ 346,937</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$	\$	\$ 19,407
Due to other funds	797		1,086
	<u>797</u>	<u>0</u>	<u>20,493</u>
<b>FUND BALANCES</b>			
Reserved:			
Reserved for specific purposes	189,341	67,531	326,444
Reserved for debt service			
Total fund balances	<u>189,341</u>	<u>67,531</u>	<u>326,444</u>
Total liabilities and fund balances	<u>\$ 190,138</u>	<u>\$ 67,531</u>	<u>\$ 346,937</u>

Debt Service		
Series 2003 Debt Service Fund	Series 2008 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 41,535	\$ 562,781	\$ 1,208,922
\$ 41,535	\$ 562,781	\$ 1,208,922
\$	\$ 3,500	\$ 22,907
		1,883
0	3,500	24,790
41,535	559,281	583,316
41,535	559,281	600,816
		1,184,132
\$ 41,535	\$ 562,781	\$ 1,208,922

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2008

	Special Revenue		
	State Forfeiture Fund	Federal Forfeiture Fund	Donation Fund
<b>Revenue</b>			
Fines and forfeitures			
Seizure deposits	\$	\$	\$
Investment earnings	4,965	1,577	4,434
Contributions			301,334
	<u>4,965</u>	<u>12,534</u>	<u>305,768</u>
<b>Expenditures</b>			
Current			
General government			102,949
Public safety			186,803
Physical environment			13,479
Culture and recreation			6,271
Capital outlay			31,010
Debt service			
Principal retirement			
Interest and fiscal charges			
Debt issue costs			
	<u>0</u>	<u>0</u>	<u>340,512</u>
Revenue over (under) expenditures	4,965	12,534	(34,744)
<b>Other financing sources</b>			
Revenue note proceeds			
Transfers in			
Net change in fund balances	4,965	12,534	(34,744)
Fund balances at October 1, 2007	<u>184,376</u>	<u>54,997</u>	<u>361,188</u>
Fund balances at September 30, 2008	<u>\$ 189,341</u>	<u>\$ 67,531</u>	<u>\$ 326,444</u>

Debt Service		
Series 2003 Debt Service Fund	Series 2008 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 3,109	\$ 998	\$ 10,957
<u>3,109</u>	<u>998</u>	<u>301,334</u>
		<u>327,374</u>
		102,949
		186,803
		13,479
		6,271
		31,010
3,720,000		3,720,000
612,163		612,163
	30,500	30,500
<u>4,332,163</u>	<u>30,500</u>	<u>4,703,175</u>
(4,329,054)	(29,502)	(4,375,801)
	558,283	558,283
<u>4,333,439</u>	<u>30,500</u>	<u>4,363,939</u>
4,385	559,281	546,421
37,150	0	637,711
<u>\$ 41,535</u>	<u>\$ 559,281</u>	<u>\$ 1,184,132</u>

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - SERIES 2003 DEBT SERVICE FUND

Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Investment earnings	\$ 1,500	\$ 1,500	\$ 3,109	\$ 1,609
<b>EXPENDITURES</b>				
Debt service				
Principal retirement	\$ 3,720,000	\$ 3,720,000	\$ 3,720,000	\$ 0
Interest and fiscal charges	614,939	614,939	612,163	2,776
Total expenditures	\$ 4,334,939	\$ 4,334,939	\$ 4,332,163	\$ 2,776
<b>OTHER FINANCING SOURCE</b>				
Transfer in	\$ 4,333,439	\$ 4,333,439	\$ 4,333,439	\$ 0

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - SERIES 2008 DEBT SERVICE FUND

Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Investment earnings	\$ 0	\$ 0	\$ 998	\$ 998
<b>EXPENDITURES</b>				
Debt service costs	\$ 0	\$ 588,783	\$ 30,500	\$ 558,283
<b>OTHER FINANCING SOURCES</b>				
Revenue note proceeds	\$	\$ 588,783	\$ 558,283	\$ (30,500)
Transfer in			30,500	30,500
	\$ 0	\$ 588,783	\$ 588,783	\$ 0

### *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, 2008

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Equipment Replacement Fund	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 20,000	\$ 38,751	\$ 12,030,185	\$ 58,751
Equity in pooled cash and investments	9,592,925	2,687,135	12,030,185	24,310,245
Due from other funds	1,039	828	828	1,867
Total current assets	<u>9,613,964</u>	<u>2,725,886</u>	<u>12,031,013</u>	<u>24,370,863</u>
Noncurrent assets				
Capital assets				
Equipment	63,601	3,777	2,927,133	2,994,511
Accumulated depreciation	(3,180)	(3,270)	(516,511)	(522,961)
Total capital assets, net of accumulated depreciation	<u>60,421</u>	<u>507</u>	<u>2,410,622</u>	<u>2,471,550</u>
Total assets	9,674,385	2,726,393	14,441,635	26,842,413
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	70,264	298,578	97,651	466,493
Accrued liabilities	3,000,100	752,651	13,070	3,752,751
Due to other funds	13,070	13,070	13,070	13,070
Total current liabilities	<u>3,070,364</u>	<u>1,064,299</u>	<u>97,651</u>	<u>4,232,314</u>
Noncurrent liability				
Compensated absences payable	14,750	1,125	15,875	15,875
<b>NET ASSETS</b>				
Invested in capital assets	60,421	507	2,410,622	2,471,550
Unrestricted	<u>6,528,850</u>	<u>1,660,462</u>	<u>11,933,362</u>	<u>20,122,674</u>
Total net assets	<u>\$ 6,589,271</u>	<u>\$ 1,660,969</u>	<u>\$ 14,343,984</u>	<u>\$ 22,594,224</u>

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2008

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Equipment Replacement Fund	Total
<b>Operating revenue</b>				
Charges for services	\$ 2,392,000	\$ 4,095,522	\$ 1,903,368	\$ 8,390,890
Other	4,614		86,809	91,423
	<u>2,396,614</u>	<u>4,095,522</u>	<u>1,990,177</u>	<u>8,482,313</u>
<b>Operating expenses</b>				
Personal services	150,662	90,700		241,362
Contractual services	22,057	7,263		29,320
Insurance and claims	1,868,338	4,159,197		6,027,535
Depreciation	3,180		394,873	398,053
Other	8,588	3,429	51,727	63,744
	<u>2,052,825</u>	<u>4,260,589</u>	<u>446,600</u>	<u>6,760,014</u>
Operating Income (Loss)	343,789	(165,067)	1,543,577	1,722,299
<b>Nonoperating revenue (expense)</b>				
Investment earnings	235,616	86,608	308,231	630,455
Loss on disposal of capital assets	(3,448)	(898)		(4,346)
	<u>232,168</u>	<u>85,710</u>	<u>308,231</u>	<u>626,109</u>
Change in Net Assets	575,957	(79,357)	1,851,808	2,348,408
Net assets at October 1, 2007	<u>6,013,314</u>	<u>1,740,326</u>	<u>12,492,176</u>	<u>20,245,816</u>
Net assets at September 30, 2008	<u>\$ 6,589,271</u>	<u>\$ 1,660,969</u>	<u>\$ 14,343,984</u>	<u>\$ 22,594,224</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF CASH FLOWS -  
INTERNAL SERVICE FUNDS

Year Ended September 30, 2008

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Equipment Replacement Fund	Total
<b>OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 2,392,000	\$ 4,095,522	\$ 1,903,368	\$ 8,390,890
Payments to employees	(147,717)	(90,596)		(238,313)
Payments to suppliers	(1,911,948)	(4,465,718)	183,153	(6,194,513)
Other receipts	3,575		86,809	90,384
Net cash provided by (used in) operating activities	335,910	(460,792)	2,173,330	2,048,448
<b>CAPITAL AND RELATED FINANCING ACTIVITY</b>				
Acquisition of property and equipment	(31,801)		(1,537,673)	(1,569,474)
Net cash used in capital and related financing activity	(31,801)	0	(1,537,673)	(1,569,474)
<b>INVESTING ACTIVITY</b>				
Investment earnings received	235,616	86,608	308,231	630,455
Net cash provided by investing activity	235,616	86,608	308,231	630,455
Net increase (decrease) in cash and cash equivalents	539,725	(374,184)	943,888	1,109,429
Cash and cash equivalents at October 1, 2007	9,073,200	3,100,070	11,086,297	23,259,567
Cash and cash equivalents at September 30, 2008	<u>\$ 9,612,925</u>	<u>\$ 2,725,886</u>	<u>\$ 12,030,185</u>	<u>\$ 24,368,996</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ 343,789	\$ (165,067)	\$ 1,543,577	\$ 1,722,299
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	3,180		394,873	398,053
Changes in operating assets and liabilities:				
Increase in due from other funds	(1,039)		(626)	(1,665)
Decrease in other assets			408,486	408,486
Decrease in accounts payable	(13,109)	(234,331)	(172,980)	(420,420)
Increase (decrease) in accrued liabilities	570	(157)		413
Decrease in due to other funds	(76)	(61,608)		(61,684)
Increase in compensated absences payable	2,595	371		2,966
Net cash provided by (used in) operating activities	<u>\$ 335,910</u>	<u>\$ (460,792)</u>	<u>\$ 2,173,330</u>	<u>\$ 2,048,448</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 Kreuzler Park.

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF PLAN NET ASSETS -  
TRUST FUNDS

September 30, 2008

	General Employees Pension Trust Fund	Police Officers' Retirement Trust Fund	Firefighters' Retirement Trust Fund	OPEB Trust Fund	Total
<b>ASSETS</b>					
Cash and short-term investments	\$ 998,833	\$ 11,967,589	\$ 5,432,870	\$ 1,016,964	\$ 19,416,256
Equity in pooled cash and investments				1,961,439	1,961,439
Accrued interest and dividends receivable	5,077	77,163	75,559	8,059	165,858
Due from State of Florida			338,626		338,626
Other receivables	148,234		34,373		182,607
Investments, at fair value					
U.S. Government and Agency securities		1,787,933	2,920,223		4,708,156
Domestic common stocks	7,340,020	6,577,806	6,332,015		20,249,841
Domestic corporate bonds		6,714,700	6,814,793	1,370,017	14,899,510
Mutual funds	53,201,926	16,588,189	18,095,287	6,956,113	94,841,515
Alternative investments		11,087,633	12,862,055	4,572,847	28,522,535
Total investments	<u>60,541,946</u>	<u>42,756,261</u>	<u>47,024,373</u>	<u>12,898,977</u>	<u>163,221,557</u>
Total assets	61,694,090	54,801,013	52,905,801	15,885,439	185,286,343
<b>LIABILITIES</b>					
Accounts payable	91,087	54,777	66,653	99,559	312,076
Due to other funds	159,312				159,312
Other payables		30,669	83,980		114,649
DROP plan liability			976,431		976,431
Total liabilities	<u>250,399</u>	<u>85,446</u>	<u>1,127,064</u>	<u>99,559</u>	<u>1,562,468</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION AND RETIREE HEALTH BENEFITS</b>					
	<u>\$ 61,443,691</u>	<u>\$ 54,715,567</u>	<u>\$ 51,778,737</u>	<u>\$ 15,785,880</u>	<u>\$ 183,723,875</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS -  
TRUST FUNDS

Year Ended September 30, 2008

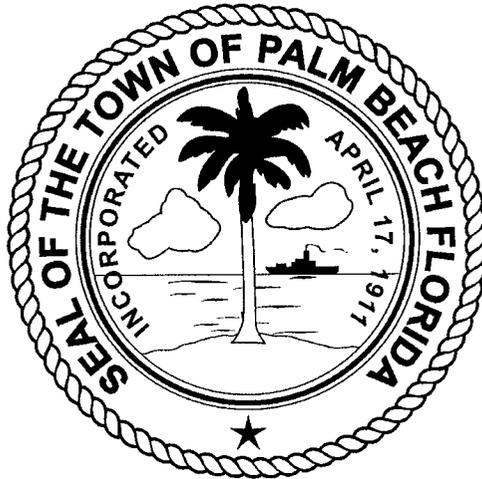
	General Employees Pension Trust Fund	Police Officers' Retirement Trust Fund	Firefighters' Retirement Trust Fund	OPEB Trust Fund	Total
<b>ADDITIONS</b>					
Contributions					
Employer	\$ 2,614,902	\$ 2,366,346	\$ 2,525,215	\$ 1,466,000	\$ 8,972,463
Employee	859,572	394,024	403,835	781,157	2,438,588
State		229,543	770,044		999,587
Other				61,905	61,905
Total contributions	<u>3,474,474</u>	<u>2,989,913</u>	<u>3,699,094</u>	<u>2,309,062</u>	<u>12,472,543</u>
Investment income (loss)					
Net depreciation in fair value of investments	(14,681,857)	(8,431,923)	(9,648,972)	(2,860,641)	(35,623,393)
Interest and dividend income	69,414	1,245,141	1,317,788	494,436	3,126,779
Other	1,783	51,425	111,305		164,513
	<u>(14,610,660)</u>	<u>(7,135,357)</u>	<u>(8,219,879)</u>	<u>(2,366,205)</u>	<u>(32,332,101)</u>
Less investment expense	507,283	287,401	287,053	78,896	1,160,633
Net investment loss	<u>(15,117,943)</u>	<u>(7,422,758)</u>	<u>(8,506,932)</u>	<u>(2,445,101)</u>	<u>(33,492,734)</u>
Total additions (loss)	(11,643,469)	(4,432,845)	(4,807,838)	(136,039)	(21,020,191)
<b>DEDUCTIONS</b>					
Benefit payments	3,139,312	3,117,941	3,026,573	1,466,315	10,750,141
Share account distributions			60,404		60,404
Refunds	93,685	26,583	4,270		124,538
Administrative expense	57,716	169,282	219,713	13,649	460,360
Total deductions	<u>3,290,713</u>	<u>3,313,806</u>	<u>3,310,960</u>	<u>1,479,964</u>	<u>11,395,443</u>
Net decrease	(14,934,182)	(7,746,651)	(8,118,798)	(1,616,003)	(32,415,634)
Net assets held in trust for pension and retiree health benefits at October 1, 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>
NET ASSETS HELD IN TRUST FOR PENSION AND RETIREE HEALTH BENEFITS AT SEPTEMBER 30, 2008	<u>\$ 61,443,691</u>	<u>\$ 54,715,567</u>	<u>\$ 51,778,737</u>	<u>\$ 15,785,880</u>	<u>\$ 183,723,875</u>

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
AGENCY FUND

Year Ended September 30, 2008

	Balance October 1, 2007	Additions	Deductions	Balance September 30, 2008
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>KREUSLER PARK FUND</b>				
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ 0	\$ 315,153	\$ 297,621	\$ 17,532
Due from other funds	19,728	187,011	206,739	0
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 19,728</u>	<u>\$ 502,164</u>	<u>\$ 504,360</u>	<u>\$ 17,532</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 19,728	\$ 571,303	\$ 573,499	\$ 17,532
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>\$ 19,728</u>	<u>\$ 571,303</u>	<u>\$ 573,499</u>	<u>\$ 17,532</u>



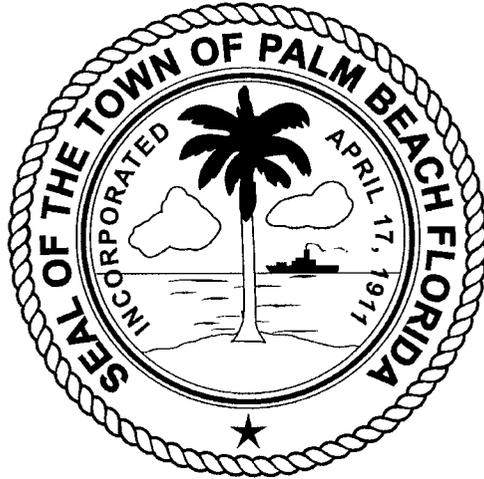
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# STATISTICAL SECTION

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.

<b>Contents</b>	<b>Page</b>
Financial Trends.....	82
<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 .....	89
<i>These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.</i>	
Debt Capacity .....	98
<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.....	104
<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.....	106
<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.



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# Town of Palm Beach, Florida

Net Assets by Component

Last Six Fiscal Years

Accrual Basis of Accounting

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>Governmental activities</b>						
Invested in capital assets, net of related debt	\$ 51,595,063	\$ 50,906,153	\$ 52,423,983	\$ 70,412,738	\$ 71,453,781	\$ 75,658,381
Restricted		250,907	199,674	234,245	276,523	1,184,132
Unrestricted	75,213,296	80,397,271	86,813,836	83,756,838	94,548,246	90,594,375
<b>Total governmental activities net assets</b>	<b>\$ 126,808,359</b>	<b>\$ 131,554,331</b>	<b>\$ 139,437,493</b>	<b>\$ 154,403,821</b>	<b>\$ 166,278,550</b>	<b>\$ 167,436,888</b>
<b>Business-type activities</b>						
Invested in capital assets, net of related debt	\$ 8,946,928	\$ 10,515,063	\$ 10,679,781	\$ 10,965,117	\$ 10,971,879	\$ 12,635,374
Restricted						800,000
Unrestricted	2,781,185	3,129,161	4,091,466	4,117,835	4,715,002	4,798,209
<b>Total business-type activities net assets</b>	<b>\$ 11,728,113</b>	<b>\$ 13,644,224</b>	<b>\$ 14,771,247</b>	<b>\$ 15,082,952</b>	<b>\$ 15,686,881</b>	<b>\$ 18,233,583</b>
<b>Primary government</b>						
Invested in capital assets, net of related debt	\$ 60,541,991	\$ 61,421,216	\$ 63,103,764	\$ 81,377,855	\$ 82,425,660	\$ 88,293,755
Restricted		250,907	199,674	234,245	276,523	1,984,132
Unrestricted	77,994,481	83,526,432	90,905,302	87,874,673	99,263,248	95,392,584
<b>Total primary government net assets</b>	<b>\$ 138,536,472</b>	<b>\$ 145,198,555</b>	<b>\$ 154,208,740</b>	<b>\$ 169,486,773</b>	<b>\$ 181,965,431</b>	<b>\$ 185,670,471</b>

# Town of Palm Beach, Florida

Changes in Net Assets

Last Six Fiscal Years

Accrual Basis of Accounting

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>Expenses</b>						
Governmental activities:						
General government	\$ 8,402,847	\$ 12,881,165	\$ 10,541,925	\$ 10,770,654	\$ 11,620,148	\$ 14,194,382
Public safety	19,803,167	22,872,573	27,865,411	27,115,822	30,526,540	29,688,750
Physical environment	9,307,102	11,851,242	12,267,718	19,746,156	15,169,120	19,802,683
Transportation	582,376	773,122	1,042,556	1,179,979	864,359	1,131,044
Culture and recreation	2,489,073	1,561,430	1,677,604	1,919,405	1,854,023	1,814,544
Interest on long-term debt	1,277,118	1,590,795	1,138,344	1,030,985	913,297	825,899
<b>Total governmental activities expenses</b>	<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>	<u>67,457,302</u>
Business-type activities:						
Leisure services	1,528,543	2,935,651	3,099,168	3,474,250	3,546,363	3,450,003
<b>Total business-type activities expenses</b>	<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>	<u>3,450,003</u>
<b>Total primary government expenses</b>	<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>	<u>\$ 70,907,305</u>
<b>Program Revenues</b>						
Governmental activities:						
Charges for services:						
General government	\$ 5,859,442	\$ 6,317,510	\$ 7,094,336	\$ 6,745,625	\$ 7,308,586	\$ 8,016,246
Public safety	2,233,350	1,827,503	1,551,196	1,913,437	2,449,825	2,330,239
Physical environment	2,707,891	869,451	925,645	1,354,292	1,022,063	1,041,072
Transportation	398,614	433,041	393,012	410,584	540,123	657,135
Culture and recreation	354,790				54,004	84,663
Operating grants and contributions:						
General government	713,611	2,378,073	3,892,522	2,995,182	28,427	847,910
Public safety	722,869	182,917	1,394,472	963,866	1,214,891	1,253,809
Physical environment		60,470	1,612,048	9,672,675	163,213	158,231
Transportation				78,013	71,204	694,700
Culture and recreation		177,157	32,932	49,728	74,614	15,831
Capital grants and contributions:						
Public safety	52,768	478,202	68,524	179,952	30,837	10,957
Physical environment	2,567,523	607,209			3,154,725	410,775
Culture and recreation		21,791				
<b>Total governmental activities program revenues</b>	<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>	<u>15,521,568</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	4,523,039
Operating grants and contributions				67,183		1,884,649
Capital grants and contributions				4,051,490	4,291,969	6,407,688
<b>Total business-type activities program revenues</b>	<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>	<u>6,407,688</u>
<b>Total primary government program revenues</b>	<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>	<u>\$ 21,929,256</u>
<b>Net (expense)/revenue</b>						
Governmental activities	\$ (26,250,825)	\$ (38,177,003)	\$ (37,568,871)	\$ (37,399,647)	\$ (44,834,975)	\$ (51,935,734)
Business-type activities	1,608,928	607,439	687,543	577,240	745,606	2,957,685
<b>Total primary government net expense</b>	<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>	<u>\$ (48,978,049)</u>

# Town of Palm Beach, Florida

Changes in Net Assets (Continued)

Last Six Fiscal Years

Accrual Basis of Accounting

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>General Revenues and Other Changes in Net Assets</b>						
Governmental activities:						
Taxes:						
Property taxes	\$ 29,815,341	\$ 32,778,331	\$ 35,539,136	\$ 39,008,774	\$ 43,096,605	\$ 41,457,249
Local option gas tax	224,517	219,755	222,226	360,210	360,853	337,785
Franchise fees	1,726,221	1,881,195	1,989,980	2,433,811	2,478,487	2,447,544
Utility service taxes	4,156,003	3,983,261	4,160,185	4,167,844	4,105,957	4,496,507
Intergovernmental, unrestricted	958,145	1,730,628	1,192,382	1,158,415	1,249,609	1,108,340
Investment earnings	2,285,717	1,676,047	2,661,913	4,709,493	4,891,708	2,666,647
Miscellaneous	850,582	1,905,491			51,565	
Transfers	675,000	(1,251,733)	(313,789)	527,428	474,920	580,000
<b>Total governmental activities</b>	<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>	<u>53,094,072</u>
Business-type activities						
Investment earnings	55,287	56,939	125,691	261,893	333,243	169,017
Transfers	(675,000)	1,251,733	313,789	(527,428)	(474,920)	(580,000)
<b>Total business-type activities</b>	<u>(619,713)</u>	<u>1,308,672</u>	<u>439,480</u>	<u>(265,535)</u>	<u>(141,677)</u>	<u>(410,983)</u>
<b>Total primary government</b>	<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>	<u>\$ 52,683,089</u>
<b>Changes in Net Assets</b>						
Governmental activities	\$ 14,440,701	\$ 4,745,972	\$ 7,883,162	\$ 14,966,328	\$ 11,874,729	\$ 1,158,338
Business-type activities	989,215	1,916,111	1,127,023	311,705	603,929	2,546,702
<b>Total primary government</b>	<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>	<u>\$ 3,705,040</u>

# Town of Palm Beach, Florida

## Fund Balances of Governmental Funds

Last Six Fiscal Years

Modified Accrual Basis of Accounting

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>General Fund</b>						
Reserved	\$ 918,224	\$ 2,881,233	\$ 1,213,317	\$ 1,379,142	\$ 2,188,726	\$ 515,591
Unreserved	20,511,244	23,413,449	24,761,271	23,010,110	28,447,330	31,858,624
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>	<u>\$ 32,374,215</u>
<b>All other governmental funds</b>						
Reserved	\$ 8,988,509	\$ 8,233,283	\$ 9,932,425	\$ 4,569,597	\$ 3,879,869	\$ 1,184,132
Unreserved, reported in:						
Capital Projects funds	47,027,447	42,062,662	35,813,734	34,579,119	22,254,563	28,849,841
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>	<u>\$ 30,033,973</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
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
2008	41,457,249	337,785	2,447,544	4,496,507	48,739,085

Change:

1999-2008	82.1%	2.2%	41.8%	27.4%	71.9%
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\*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			
	1999	2000	2001	2002
<b>Revenues</b>				
Taxes	\$ 28,350,429	\$ 30,029,262	\$ 32,232,409	\$ 33,371,408
Licenses and permits	5,338,440	7,309,553	6,236,113	5,503,582
Intergovernmental	1,407,462	2,059,790	1,655,313	1,874,958
Charges for services	1,952,511	2,131,584	2,309,482	2,227,358
Fines and forfeitures	639,470	601,549	781,383	566,084
Contributions	614,531	233,803	1,040,744	944,886
Investment earnings	1,692,331	2,773,177	3,981,390	2,365,768
Grant revenue	374,854	622,278	1,260,721	492,853
Miscellaneous	676,607	256,612	281,944	223,421
<b>Total revenues</b>	<u>41,046,635</u>	<u>46,017,608</u>	<u>49,779,499</u>	<u>47,570,318</u>
<b>Expenditures</b>				
General government	4,667,903	5,177,891	5,180,026	5,975,712
Public safety	16,970,445	16,426,549	17,156,353	17,919,096
Physical environment	7,096,446	6,311,150	6,676,052	7,001,958
Transportation	1,024,033	942,015	939,737	993,183
Culture and recreation	1,765,913	1,733,867	1,756,614	1,953,697
Non-departmental		1,650,768	1,948,065	2,292,624
Capital outlay	3,728,129	2,750,478	7,559,940	8,760,344
Debt service				
Principal	1,827,320	1,936,960	770,479	766,832
Interest and other fiscal charges	337,128	246,722	1,468,440	1,346,513
Bond issue costs				
<b>Total expenditures</b>	<u>37,417,317</u>	<u>37,176,400</u>	<u>43,455,706</u>	<u>47,009,959</u>
Revenues over (under) expenditures	3,629,318	8,841,208	6,323,793	560,359
<b>Other financing sources (uses)</b>				
Transfers in	3,941,536	4,108,419	12,402,818	10,451,455
Transfers out	(3,266,536)	(3,433,419)	(11,727,818)	(9,776,455)
Proceeds from sale of capital assets				
Capital lease issued			676,387	140,795
Bonds/Notes proceeds		23,003,099		
Redemption of bonds				
Proceeds of refunding note				
<b>Total other financing sources (uses)</b>	<u>675,000</u>	<u>23,678,099</u>	<u>1,351,387</u>	<u>815,795</u>
Net change in fund balances	<u>\$ 4,304,318</u>	<u>\$ 32,519,307</u>	<u>\$ 7,675,180</u>	<u>\$ 1,376,154</u>
Debt service as a percentage of non-capital expenditures	<u>6.42%</u>	<u>6.34%</u>	<u>6.24%</u>	<u>5.53%</u>

Fiscal Year					
2003	2004	2005	2006	2007	2008
\$ 35,323,171	\$ 38,862,542	\$ 41,911,527	\$ 45,970,639	\$ 50,041,902	\$ 48,739,085
5,654,137	6,116,488	6,913,397	6,473,831	7,147,383	7,835,468
3,671,884	1,927,469	2,072,960	2,153,286	2,312,236	2,107,927
2,560,809	2,054,178	2,097,306	2,487,444	2,448,829	2,808,298
1,477,456	1,079,973	822,112	874,351	1,572,285	1,194,275
					301,334
2,055,825	1,282,245	2,119,210	3,663,648	3,618,646	2,036,192
2,620,291	2,720,018	5,106,760	12,674,928	3,313,649	2,070,335
1,034,628	1,185,826	781,153	495,349	567,739	312,271
<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>	<u>67,405,185</u>
5,610,928	6,647,556	7,817,780	8,315,398	8,932,304	9,986,924
18,716,632	21,444,642	27,088,862	26,417,211	28,458,944	29,464,707
7,879,102	10,350,736	10,928,714	18,557,179	12,773,809	15,175,670
582,376	769,745	1,043,893	1,185,987	838,808	1,160,600
2,448,947	1,561,430	1,678,681	1,938,137	1,748,780	1,829,385
2,746,915	4,822,927	2,510,033	2,390,000	2,220,201	2,414,968
12,360,305	7,627,971	8,062,746	20,270,287	8,089,774	7,859,165
765,063	3,825,289	4,135,584	3,564,637	3,672,904	3,811,297
1,158,641	1,372,527	1,014,223	864,847	763,674	614,269
					30,500
<u>52,268,909</u>	<u>58,422,823</u>	<u>64,280,516</u>	<u>83,503,683</u>	<u>67,499,198</u>	<u>72,347,485</u>
2,129,292	(3,194,084)	(2,456,091)	(8,710,207)	3,523,471	(4,942,300)
10,333,656	9,761,263	11,392,115	14,210,192	8,602,057	7,039,939
(9,658,656)	(9,386,855)	(13,805,904)	(13,682,764)	(8,127,137)	(6,459,939)
	1,964,879				
6,108,358					10,000,000
(18,936,555)					
19,016,765					
<u>6,863,568</u>	<u>2,339,287</u>	<u>(2,413,789)</u>	<u>527,428</u>	<u>474,920</u>	<u>10,580,000</u>
<u>\$ 8,992,860</u>	<u>\$ (854,797)</u>	<u>\$ (4,869,880)</u>	<u>\$ (8,182,779)</u>	<u>\$ 3,998,391</u>	<u>\$ 5,637,700</u>
<u>4.82%</u>	<u>10.23%</u>	<u>9.16%</u>	<u>7.00%</u>	<u>7.47%</u>	<u>6.91%</u>

## Town of Palm Beach, Florida

Historic and Projected General Fund Non-Ad Valorem Revenues

Last Ten 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		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
Sale of Capital Assets (5)	101,622	33,041	35,014	41,923
Miscellaneous Other	266,727	70,974	150,926	88,808
<b>Total Non-Ad Valorem Revenues</b>	<b>\$ 15,754,422</b>	<b>\$ 18,675,300</b>	<b>\$ 17,701,681</b>	<b>\$ 16,021,287</b>

(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.

<b>Actual FY2003</b>	<b>Actual FY2004</b>	<b>Actual FY2005</b>	<b>Actual FY2006</b>	<b>Actual FY2007</b>	<b>Actual FY2008</b>	<b>Budgeted FY2009</b>
\$ 1,726,221	\$ 1,881,195	\$ 1,989,980	\$ 2,433,811	\$ 2,478,487	\$ 2,447,544	\$ 2,585,000
4,156,003	3,983,261	4,160,185	4,167,844	4,105,957	4,496,507	4,117,000
617,974	697,297	695,544	721,659	740,875	741,535	747,000
4,906,964	5,273,284	6,073,756	5,628,019	6,201,211	6,844,875	4,691,300
129,199	145,907	144,097	124,153	205,297	249,058	254,400
846,318	893,193	954,356	1,029,461	1,142,553	1,072,734	1,138,800
52,768	150,735	165,216	162,824	135,131	71,745	73,600
290,620	196,841	207,581	204,636	40,077	24,700	40,000
36,095	46,244	49,565	46,062	41,094	34,413	30,700
940,784	705,442	729,084	1,065,595	908,376	1,146,921	1,346,600
892,634	869,451	925,645	991,712	1,022,063	1,041,072	1,139,100
398,614	433,054	393,012	410,584	477,295	585,892	641,700
292,682						
863,474	846,677	811,038	770,067	1,541,448	1,183,318	1,521,200
	150,000	4,035	900		10,000	10,000
583,091	527,686	905,025	1,902,793	2,287,127	1,368,751	1,201,300
60,573	72,377	50,460	39,634	80,961	111,320	85,800
69,386	83,894	140,317	243,602	147,348	190,761	134,000
<b>\$ 16,863,400</b>	<b>\$ 16,956,538</b>	<b>\$ 18,398,896</b>	<b>\$ 19,943,356</b>	<b>\$ 21,555,300</b>	<b>\$ 21,621,146</b>	<b>\$ 19,757,500</b>

## **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 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.

### **Grant Revenue**

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

### **Local Shared Revenue**

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.

### **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, 2008. 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. In 2008, the Town issued a \$10 million revenue note for the Town Hall renovation project. Both 2003 series bonds and the 2008 note are special obligations of the Town payable solely from and secured solely by non-ad valorem revenue and any unused debt proceeds and related investment income.

## Town of Palm Beach, Florida

### Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property	Less:		Total Taxable Value	Total Direct Tax Rate	Total Assessed Value	Assessed Value as a % of Actual Value
					Tax-exempt Property	Property				
1999	\$ 4,400,252,336	\$ 531,039,279	\$ 513,815	\$ 171,911,209	\$ (246,246,682)	\$	4,857,469,957	\$ 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%
2008	14,861,022,194	1,067,802,643	752,116	294,479,830	(3,605,041,339)		12,619,015,444	3.3637	16,224,056,783	78%

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 by the Palm Beach County Property Appraiser.

## 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	
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		3.9080	8.1060	4.7192	2.5114	19.2446
2007	3.7273		3.7273	7.8720	4.4775	2.3254	18.4022
2008	3.3637		3.3637	7.3560	3.9813	2.1308	16.8318

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, 2008 and Nine Years Ago

	2008			
	Taxable Assessed Value	Taxes Paid	Rank	Percentage of Town Taxable Assessed Value
Breakers	\$ 250,681,423	\$ 843,217	1	1.99%
Dwight Schar	102,740,220	345,587	2	0.81%
Nelson Peltz	81,801,038	275,154	3	0.65%
JV Associates	69,052,233	232,271	4	0.55%
Trump Properties LLC	58,194,557	195,749	5	0.46%
Sydell Miller	47,276,608	159,024	6	0.37%
700 North Lake LLC	40,628,113	136,661	7	0.32%
Everglades Club Inc.	38,539,469	129,635	8	0.31%
Edward Falcone	35,236,807	118,526	9	0.28%
Irwin Kramer & Terry Allen	34,931,510	117,499	10	0.28%
Worth Avenue Associates LTD				
Thirty Eight East Corporation				
Abraham Gosman				
Sydney Spiegel Trust				
First Union National Bank				
Totals	<u>\$ 759,081,978</u>	<u>\$ 2,553,323</u>		<u>6.02%</u>

Source: Palm Beach County Property Appraiser

1999			
<u>Taxable Assessed Value</u>	<u>Taxes Paid</u>	<u>Rank</u>	<u>Percentage of Town Taxable Assessed Value</u>
\$ 127,588,729	\$ 606,404	1	2.58%
32,768,719	155,743	4	0.66%
38,500,000	182,983	3	0.78%
19,191,363	91,213	9	0.39%
46,000,000	218,629	2	0.93%
26,600,000	126,424	5	0.54%
17,451,427	82,943	10	0.35%
22,884,730	108,767	7	0.46%
21,685,921	103,069	8	0.44%
23,000,000	109,314	6	0.46%
<u>\$ 375,670,889</u>	<u>\$ 1,785,489</u>		<u>7.14%</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
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	43,028,136	95.87%	68,469	43,096,605	96.02%
2008	43,129,948	41,337,264	95.84%	119,985	41,457,249	96.12%

Note: All property taxes are assessed and collected by the Palm Beach County Tax Collector 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

Governmental Activities							
Fiscal Year	General Obligation Bonds	Revenue Refunding Bonds	Revenue Bonds/Notes	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
1999	\$ 4,810,000	\$	\$	\$ 421,863	\$ 5,231,863	N/A	\$ 538
2000	3,080,000		23,530,000	214,904	26,824,904	2.54%	2,772
2001	2,515,000		23,530,000	685,812	26,730,812	2.53%	2,763
2002	1,935,000		23,530,000	639,774	26,104,774	2.47%	2,698
2003	1,325,000	18,385,000	6,130,000	484,711	26,324,711	2.49%	2,719
2004	680,000	18,275,000	6,065,000	349,422	25,369,422	2.40%	2,626
2005		18,045,000	5,945,000	263,838	24,253,838	2.30%	2,510
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%	1,746
2008		7,630,000	15,575,000		23,205,000	2.17%	2,368

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				
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					N/A	
2006					N/A	
2007					N/A	
2008					N/A	

Note: 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, 2008

	Total Outstanding	Percentage Applicable to Town of Palm Beach <sup>(1)</sup>	Amount Applicable to Town of Palm Beach
Direct:			
Town of Palm Beach	\$ 0	100.00%	\$ 0
Overlapping:			
Palm Beach County	\$ 290,410,000	7.55%	21,925,955
Palm Beach County School District	35,805,000	7.55%	2,703,278
Total overlapping debt	326,215,000		24,629,233
<b>Total direct and overlapping debt payable from ad valorem taxes</b>	<b>\$ 326,215,000</b>		<b>\$ 24,629,233</b>
Estimated population			9,797
Total direct and overlapping debt per capita			\$ 2,514

<sup>(1)</sup> Based on 2008 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

	Fiscal Year			
	1999	2000	2001	2002
Debt limit	\$ 242,873,498	\$ 266,878,531	\$ 297,291,088	\$ 342,257,861
Total net debt applicable to limit	4,302,787	2,642,603	2,143,460	1,656,079
Legal debt margin	<u>\$ 238,570,711</u>	<u>\$ 264,235,928</u>	<u>\$ 295,147,628</u>	<u>\$ 340,601,782</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>1.73%</u>	<u>0.97%</u>	<u>0.72%</u>	<u>0.48%</u>

The Town of Palm Beach has a 5% general obligation debt limit as a percent of taxable value per Section 7.02 of the Town Charter.

Fiscal Year					
2003	2004	2005	2006	2007	2008
\$ 375,349,791	\$ 413,646,646	\$ 450,671,835	\$ 512,678,925	\$ 595,548,163	\$ 630,950,772
1,125,981	568,576	0	0	0	0
<u>\$ 374,223,810</u>	<u>\$ 413,078,070</u>	<u>\$ 450,671,835</u>	<u>\$ 512,678,925</u>	<u>\$ 595,548,163</u>	<u>\$ 630,950,772</u>
<u>0.30%</u>	<u>0.14%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

## Town of Palm Beach, Florida

*Pledged Revenue Coverage*

*Last Seven Fiscal Years*

Fiscal Year	Non-Ad Valorem Revenue Available for Debt Coverage	Current Debt Service			Current Coverage
		Principal	Interest	Total	
2002	\$ 16,021,287	\$	\$ 1,211,858	\$ 1,211,858	13.22
2003	16,863,400		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
2008	21,621,146	3,720,000	612,163	4,332,163	4.99

The Town's revenue bonds and note are special obligations of the Town payable solely from and secured solely by non-ad valorem revenue and any unused debt proceeds and related investment income. The original revenue bonds were issued in May of 2000 and in April 2003 refunding bonds were issued as well as additional bonds to finance the construction of a new Fire-Rescue facility and renovate Town Hall. In 2008, the Town issued a \$10 million revenue note for the renovation of Town Hall.

## Town of Palm Beach, Florida

### Demographic and Economic Statistics

#### Last Ten Fiscal Years

Fiscal Year	Population <sup>(1)</sup>	Estimated Total Personal Income	Per Capita Personal Income <sup>(2)</sup>	Median Age <sup>(2)</sup>	Education Level in Years of Schooling	School Enrollment <sup>(2)</sup>	Unemployment Rate <sup>(3)</sup>
1999	9,722	\$ N/A	\$ N/A	N/A	N/A	N/A	5.8%
2000	9,676	1,056,803,044	109,219	66.6	N/A	414	5.7%
2001	9,676	1,056,803,044	109,219	66.6	N/A	414	4.7%
2002	9,676	1,056,803,044	109,219	66.6	N/A	414	6.0%
2003	9,682	1,057,458,358	109,219	66.6	N/A	414	6.4%
2004	9,662	1,055,273,978	109,219	66.6	N/A	414	5.8%
2005	9,662	1,055,273,978	109,219	66.6	N/A	414	5.8%
2006	9,735	1,063,246,965	109,219	66.6	N/A	414	4.7%
2007	9,744	1,064,229,936	109,219	66.6	N/A	414	4.8%
2008	9,797	1,070,018,543	109,219	66.6	N/A	414	7.5%

#### Data Sources:

<sup>(1)</sup> The population for 1999 and 2003 through 2008 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.

<sup>(2)</sup> Source: 2000 U.S. Census Bureau

<sup>(3)</sup> 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, 2008 and Nine Years Ago

Employer	2008			1999		
	Employees <sup>(1)</sup>	Rank	Percentage of Total Town Employment <sup>(2)</sup>	Employees	Rank	Percentage of Total Town Employment
Breakers Hotel	1,800	1	11.97%	N/A		N/A
Four Seasons Resort	420	2	2.79%	N/A		N/A
Town of Palm Beach	410	3	2.73%	N/A		N/A
Ocean Grand	400	4	2.66%	N/A		N/A
Everglades Club	360	5	2.39%	N/A		N/A
Testa's Palm Beach	221	6	1.47%	N/A		N/A
Publix	208	7	1.38%	N/A		N/A
Wachovia	185	8	1.23%	N/A		N/A
Bath and Tennis Club	150	9	1.00%	N/A		N/A
Coldwell Banker/Century 21	149	10	0.99%	N/A		N/A
Totals	4,303		28.61%	N/A		N/A

Source: <sup>(1)</sup> Various Town employers

<sup>(2)</sup> Daytime Population Source – Business Development Board of Palm Beach County

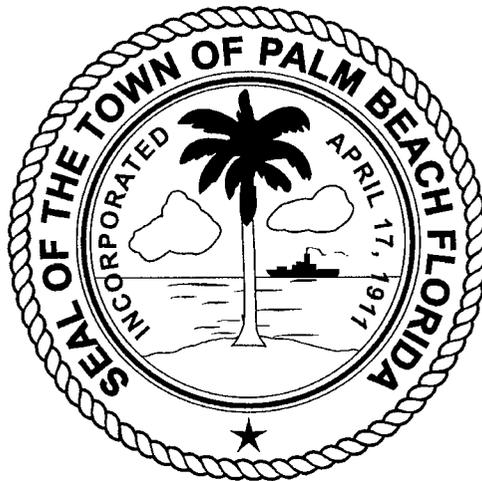
N/A - Not Available

## Town of Palm Beach, Florida

Full-time Equivalent Town Government Employees by Function / Program

Last Six Fiscal Years

	Full-time Equivalent Employees as of September 30,					
	2003	2004	2005	2006	2007	2008
General government	83.52	82.02	86.84	86.98	86.45	84.5
Public Safety						
Building official	1.00	1.00	1.00	1.00	1.00	1.00
Land development	8.40	8.90	8.90	10.40	10.90	10.90
Police officers	78.00	78.00	78.00	78.00	78.00	78.00
Firefighters	74.00	77.00	77.00	79.00	80.00	80.00
Civilian Police/Fire	58.25	58.20	59.20	59.20	59.20	59.20
Physical Environment						
Sanitation	44.26	44.26	44.27	44.27	44.24	44.24
Storm Sewer Maintenance	15.43	15.43	15.32	17.32	17.60	17.66
Transportation						
Roads and Streets	6.03	6.03	5.91	5.91	5.61	5.61
Culture and Recreation						
Leisure services	29.24	30.13	29.83	30.28	32.23	29.17
<b>Total</b>	<b>398.13</b>	<b>400.97</b>	<b>406.27</b>	<b>412.36</b>	<b>415.23</b>	<b>410.28</b>



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# Town of Palm Beach, Florida

Operating Indicators by Function / Program

Last Six Fiscal Years

Function	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>Public Safety</b>						
<b>Police</b>						
Physical arrests	1,791	1,617	2,151	2,134	1,889	1,715
Parking violations	23,948	23,591	23,060	23,328	21,835	16,832
Traffic violations	4,070	4,050	6,859	4,904	4,210	4,658
<b>Fire</b>						
Number of fire calls	1,101	1,471	1,853	1,220	1,364	1,373
Number of EMS Calls	1,499	1,383	1,429	1,074	1,644	1,598
<b>Physical Environment</b>						
<b>Sanitation</b>						
Refuse collected (tons)	10,131	10,407	10,891	10,744	10,534	10,976
Recyclables collected (tons)	1,730	1,736	1,758	1,751	1,780	1,844
<b>Transportation</b>						
<b>Roads and Streets</b>						
Street resurfacing (miles)	2	2	2	8	7	8
Pot holes repaired	50	50	50	50	46	61
<b>Culture and Recreation</b>						
<b>Leisure Services</b>						
Youth athletic participants	N/A	N/A	3,729	4,704	7,628	4,942
Camp program participants	N/A	N/A	4,567	6,339	10,089	10,243
Youth enrichment participants	N/A	N/A	5,262	5,260	6,263	9,365
Adult Enrichment/Fitness participants	N/A	N/A	3,729	4,704	9,202	9,201
Special Events Offered	5	5	5	5	7	5
Special Events participants	N/A	1,175	1,233	1,450	1,461	1,438
Tennis Participants	N/A	28,338	31,289	35,091	35,136	29,109
Rounds of Golf	35,426	35,468	33,875	31,118	28,952	25,275
Range buckets sold	20,717	20,258	20,456	21,080	19,180	14,746
Annual Marina Leases	81	81	82	82	82	82
Seasonal Marina Leases	3	3	2	2	2	2
Total transient vessels	809	655	785	696	681	626

Sources: Town departments

N/A: Not available.

# Town of Palm Beach, Florida

Capital Asset Statistics by Function / Program

Last Ten Fiscal Years

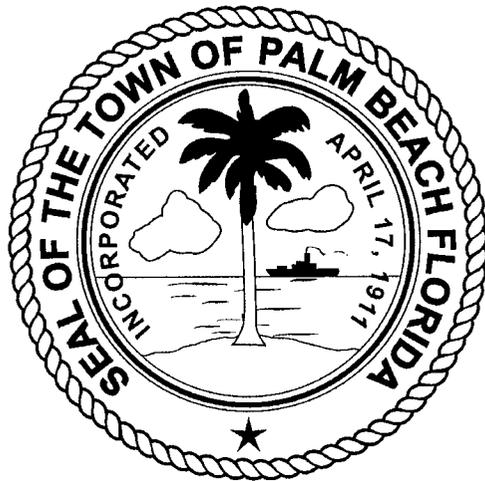
Function	Fiscal Year					
	1999	2000	2001	2002	2003	2004
<b>Public Safety</b>						
<b>Police</b>						
Stations	1	1	1	1	1	1
Patrol Units	22	22	22	22	22	22
<b>Fire</b>						
Fire Stations	3	3	3	3	3	3
Fire Trucks	7	7	7	7	7	7
ALS Rescue Vehicles	3	3	4	4	4	5
<b>Physical Environment</b>						
<b>Sanitation</b>						
Garbage Trucks	17	17	17	17	17	17
Trash Trucks	12	12	12	12	12	12
<b>Transportation</b>						
<b>Roads and Streets</b>						
Street lights	778	788	825	826	826	826
Lane miles	103	103	103	103	103	103
<b>Culture and Recreation</b>						
<b>Leisure Services</b>						
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	11	11	12
Dock slips	87	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	2	2	2
Parks	9	9	9	9	9	9

Sources: Town departments

Note: Data is not available for general government.

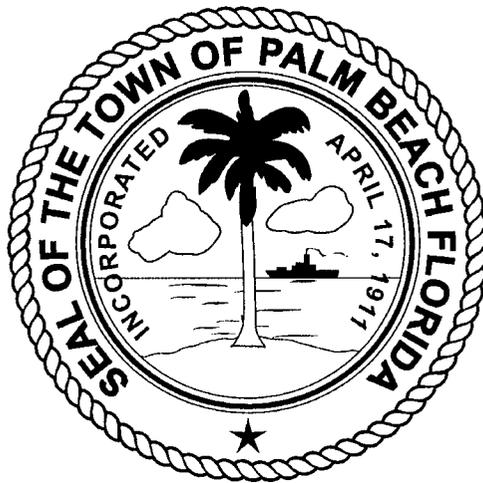
N/A: Not available.

Fiscal Year			
2005	2006	2007	2008
1	1	1	1
22	21	21	21
3	3	3	3
7	7	7	7
5	5	5	5
17	17	17	17
12	12	12	12
826	826	878	922
103	103	103	103
1	1		
1	1	1	1
1	1	1	1
12	14	14	14
87	87	88	88
1	1	1	1
1	1	1	1
1	1	1	1
2	2	2	2
9	9	10	10



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**COMPLIANCE REPORTS AND  
MANAGEMENT LETTER**



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CERTIFIED PUBLIC ACCOUNTANTS

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THOMAS A. PENCE, JR., CPA  
SCOTT L. PORTER, CPA  
MARK D. VEIL, CPA

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, 2008, which collectively comprise the basic financial statements of the Town of Palm Beach, Florida, and have issued our report thereon dated February 18, 2009. 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, two fiduciary funds of the Town, 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.

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the 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 noted in this report as findings 2008-1, 2008-2, 2008-3, 2008-4 and 2007-3 to be significant deficiencies in internal control over financial reporting.

#### (2008-1) Grant Awards

The Town does not appear to have internal controls in place to properly record grant activity and related expenditures. We noted two grants that the Finance Department was not aware of and for which the corresponding expenditures were not recorded on the Town's internal grant schedule. While this error did not affect the determination of the need for a Single Audit for the period, the lack of a system for gathering such information could potentially lead to incorrect determinations in the future, if not corrected. We recommend that the Town formalize a set of policies and controls to ensure that grant activity is properly recorded.

#### (2008-2) Proper Recording of Capital Assets

We noted that capital assets are not being recorded properly in the Leisure Services Fund. Donated professional services totaling approximately \$394,000 were not recorded in the fund as capital contributions and construction in process and park improvements totaling approximately \$276,000 were recorded as repair and maintenance expenses, when they should have been capitalized as part of capital assets. We recommend that the quarterly financial statements of all funds be reviewed and approved by the assistant finance director and finance director.

#### (2008-3) Depreciation Expense

During the year, the Town entered its capital assets for the Leisure Services Fund into the EDEN capital asset module. Several of these assets were entered without proper document codes. As a result, those assets did not have depreciation expense calculated for the current year resulting in an adjusting entry of approximately \$47,000. We recommend that all capital asset reports be reviewed and reconciled from the detailed reports to the general ledger account totals. This reconciliation process should identify any discrepancies that exist and allow for the necessary adjustments to be made.

#### (2008-4) Performance Bonds

Contractors place performance bonds with the Town to assure the completion of a project in accordance with Town specifications. We reviewed the list of performance bonds on deposit with the Town and noted four performance bonds from the 1990's for which the project was completed but the deposit has not been refunded. We recommend that the Town review the performance bond list quarterly to identify projects that are completed, and for which deposits should be refunded to the contractor or taken into revenue. The quarterly list should be signed by the responsible employee as evidence of his/her review.

#### (2007-3) Timely Recording of Grant Reimbursement Requests

The Town records grant revenue at the time they prepare the corresponding grant reimbursement request. Since the reimbursement requests 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. This process may also delay the grantor agency's reimbursement process if a backlog is created as a result submitting several requests at one time. This may delay the revenue reimbursement to the Town.

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 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, of the significant deficiencies described in this report, we consider findings 2008-1, 2008-2 and 2008-3 to be material weaknesses.

### *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*.

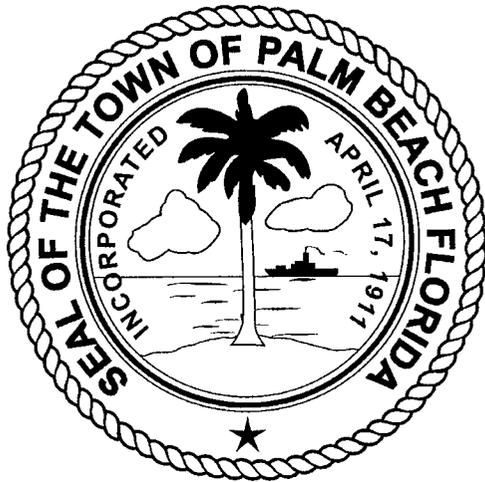
We noted certain other matters that we reported to management of the Town of Palm Beach, Florida, in a separate management letter dated February 18, 2009.

The responses by the management of the Town of Palm Beach, Florida, to the findings identified in our audit are described in their response to the management letter beginning on page 117. We did not audit the responses by the Town of Palm Beach, Florida, and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town Council and management of the Town of Palm Beach, Florida, 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.

*Caler, Donten, Levine,  
Porter & Veil, P.A.*

February 18, 2009



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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, 2008, and have issued our report thereon dated February 18, 2009.

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 18, 2009 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, 2008 disclosed no such matters that are required to be disclosed in addition to findings 2008-1, 2008-2, 2008-3 and 2008-4 reported in the 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 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 additional comments and recommendations for your consideration.

#### (2008-5) Payroll

Currently, the payroll activity report containing the list of all employees within the pay cycle is reviewed by the supervisor prior to the finalization of the payroll process and issuance of payroll checks. While there appears to be a review and approval process in place, there is no signature or other documentation of approval by the reviewer. We recommend that all controls be verified and documented by initialing the report at the conclusion of the process.

#### (2008-6) Purchasing Cards

The Town's purchasing card policy states that each cardholder has a \$1,000 single purchase limit and a \$5,000 limit during the 30-day billing cycle. Increased limits may be instituted for emergency situations when approved by the Town Manager. In practice, Department Heads are approving permanent increases to individual card holders limits that are in excess of the stated policy limits. If it is management's intent to allow Department Heads to increase purchasing card limits, then the purchasing card policy should be revised to include that process and establish any further limitations.

#### (2008-7) Travel Expenditures

The Town's travel policy states that a travel expense report is to be submitted within ten days after the conclusion of Town travel. In our sample of twelve travel expense reports, three travel expense reports were submitted beyond the ten day submission deadline. In practice, the Finance Department allows a grace period of 30 to 45 days after a trip ends in order to allow time for employees to receive credit card statements. We recommend that Town management review and reevaluate the current policy to see if it should be changed to allow more time to complete the reports, or if it should be enforced as written.

#### (2008-8) Information Systems

##### *Access and Security*

The Town does not have an active directory or similar policy forcing the screen saver passwords to remain in effect so that users cannot remove this setting. In addition, users leaving a PC unattended while logged on should have a formal complaint registered through the appropriate IS channels. Implementation of these policies will assist in protecting the Town from unapproved use of the PC and IS system.

Wireless access points are currently using WEP security which is easily cracked. Consideration should be given to utilizing WAP or putting all access points outside of the network and requiring a VPN in order to get on to the system once wirelessly connected.

##### *Backups*

Monthly backup tapes are being taken home by Town IS staff. We recommend that the Town secure a safety deposit box in or near the Town to store these monthly backup tapes.

#### (2008-9) Control Procedure Documentation

One of the key components of a system of internal controls is documentation by the preparer, as well as the reviewer and approver. We noted several areas where we were told that a control procedure was performed, however, there was no documentation to indicate who performed that procedure and when.

For example, the various department cashiers prepare daily bank deposits and reconcile the cash and checks to the EDEN report. Then, the Finance accountant summarizes all deposits on the daily cash spreadsheet and reconciles this spreadsheet to the EDEN cash management report. However, there is no evidence that the reconciliation process was done. In another instance related to capital assets, the Town conducts an annual physical inventory whereby each department reviews the itemized list provided to them by Finance and signs off on the list with adjustments noted on the list. The reports are returned to Finance and subsequently reviewed, with adjustments being made to the capital asset records for any adjustments noted. However, there is no evidence to indicate that the review process was completed. In both of these examples, there is no signature to document the review and approval process. We recommend that all control procedures be documented.

## 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 (2007-1) Account Miscoding, (2007-2) Journal Entries, and (2006-4) Purchasing Cards, included in our management letter dated February 21, 2008 and in the schedule of findings and questioned costs for the year ended September 30, 2007 were adequately addressed or no longer apply. The following comments still require the attention of management.

### (2007-4) Travel Expenditures

The Town's travel policy states that employees will complete an estimated travel expense from prior to travel. In one travel event, an employee submitted this report after the travel was completed. 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.

## 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, 2008, 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, 2008. 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, 2008. 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, 2008.

### 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, 2008.

This report is intended solely for the information and use of the Town Council and management of the Town of Palm Beach, Florida, 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.

*Calder, Dauter, Levine,  
Porter & Veil, P.A.*

February 18, 2009



# TOWN OF PALM BEACH

Finance Department

February 26, 2009

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, Porter & Veil, P.A followed by the Town's responses for corrective action.

## **(2008-1) Grant Awards**

The Town does not appear to have internal controls in place to properly record grant activity and related expenditures. We noted two grants that the Finance Department was not aware of and for which the corresponding expenditures were not recorded on the Town's internal grant schedule. While this error did not affect the determination of the need for a Single Audit for the period, the lack of a system for gathering such information could potentially lead to incorrect determinations in the future, if not corrected. We recommend that the Town formalize a set of policies and controls to ensure that grant activity is properly recorded.

### *Response*

The Finance Department will monitor these awards more closely. Grant applications are first approved by the Town Council so we will take a pro active approach and monitor the Grants after Town Council approval to ensure that all revenues and expenditures are tracked separately to ensure compliance with the Single Audit.

## **(2008-2) Proper Recording of Capital Assets**

We noted that capital assets are not being recorded properly in the Leisure Services Fund. Donated professional services totaling approximately \$394,000 were not recorded in the fund as capital contributions and construction in process and park improvements totaling approximately \$276,000 were recorded as repair and maintenance expenses, when they should have been capitalized as part of capital assets. We recommend that the quarterly financial statements of all funds be reviewed and approved by the assistant finance director and finance director.

### *Response*

Staff will make sure as the Par 3 Renovation project progresses that all donated services are recorded as part of the capital asset. The Seaview turf improvement project was originally considered repair, but upon further examination, it was noted that a new sprinkler system was installed in addition to the turf. We will monitor large expenses in the repair accounts to ensure that they are truly repairs and not capital assets.

### **(2008-03) Depreciation Expense**

During the year, the Town entered its capital assets for the Recreation Enterprise Fund into the EDEN capital asset module. Several of these assets were entered without proper document codes. As a result those assets did not have depreciation expense calculated for the current year resulting in an adjusting entry of approximately \$47,000. We recommend that all capital asset reports be reviewed and reconciled from the detailed reports to the general ledger account totals. This reconciliation process should identify any discrepancies that exist and allow for the necessary adjustments to be made.

#### *Response*

FY2008 was the first year that the EDEN system was used to track and depreciate fixed assets. As with any software conversion, we encountered many reconciling items with the data conversion. Many hours were spent reconciling over 1600 fixed asset records. When we ran the depreciation for FY08 on the assets, we noticed that some assets were not depreciated. Upon further investigation, and consultation with the software vendor, we identified the problem, made the corrections and adjusted the depreciation for the enterprise fund.

### **(2008-4) Performance Bonds**

Contractors place performance bonds with the Town to assure the completion of a project in accordance with Town specifications. We reviewed the list of performance bonds on deposit with the Town and noted four performance bonds from the 1990's for which the project has been completed and the deposit has not been refunded. We recommend that the Town review the performance bond list quarterly to identify projects that are completed, and for which deposits should be refunded to the contractor or taken into revenue. The quarterly list should be signed by the responsible employee as evidence of his/her review.

#### *Response*

On a monthly basis, the Finance Department issues a report that identifies all performance bonds. This report is sent to the responsible Directors to determine if there are any outstanding issues with the performance bonds. They sign the report and return it to the Finance Department each month with any comments. We will begin to highlight the older bonds and solicit a response from the Departments each month on the status of those projects.

### **(2007-3) Timely Recording of Grant Reimbursement Requests**

The Town records grant revenue at the time they prepare the corresponding grants reimbursement request. Since the reimbursement requests 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. This process may also delay the agency's reimbursement process if a backlog is created as a result submitting several requests at one time. This may delay the revenue reimbursement to the Town.

#### *Response*

During the past year, the Coastal Coordinator position has been vacant and the Town Engineer has been involved with the Grant submittal process. It has been difficult for him to keep up with the quarterly reports due to his general engineering and coastal related workload. The Coastal Coordinator position has been filled and the Coastal Coordinator will now be responsible for the timely recording and submittal of the grant reimbursement requests. The Town has not lost out on any of the reimbursement to which the Town is entitled under these grants. As noted by the auditors, the Town has in some cases received delayed reimbursement due to our delayed submittal of reimbursement requests.

### **(2008-5) Payroll**

Currently, the payroll activity report containing the list of all employees within the pay cycle is reviewed by the supervisor prior to the finalization of the payroll process and issuance of payroll checks. While

there appears to be a review and approval process in place, there is no signature or other documentation of approval by the reviewer. We recommend that all controls be verified and documented by initialing the report at the conclusion of the process.

*Response*

We have added a protected electronic signature by the Accounting Supervisor to indicate she has reviewed the payroll.

**(2008-6) Purchasing Cards**

The Town's purchasing card policy states that each cardholder has a \$1,000 single purchase limit and a \$5,000 limit during the 30-day billing cycle. Increased limits may be instituted for emergency situations when approved by the Town Manager. In practice, Department Heads are approving permanent increases to individual card holders limits that are in excess of the stated policy limits. If it is management's intent to allow Department Heads to increase purchasing card limits, then the purchasing card policy should be revised to include that process and establish any further limitations.

*Response*

The policy whereby the Town Manager approves any increases in limits will be enforced. The Directors will make the request to the Purchasing Agent and she will forward the request to the Town Manager for approval.

**(2008-7) Travel Expenditures**

The Town's travel policy states that a travel expense report is to be submitted within ten days after the conclusion of Town travel. In our sample of twelve travel expense reports, three travel expense reports were submitted beyond the ten day submission deadline. In practice, the Finance Department allows a grace period of 30 to 45 days after a trip ends in order to allow time for employees to receive credit card statements. We recommend that Town management review and reevaluate the current policy to see if it should be changed to allow more time to complete the reports, or if it should be enforced as is.

*Response*

After review of the policy, we feel that 10 days is not enough time to allow for the receipt of all statements and receipts in order to submit travel expense reports. We will revise the policy to allow for a maximum of 45 days after the trip ends to submit the travel expense reports.

**(2008-8) Information Systems**

***Access and Security***

The Town does not have an active directory or similar policy forcing the screen saver passwords to remain in effect so that users cannot remove this setting. In addition, users leaving a PC unattended while logged on should have a formal complaint registered through the appropriate IS channels. Implementation of these policies will assist in protecting the Town from unapproved use of the PC and IS system.

Wireless access points are currently using WEP security which is easily cracked. Consideration should be given to utilizing WAP or putting all access points outside of the network and requiring a VPN in order to get on to the system once wirelessly connected.

*Response*

The Office of Information Systems has implemented a screen saver lock and password resume procedure from the Town's Active Directory on the computers in Finance. The auditor recommended and we implemented a password protected screen saver that would turn on after 15 minutes without action by

the user. It will require the user to enter the password to get back on. These settings can not be changed by the user. This has been implemented in Finance and Purchasing since the Audit.

The Town is using 128 bit WEP encryption on all wireless access points. It is much easier to hack into a WEP protected network, as the changes technology have created tools for hackers to use to break into this type of protection. The suggestion to step up to WPA would require the Town to implement a radius server in order to set this up correctly. Hardware, software and staff time would be required to implement and administer this new level of protection. All of which would cost additional money to implement a new wireless system. The estimate for the total cost of hardware, software, and consultant time to accomplish the change would be over \$20,000. Most of this money would be spent on technical services to create the radius network and provide training and implementation for Town staff to be able to administer this new network technology. We will forward the request to the Town Council and if funding is approved, the Office of Information Systems will move forward with this project.

### *Backups*

Monthly backup tapes are being taken home by Town IS staff. We recommend that the Town secure a safety deposit box in or near the Town to store these monthly backup tapes.

### *Response*

The Office of Information Systems currently stores backup tapes in three locations: The EOC, the Town Manager's home and the Information Systems Manager's home. These backups are rotated every month and quarterly. The importance of having the tapes off island is to provide remote protection. We would recommend that the tapes being stored off site in a safe at the EOC and at Public Works so that they are protected from the elements and theft. The cost for a small safe for the two locations would be minimal and still provide remote protection with an added level of security.

### (2008-9) Control Procedure Documentation

One of the key components of a system of internal controls is documentation by the preparer, as well as the reviewer and approver. We noted several areas where we were told that a control procedure was done, however, there was no documentation to indicate who performed that procedure and when. For example, the various department cashiers prepare daily bank deposits and reconcile the cash and checks to the EDEN report. Then, the Finance accountant summarizes all deposits on the daily cash spreadsheet and reconciles this spreadsheet to the EDEN cash management report. However, there is no evidence that the reconciliation process was done. In another instance related to capital assets, the Town conducts an annual physical inventory whereby each department reviews the itemized list provided to them by Finance and signs off on the list with adjustments noted on the list. The reports are returned to Finance and subsequently reviewed, with adjustments being made to the capital asset records for any adjustments noted. However, there is no evidence to indicate that the review process was completed. In both of these examples, there is no signature to document the review and approval process. We recommend that all control procedures be documented.

### *Response*

We will implement procedures for a sign off on daily cash reconciliations and the annual inventory reconciliation. We will also review other control procedures to ensure proper signatures are in place once the reconciliation is performed.

### (2007-4) Travel Expenditures

The Town's travel policy states that employees will complete an estimated travel expense from prior to travel. In one travel event, an employee submitted this report after the travel was completed. 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.

*Response*

The travel policy will be amended to allow for travel with a verbal approval from their supervisor in certain unforeseen circumstances. Once the employee returns, all proper travel documentation will have to be prepared and signed by the Director.

**(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.

*Response*

The computer rooms in Town Hall and the EOC have water based fire control systems. The cost of a gas based system is significant. If the Town Council would like us to look into this type of system, we will secure prices and provide information regarding funding.

***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.

*Response*

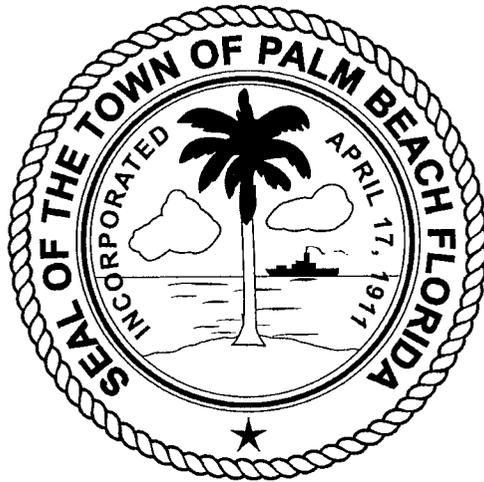
The Town does not encrypt the data backups because by doing so, the risk of not being able to retrieve the data because of encryption problems is too great. The data backups are there for the sole purpose of being able to retrieve the data when it is most critical. The Office of Information Systems feels that the encryption methods that are available are not reliable enough for safe and effective restores. Also, we believe the additional security measures that will be implemented in response to comment 2008-8 will materially reduce the possibility of these backups being stolen or lost.

If you require any further information or have any questions regarding the audit or the Management Letter, please contact me directly at 227-6330.

Sincerely,



Jane Struder, CPA  
Finance Director



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