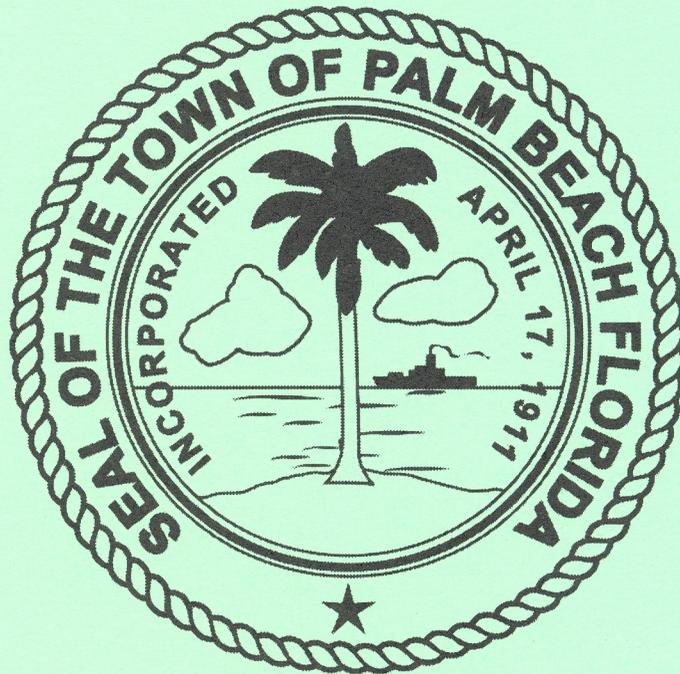
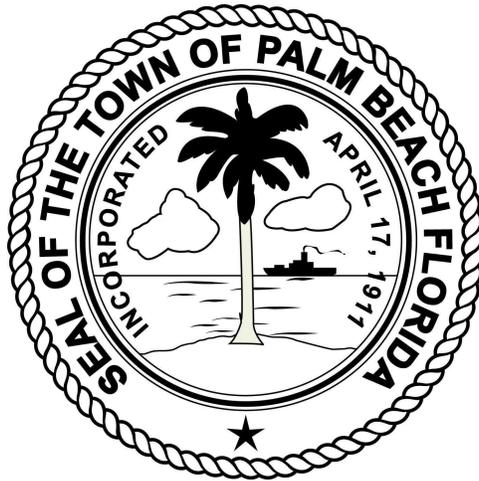


**Town of Palm Beach, Florida
Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2009**



COMPREHENSIVE ANNUAL FINANCIAL REPORT
TOWN OF PALM BEACH, FLORIDA
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009



Prepared by the Finance Department

Jane Struder, CPA
Finance Director

TOWN OF PALM BEACH, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2009

TABLE OF CONTENTS

	<u>Page Number</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting	vii
Town of Palm Beach Organizational Structure and Principal Officials.....	viii
 FINANCIAL SECTION	
Independent Auditor's Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets.....	14
Statement of Activities.....	15
Fund Financial Statements	
Balance Sheet - Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	18
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Net Assets - Proprietary Funds.....	21
Statement of Revenue, Expenses and Changes in Fund Net Assets - Proprietary Funds.....	22
Statement of Cash Flows - Proprietary Funds	23
Statement of Fiduciary Net Assets - Fiduciary Funds	24
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds.....	25
Notes to Financial Statements	26
 Supplementary Financial Information	
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	59
Notes to Budgetary Comparison Schedule.....	62
Combining and Individual Fund Financial Statements and Schedules	
Major Capital Projects Funds - Budgetary Comparison Schedules	
Capital Improvement Fund.....	64
Beach Restoration Project Fund	65
Town Facilities Fund	66
Nonmajor Governmental Funds	
Combining Balance Sheet	68
Combining Statement of Revenue, Expenditures and Changes in Fund Balances.....	70
Budgetary Comparison Schedule - Series 2003 Debt Service Fund	72
Budgetary Comparison Schedule - Series 2008 Debt Service Fund	73

TOWN OF PALM BEACH, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2009

TABLE OF CONTENTS

FINANCIAL SECTION (Continued)

Combining and Individual Fund Financial Statements and Schedules (Continued)

Internal Service Funds

Combining Balance Sheet	75
Combining Statement of Revenue, Expenses and Changes in Net Assets.....	76
Combining Statement of Cash Flows	77

Fiduciary Funds

Combining Statement of Plan Net Assets - Trust Funds	79
Combining Statement of Changes in Plan Net Assets - Trust Funds	80
Statement of Changes in Assets and Liabilities - Agency Fund	81

STATISTICAL SECTION

Financial Trends

Net Assets by Component.....	83
Changes In Net Assets	84
Fund Balances of Governmental Funds	86
Tax Revenues by Source, Governmental Funds.....	87
Changes in Fund Balances of Governmental Funds.....	88

Revenue Capacity

Historic and Projected General Fund Non-Ad Valorem Revenues.....	90
Description of Certain Major Sources of Non-Ad Valorem Revenues As Defined in Bond Document (Unaudited).....	92
Assessed Value and Actual Value of Taxable Property	94
Direct and Overlapping Property Tax Rates	95
Principal Property Tax Payers	96
Property Tax Levies and Collections	98

Debt Capacity

Ratios of Outstanding Debt by Type	99
Ratios of General Bonded Debt Outstanding	100
Direct and Overlapping Governmental Activities Debt	101
Legal Debt Margin Information.....	102
Pledged Revenue Coverage	104

Demographic and Economic Information

Demographic and Economic Statistics	105
Principal Employers	106

Operating Information

Full-time Equivalent Town Government Employees by Function/Program.....	107
Operating Indicators by Function/Program.....	108
Capital Asset Statistics by Function/Program	109

TOWN OF PALM BEACH, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2009

TABLE OF CONTENTS

COMPLIANCE REPORTS

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 <i>Government Auditing Standards</i>	111
Management Letter Required by the Rules of the Auditor General for the State of Florida	114
Management Letter Response.....	118

INTRODUCTORY SECTION



TOWN OF PALM BEACH

Finance Department

April 20, 2010

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, 2009, 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, 2009. 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 399 employees, including 76 sworn police officers and 75 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 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 property tax reform measures in 2007 that limit the growth in millage rates. Millage rate increases are 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 are 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's taxable value increased in FY09 by 7.73% to \$13,773,998,042 which helped the Town continue to provide services at a modest tax rate. Recent economic conditions have caused the taxable value for FY10 to decline by 2.23% and further declines are expected for FY11. Measures are being taken by the Town to reduce the impact of the anticipated declines on taxpayers.

Foreclosure activity has severely impacted Florida. The impact to the Town is significantly less than the Florida or national average. The Town's foreclosure rate is 1 in every 594 households, the State of Florida averages 1 in every 165 households and the national average is 1 in every 417 households.

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

The Town maintains AAA issuer ratings by both Moody's Investor Services and Standard & Poor's.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

For the Year

During fiscal year 2009 the following accomplishments occurred:

- The Town-wide storm drainage improvements continued in FY09. A design project for the D-9 Basin/Mediterranean Road to replace all electrical and mechanical equipment and provide standby power generation for this station to maintain existing pumping capacity was completed. A construction project at the D-15 Basin/Lake Drive to replace inoperable tide valves and deteriorated piping to prohibit leakage to the D-6 & D-7 Pump Stations from Lake Worth Lagoon was completed. Also improvements were designed for Pendleton Avenue.

- The renovation of Town Hall began in August 2008. This project is expected to be completed in June of 2010.
- Emergency repairs on Town force mains on Royal Palm Way and South Ocean Blvd were completed. In preparation for the replacement of the Flagler Memorial Bridge, force main replacement was completed in Royal Poinciana Way and Coconut Row.
- The first pneumatically operated lift station, E-11 on El Vedado Road with a new pump station wet well and electrically operated, submersible pumps was completed.
- The renovation of the Par 3 golf course which included the renovation of the Golf Course, the installation of an alternative water source and a new irrigation system were completed and the course opened for business in December 2009. The construction of a new club house is planned for the future. The Town committed \$2 million from the Recreation Enterprise Fund and a citizen's committee has raised over \$4.8 million in private monies to fund the project.
- The construction of the Fuel Tank Replacement Project was substantially complete as of late FY09.

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 Town has also prepared a 20 year Capital forecast. The Town will be issuing bonds to accelerate capital projects totaling over \$40 million. These projects include:

- Replacement of the Town's aging force main system to allow movement of 100% of Town sewage through a shared force main with the City of West Palm Beach
- Street light and traffic signal projects
- Storm Drainage Projects
- Town's share of a pelletizer for the East Central Regional Wastewater Treatment Facility

Due to declining revenues from property taxes, the Town has also cut 10.41 positions from the FY10 budget and implemented a hiring and wage freeze. These cuts allowed the Town to maintain a stable millage rate.

In order to reduce future potential deficits, the Town is planning to complete a pension benefit review, modifications to the Town's compensation plan, strategically contracting for some services and review other opportunities to reduce staffing and costs without reducing levels of service during FY10.

Financial Policies

The Town has formally adopted 18 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. The reserve and contingency policies set the amounts to be budgeted for contingency and set minimum reserve levels and also restrict the use of reserves.

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 prepared an update of the long term financial plan which included all of the approved cost savings measures and new revenue sources and identified other areas of potential cost savings. An updated plan is expected to be presented in 2010.

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 with an investment manager, PFM Asset Management. As of September 30, 2009, the investments with the Evergreen Money Market Fund totaled \$38,539,957, the Florida League of Cities Investment Trust balance was \$36,991,833 and the balance with PFM Asset Management was \$10,028,460. The Town generated investment earnings of \$2,683,902 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 Resources 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 postemployment 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 2009. 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, 2008. This was the 21st 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, 2009.

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, 2008

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.



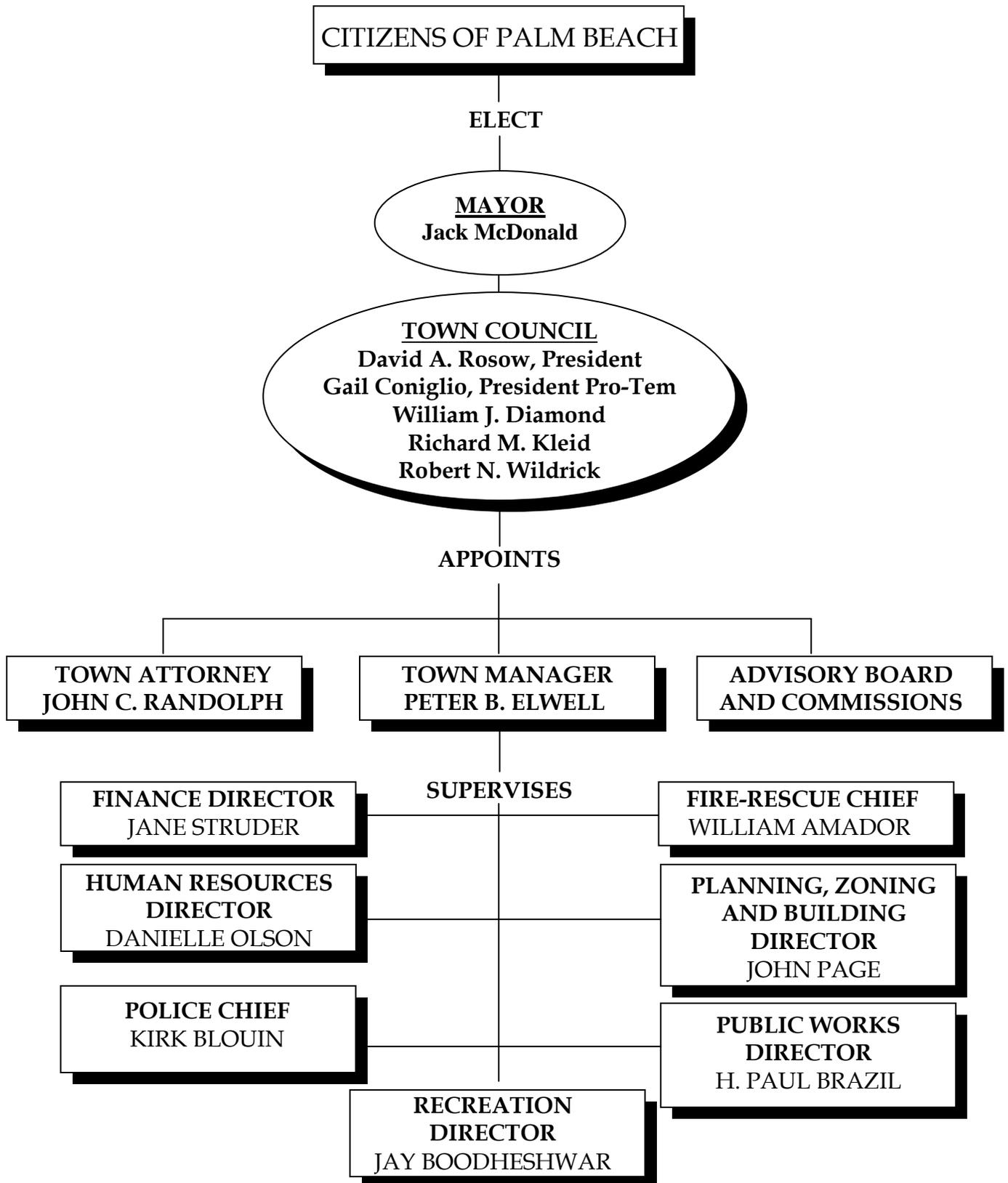
A handwritten signature in black ink, appearing to be "JHR".

President

A handwritten signature in black ink, appearing to be "Jeffrey R. Emer".

Executive Director

TOWN OF PALM BEACH ORGANIZATIONAL STRUCTURE



Note: Organizational structure as of February 9, 2010

FINANCIAL SECTION



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

CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM K. CALER, JR., CPA
LOUIS M. COHEN, CPA
JOHN C. COURTNEY, CPA, JD
DAVID S. DONTEN, CPA
JAMES B. HUTCHISON, CPA
JOEL H. LEVINE, CPA
JAMES F. MULLEN, IV, CPA
THOMAS A. PENCE, JR., CPA
SCOTT L. PORTER, CPA
MARK D. VEIL, CPA

505 SOUTH FLAGLER DRIVE, SUITE 900
WEST PALM BEACH, FL 33401-5948

TELEPHONE (561) 832-9292
FAX (561) 832-9455

info@cdlcpa.com

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Honorable Mayor and Members
of the Town Council
Town of Palm Beach, Florida
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, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Town of Palm Beach, Florida. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Firefighters' Retirement System and the Police Officers' Retirement System, two fiduciary funds of the Town, which together represent 57%, 57% and 45%, respectively, of the assets, net assets/fund balance, and additions/revenue of the aggregate remaining fund information 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 on the reports of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide 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, 2009, 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 April 20, 2010, 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 59 through 63, 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 opinions 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 by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, 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, Dauten, Levine,
Porter & Veil, P.A.*

April 20, 2010

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, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 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 \$192,759,647 (net assets). Of this amount, \$94,043,570 (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 \$52,827,221, a decrease of \$9,842,482 in comparison with the prior year. Approximately 40% 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 \$30,304,216. The undesignated fund balance is \$20,980,277.
4. The Town's total government-wide revenue was \$74,217,255, while total expenses were \$67,389,594.
5. Governmental Activities generated \$68,158,600 in revenue (excluding transfers) with \$63,723,252 in expenses.
6. Business-type Activities generated \$6,058,655 in revenue (excluding transfers) with \$3,666,342 in expenses.
7. The Town's long-term debt decreased by \$3,479,996 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 26-58 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 59-63 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 64-81 of this report.

Government-wide Financial Analysis

Net assets. On the following page, is a summary of the fiscal year 2009 Statement of Net Assets found on page 14 and comparative information for fiscal year 2008.

Town of Palm Beach, Florida
Net Assets
September 30, 2009 and 2008

	Governmental		Business-type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
ASSETS						
Current and other assets	\$107,245,969	\$118,193,753	\$ 4,364,744	\$ 7,319,674	\$111,610,713	\$125,513,427
Capital assets, net	<u>100,636,194</u>	<u>90,891,944</u>	<u>17,120,652</u>	<u>12,635,374</u>	<u>117,756,846</u>	<u>103,527,318</u>
Total assets	207,882,163	209,085,697	21,485,396	19,955,048	229,367,559	229,040,745
LIABILITIES						
Current liabilities	10,929,433	13,202,690	1,214,439	1,534,741	12,143,872	14,737,431
Long-term liabilities	<u>24,268,979</u>	<u>28,184,604</u>	<u>195,061</u>	<u>186,724</u>	<u>24,464,040</u>	<u>28,371,328</u>
Total liabilities	35,198,412	41,387,294	1,409,500	1,721,465	36,607,912	43,108,759
NET ASSETS						
Invested in capital assets, net of related debt	80,983,936	75,658,381	17,120,652	12,635,374	98,104,588	88,293,755
Restricted	611,489	1,184,132		800,000	611,489	1,984,132
Unrestricted	<u>91,088,326</u>	<u>90,855,890</u>	<u>2,955,244</u>	<u>4,798,209</u>	<u>94,043,570</u>	<u>95,654,099</u>
Total net assets	<u>\$172,683,751</u>	<u>\$167,698,403</u>	<u>\$ 20,075,896</u>	<u>\$ 18,233,583</u>	<u>\$192,759,647</u>	<u>\$185,931,986</u>

Net assets may serve over time as a useful indicator of a government's financial position. At September 30, 2009, the Town's assets exceeded liabilities by \$192,759,647. Net assets increased by \$6,827,661 as a result of a \$4,985,348 increase in governmental activities and an increase of \$1,842,313 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 \$94,043,570.

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 \$98,104,588. 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, 2009, as compared to September 30, 2008:

Town of Palm Beach, Florida
Changes in Net Assets
For the Fiscal Years Ended September 30, 2009 and 2008

	Governmental		Business-type		Total	
	2009	2008	2009	2008	2009	2008
Revenue						
Program revenue:						
Charges for services	\$ 9,343,493	\$ 12,129,355	\$ 4,160,010	\$ 4,523,039	\$ 13,503,503	\$ 16,652,394
Operating grants and contributions	1,283,953	3,231,996			1,283,953	3,231,996
Capital grants and contributions	2,332,741	421,732	1,830,934	1,884,649	4,163,675	2,306,381
General revenue:						
Property taxes	42,887,217	41,457,249			42,887,217	41,457,249
Local option gas tax	324,077	337,785			324,077	337,785
Franchise fees	2,454,232	2,447,544			2,454,232	2,447,544
Utility service taxes	4,608,088	4,496,507			4,608,088	4,496,507
Business tax receipts	726,239				726,239	
Intergovernmental	1,190,409	1,108,340			1,190,409	1,108,340
Investment earnings	2,728,147	2,666,647	67,711	169,017	2,795,858	2,835,664
Miscellaneous	<u>280,004</u>				<u>280,004</u>	
Total revenue	<u>68,158,600</u>	<u>68,297,155</u>	<u>6,058,655</u>	<u>6,576,705</u>	<u>74,217,255</u>	<u>74,873,860</u>
Expenses						
General government	11,687,399	14,194,382			11,687,399	14,194,382
Public safety	30,755,445	29,688,750			30,755,445	29,688,750
Physical environment	17,536,687	19,802,683			17,536,687	19,802,683
Transportation	1,206,068	1,131,044			1,206,068	1,131,044
Culture and recreation	1,796,409	1,814,544			1,796,409	1,814,544
Interest on long-term debt	741,244	825,899			741,244	825,899
Recreation Enterprise			<u>3,666,342</u>	<u>3,450,003</u>	<u>3,666,342</u>	<u>3,450,003</u>
Total expenses	<u>63,723,252</u>	<u>67,457,302</u>	<u>3,666,342</u>	<u>3,450,003</u>	<u>67,389,594</u>	<u>70,907,305</u>
Increase in Net Assets						
Before Transfers	4,435,348	839,853	2,392,313	3,126,702	6,827,661	3,966,555
Transfers	<u>550,00</u>	<u>580,000</u>	<u>(550,000)</u>	<u>(580,000)</u>	<u>0</u>	<u>0</u>
Increase in net assets	4,985,348	1,419,853	1,842,313	2,546,702	6,827,661	3,966,555
Net assets at beginning of year						
	<u>167,698,403</u>	<u>166,278,550</u>	<u>18,233,583</u>	<u>15,686,881</u>	<u>185,931,986</u>	<u>181,965,431</u>
Net assets at end of year						
	<u>\$172,683,751</u>	<u>\$167,698,403</u>	<u>\$ 20,075,896</u>	<u>\$ 18,233,583</u>	<u>\$192,759,647</u>	<u>\$185,931,986</u>

The Town's combined net assets increased by \$6,827,661 or 3.7% during 2009. This improvement can be attributed to governmental activities that increased \$4,985,348 or 73% of the total growth in net assets of the Town and business-type activities that increased \$1,842,313 or 27% of the total growth in net assets. The increase in net assets of the governmental activities is attributable to cost saving 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 \$52,827,221, which decreased by \$9,842,482 from September 30, 2008. This decrease was primarily due to a decline in permit and grant revenues and an increase in capital outlay expenditures related to the construction of Town Hall and other infrastructure projects.

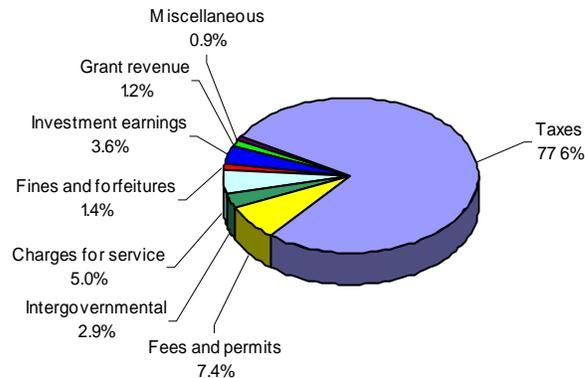
The following schedule presents a summary of all governmental fund revenue for the fiscal year ended September 30, 2009, and the amount and percentage of increases and decreases in relation to prior year revenues:

	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2008</u>	<u>Percent Increase (Decrease)</u>
Revenue				
Taxes	\$ 50,999,853	77.6%	\$ 2,260,768	4.6%
Fees and permits	4,865,780	7.4	(2,969,688)	(37.9)
Intergovernmental	1,937,338	2.9	(170,589)	(8.1)
Charges for services	3,277,981	5.0	469,683	16.7
Fines and forfeitures	927,863	1.4	(266,412)	(22.3)
Investment income	2,389,974	3.6	353,782	17.4
Grant revenue	792,662	1.2	(1,277,673)	(61.7)
Miscellaneous	<u>568,455</u>	<u>0.9</u>	<u>(45,150)</u>	<u>(7.4)</u>
Total Revenue	<u>\$ 65,759,906</u>	<u>100.0%</u>	<u>\$ (1,645,279)</u>	<u>(2.4)%</u>

The most significant changes in revenue are described below:

- Property taxes increased resulting from an increase in the taxable value and lower millage rate.
- License and permit revenue decreased due to a decline in building permit activity.
- Intergovernmental revenue decreased due to declines in sales tax and State revenue sharing transfers and a reduction in the County 911 reimbursement.
- Charges for services increased due to increases in solid waste revenues and special detail usage.
- Fine and forfeiture income declined due to reduced code enforcement fine revenue.
- Investment income increased due to improved returns on investments.
- Grant revenue decreased due to funding received in FY2008 for FDOT projects and grants received for the Town Hall renovation project.
- Miscellaneous revenue decreased due to one-time payments received in FY08.

Revenues by Source Governmental Funds



The following schedule presents a summary of all governmental funds expenditures for the fiscal year ended September 30, 2009, and the percentage of increases and decreases in relation to prior year amounts:

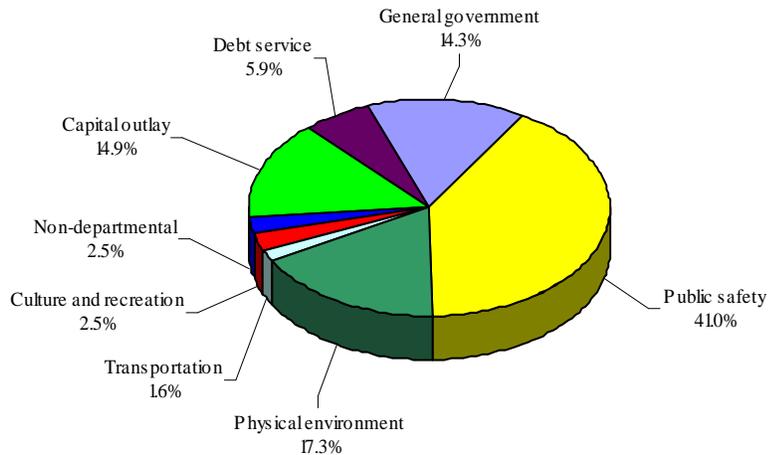
	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2008</u>	<u>Percent Increase (Decrease)</u>
Expenditures				
Current:				
General government	\$ 10,923,177	14.3%	\$ 936,253	9.4%
Public safety	31,367,667	41.0	1,902,960	6.5
Physical environment	13,252,050	17.3	(1,923,620)	(12.7)
Transportation	1,248,445	1.6	87,845	7.6
Culture and recreation	1,858,634	2.4	29,249	1.6
Non-departmental	1,918,051	2.5	(496,917)	(20.6)
Capital Outlay	11,429,915	14.9	3,570,750	45.4
Debt Service:				
Principal	3,875,000	5.1	63,703	1.7
Interest	650,150	0.8	35,881	5.8
Debt issue costs	<u>24,303</u>	<u>0.1</u>	<u>(6,197)</u>	<u>(20.3)</u>
Total Expenditures	<u>\$ 76,547,392</u>	<u>100.0%</u>	<u>\$ 4,199,907</u>	5.8%

The reasons for the major increases and decreases in expenditures are as follows:

- General government expenditures increased due to the implementation of an early retirement incentive and increases in benefit costs.
- Public safety expenditures increased due to the increase in salary and benefit costs.
- Physical environment costs decreased due to a decrease in expenditures for beach restoration and other cost reduction measures.
- Transportation expenditures increased due to accelerated resurfacing projects throughout the Town.
- Culture and recreation expenditures increased due to increases in library funding and increases in salary and benefit costs.
- Non-departmental expenditures represent the cost of insurance paid to the Internal Service Insurance Funds. The decline relates to a decrease in the amounts paid to the Risk Insurance Fund.
- Capital outlay increased due to expenditures related to the Town Hall renovation project.

- Debt service payments increased slightly in FY2009 due to the debt service on the revenue note for the Town Hall renovation project.

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 \$20,980,277, while the total fund balance was \$30,782,501. The total fund balance of the General Fund decreased by \$1,591,714 due, in part, to transfers to the Coastal Protection Fund. 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 31.5% of total General Fund expenditures including transfers out.

The fund balance of the Capital Improvement Fund decreased from the prior year by \$3,836,503. This decrease resulted from expended funds for appropriated capital projects.

The fund balance of the Beach Restoration Project Fund increased from the prior year by \$2,353,154. This increase is a result of the transfers from the General Fund.

The fund balance of the Town Facilities Fund decreased by \$6,486,294 from the prior year. This decrease is a result of the expenditures for the project in FY2009.

Other governmental funds which include special revenue funds and debt service funds had a decrease in fund balance of \$281,125. This decrease is due to an increase in debt service costs for the Town's outstanding debt.

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 \$2,955,244 at September 30, 2009. Net assets for this fund increased \$1,842,313, 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 amended by ordinance during the year. The FY2009 budget was also 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 1.8% more than the final budget due to higher than expected utility tax and interest revenue and the receipt of a FEMA grant. Actual expenditures were 6.0% less than the final budget due to the implementation of a Town-wide hiring freeze, and other cost containment measures implemented in FY09.

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, 2009, net capital assets of governmental activities totaled \$100,636,194 and the net capital assets of the business-type activities totaled \$17,120,652 (both net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure and construction in progress.

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

Town of Palm Beach Capital Assets September 30, 2009 and 2008

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 9,946,951	\$ 8,039,238	\$ 5,623,777	\$ 5,623,777	\$ 15,570,728	\$ 13,663,015
Construction in Progress	21,739,998	17,034,864	5,061,644	2,072,844	26,801,642	19,107,708
Buildings	14,778,887	12,126,031	2,590,111	1,299,565	17,368,998	13,425,596
Improvements other than buildings	455,114	466,060	3,531,767	3,530,361	3,986,881	3,996,421
Equipment	10,019,488	7,885,576	313,353	108,827	10,332,841	7,994,403
Infrastructure	43,695,756	45,340,175			43,695,756	45,340,175
	<u>\$ 100,636,194</u>	<u>\$ 90,891,944</u>	<u>\$ 17,120,652</u>	<u>\$ 12,635,374</u>	<u>\$ 117,756,846</u>	<u>\$ 103,527,318</u>

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

- The Town-wide storm drainage improvements continued in FY2009. The D-9 Basin/Mediterranean Road design to replace all electrical and mechanical equipment and provide standby power generation for this station to maintain existing pumping capacity and not to expand the existing structure was completed. The D15 Basin/Lake Drive construction project to replace inoperable tide valves and deteriorated piping to prohibit leakage to the D-6 & D-7 pump stations from Lake Worth Lagoon was completed.

- Work was completed on Town force mains on Royal Palm Way and South Ocean Blvd. Force main replacement on Royal Poinciana Way and Cocoanut Row in preparation for the replacement of the Flagler Memorial Bridge was completed.
- Work was completed on the first pneumatically operated lift station at E11 on El Vedado Road with a new pump station wet well and electrically operated submersible pumps.
- The renovation of Town Hall began in August 2008 and continued through 2009. The first phase of the project was completed in April 2009. The second phase began in May 2009 and was completed in December 2009. The third and final phase began in January 2010 and is expected to be completed in June 2010. Grant funding was received from the State of Florida.
- The renovation of the Par 3 golf course was completed which included a new parking lot and irrigation well. The renovated golf course reopened in November 2009.

Debt Administration

As of September 30, 2009, the Town had \$9,330,000 in revenue bonds outstanding and \$10,395,004 in revenue notes payable as compared to revenue bonds of \$13,205,000 and a revenue note payable of \$10,000,000 at September 30, 2008, a 15% decrease due to debt retirements in fiscal year 2009, net of draws on a line of credit in the aggregate amount of \$395,004. The debt outstanding as of the end of the fiscal year was secured by all non-ad valorem revenues of the General Fund.

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, 2009 and 2008**

	2009	2008
Revenue Bonds	\$ 9,330,000	\$ 13,205,000
Revenue Note Payable	10,395,004	10,000,000
Total	\$ 19,725,004	\$ 23,205,000

The Town of Palm Beach maintains an AAA issuer’s rating by both Moody’s and Standard & Poor’s.

Economic Factors and Next Year’s Budgets and Rates

For FY2010, the Town Council adopted a General Fund budget, including transfers out, of \$66,853,300 representing a .7% decrease from FY2009. The FY2010 budget includes a pay freeze for all employees and a reduction in tax revenue of \$1.2 million. The taxable value decreased by 2.2% in FY2010 and the Town’s total millage rate remained constant at 3.2512.

General economic conditions both nationally and in the State of Florida will require the Town to closely monitor revenue and expenditure trends. The Town has prepared 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 project funding. To reduce projected deficits staff has reviewed pension benefits, health insurance benefits, compensation programs for all Town employees, reductions in staffing, and debt vs. pay as you go financing for capital projects. Implementation of recommendations from the review will be implemented in future budget years beginning in FY11.

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF NET ASSETS

September 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 62,688	\$ 2,300	\$ 64,988
Equity in pooled cash and investments	81,576,551	4,293,903	85,870,454
Accounts receivable, net of allowance for doubtful accounts of \$809,460	728,663	1,000	729,663
Interest receivable	48,246		48,246
Due from other governments	1,018,583	62,516	1,081,099
Receivable from fiduciary funds	4,943		4,943
Internal balances	(5,025)	5,025	0
Inventory	454,035		454,035
Prepays	49,637		49,637
Net OPEB asset	14,396,870		14,396,870
Debt issue costs	134,784		134,784
Investment in joint venture	8,775,994		8,775,994
Capital assets			
Land	9,946,951	5,623,777	15,570,728
Construction in progress	21,739,998	5,061,644	26,801,642
Depreciable capital assets, net	68,949,245	6,435,231	75,384,476
Total assets	<u>207,882,163</u>	<u>21,485,396</u>	<u>229,367,559</u>
LIABILITIES			
Accounts and contracts payable	3,719,548	555,819	4,275,367
Accrued liabilities	4,718,529	44,770	4,763,299
Accrued interest payable	96,272		96,272
Due to other governments	1,145,232		1,145,232
Customer deposits		200,032	200,032
Unearned revenue	1,249,852	413,818	1,663,670
Long-term debt			
Due within one year	5,935,189	38,061	5,973,250
Due in more than one year	18,333,790	157,000	18,490,790
Total liabilities	<u>35,198,412</u>	<u>1,409,500</u>	<u>36,607,912</u>
NET ASSETS			
Invested in capital assets, net of related debt	80,983,936	17,120,652	98,104,588
Restricted for:			
Debt service	126,750		126,750
Public safety	220,637		220,637
Other purposes	264,102		264,102
Unrestricted	91,088,326	2,955,244	94,043,570
Total net assets	<u>\$ 172,683,751</u>	<u>\$ 20,075,896</u>	<u>\$ 192,759,647</u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF ACTIVITIES

Year Ended September 30, 2009

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities				
General government	\$ 11,687,399	\$ 5,035,126	\$ 39,649	\$ 1,885,000
Public safety	30,755,445	2,464,558	842,282	2,490
Physical environment	17,536,687	1,131,884	319,781	445,251
Transportation	1,206,068	650,537	42,347	
Culture and recreation	1,796,409	61,388	39,894	
Interest on long-term debt	741,244			
Total governmental activities	63,723,252	9,343,493	1,283,953	2,332,741
Business-type activities				
Leisure services	3,666,342	4,160,010		1,830,934
Total	\$ 67,389,594	\$ 13,503,503	\$ 1,283,953	\$ 4,163,675

General revenue

- Property taxes
- Local option gas tax
- Franchise fees
- Utility service taxes
- Business tax receipts
- Intergovernmental not restricted to specific programs
- Investment earnings
- Miscellaneous

Transfers

Total general revenue and transfers

Change in net assets

Net assets at October 1, 2008, as originally reported

Prior period adjustment

Net assets at October 1, 2008, as restated

Net assets at September 30, 2009

Net Revenue (Expenses) and
Changes in Net Assets

Governmental Activities	Business-type Activity	Total
\$ (4,727,624)	\$	\$ (4,727,624)
(27,446,115)		(27,446,115)
(15,639,771)		(15,639,771)
(513,184)		(513,184)
(1,695,127)		(1,695,127)
(741,244)		(741,244)
(50,763,065)	0	(50,763,065)
	2,324,602	2,324,602
(50,763,065)	2,324,602	(48,438,463)
42,887,217		42,887,217
324,077		324,077
2,454,232		2,454,232
4,608,088		4,608,088
726,239		726,239
1,190,409		1,190,409
2,728,147	67,711	2,795,858
280,004		280,004
550,000	(550,000)	0
55,748,413	(482,289)	55,266,124
4,985,348	1,842,313	6,827,661
167,436,888	18,233,583	185,670,471
261,515		261,515
167,698,403	18,233,583	185,931,986
\$ 172,683,751	\$ 20,075,896	\$ 192,759,647

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2009

	Major Governmental Funds					Total Governmental Funds
	General Fund	Capital Improvement Fund	Beach Restoration Project Fund	Town Facilities Fund	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 3,710	\$	\$	\$	\$	\$ 3,710
Equity in pooled cash and investments	34,281,907	6,295,751	9,736,321	6,257,845	919,266	57,491,090
Accounts receivable	728,663					728,663
Due from other governments	109,731	365,914	542,938			1,018,583
Due from other funds	89,522					89,522
Inventory	454,035					454,035
Prepaid items	24,250					24,250
TOTAL ASSETS	\$ 35,691,818	\$ 6,661,665	\$ 10,279,259	\$ 6,257,845	\$ 919,266	\$ 59,809,853
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts and contracts payable	\$ 1,018,704	\$ 1,068,469	\$ 209,409	\$ 707,520	\$ 8,567	\$ 3,012,669
Accrued liabilities	1,485,149					1,485,149
Due to other governments	1,145,232					1,145,232
Due to other funds	10,380	71,658			7,692	89,730
Deferred revenue	1,249,852					1,249,852
TOTAL LIABILITIES	4,909,317	1,140,127	209,409	707,520	16,259	6,982,632
FUND BALANCES						
Reserved	478,285			3,034,045	611,489	4,123,819
Unreserved, designated for						
Subsequent years' expenditures	4,978,800					4,978,800
Capital projects		5,521,538	10,069,850	2,516,280		18,107,668
Debt service					291,518	291,518
Other purposes	4,345,139					4,345,139
Unreserved, undesignated	20,980,277					20,980,277
TOTAL LIABILITIES AND FUND BALANCES	\$ 35,691,818	\$ 6,661,665	\$ 10,279,259	\$ 6,257,845	\$ 919,266	\$ 59,809,853

See notes to financial statements

TOWN OF PALM BEACH, FLORIDA

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

September 30, 2009

Total Governmental Fund Balances	\$ 52,827,221
<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.	95,567,697
Net OPEB asset created through funding of the employer contribution to the defined benefit OPEB plan is not recognized in the funds.	14,396,870
Investment in joint venture is not a financial resource and, therefore is not reported in the funds.	8,775,994
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.	25,318,089
Premiums, discounts, gains and losses on refundings are reported as "Other Financing Sources and Uses" and debt issue costs are charged to expenditures when debt is issued in the governmental funds. These items, however, are deferred and amortized over the life of the related debt in the government-wide statements. The unamortized amounts at September 30, 2009 are as follows:	
Debt issue costs	134,784
Loss on refunding	59,119
Bond premiums	(2,854)
Bond discounts	16,481
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	(96,272)
Compensated absences	(3,677,043)
Termination benefits	(911,331)
Revenue bonds payable	(9,330,000)
Revenue notes payable	(10,395,004)
Net Assets of Governmental Activities	<u><u>\$ 172,683,751</u></u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2009

	Major Governmental Funds					Total Governmental Funds
	General Fund	Capital Improvement Fund	Beach Restoration Project Fund	Town Facilities Fund	Other Governmental Funds	
Revenue						
Taxes	\$ 50,999,853	\$	\$	\$	\$	\$ 50,999,853
Fees and permits	4,865,780					4,865,780
Intergovernmental	1,937,338					1,937,338
Charges for services	3,277,981					3,277,981
Fines and forfeitures	925,373				2,490	927,863
Investment earnings	1,923,224	177,275	222,005	62,045	5,425	2,389,974
Grant revenue	294,720	52,691	217,704	227,547		792,662
Miscellaneous	274,359	15,336		89,147	189,613	568,455
Total revenue	64,498,628	245,302	439,709	378,739	197,528	65,759,906
Expenditures						
Current						
General government	10,855,934				67,243	10,923,177
Public safety	31,184,809				182,858	31,367,667
Physical environment	11,335,045	1,237,813	677,517		1,675	13,252,050
Transportation	1,248,445					1,248,445
Culture and recreation	1,848,377	5,693			4,564	1,858,634
Non-departmental	1,918,051					1,918,051
Capital outlay	642,681	5,026,000	759,238	4,965,033	36,963	11,429,915
Debt service						
Principal					3,875,000	3,875,000
Interest					650,150	650,150
Debt issue costs		24,303				24,303
Total expenditures	59,033,342	6,293,809	1,436,755	4,965,033	4,818,453	76,547,392
Revenue over (under) expenditures	5,465,286	(6,048,507)	(997,046)	(4,586,294)	(4,620,925)	(10,787,486)
Other Financing Sources (Uses)						
Revenue note issued		395,004				395,004
Transfers in	550,000	1,817,000	3,900,000		4,339,800	10,606,800
Transfers out	(7,607,000)		(549,800)	(1,900,000)		(10,056,800)
Total other financing sources (uses)	(7,057,000)	2,212,004	3,350,200	(1,900,000)	4,339,800	945,004
Net Change in Fund Balances	(1,591,714)	(3,836,503)	2,353,154	(6,486,294)	(281,125)	(9,842,482)
Fund balances at October 1, 2008, as originally reported	32,374,215	9,096,526	7,716,696	12,036,619	1,184,132	62,408,188
Prior period adjustment		261,515				261,515
Fund balances at October 1, 2008, as restated	32,374,215	9,358,041	7,716,696	12,036,619	1,184,132	62,669,703
Fund balances at September 30, 2009	\$ 30,782,501	\$ 5,521,538	\$ 10,069,850	\$ 5,550,325	\$ 903,007	\$ 52,827,221

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, 2009

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

Net change in fund balances-total governmental funds	\$ (9,842,482)
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	11,429,915
Less current year depreciation	(5,853,400)
Net book value of asset disposals	(314,212)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds	
Change in investment in joint venture	654,182
Donations of capital assets	1,885,000
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	(395,004)
Debt issue costs paid	24,303
Repayments:	
Revenue bonds payable	3,875,000
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	
Amortization of bond issue costs	(50,990)
Amortization of loss on refunding	(236,470)
Amortization of bond premiums	95,090
Amortization of bond discounts	(794)
Change in accrued interest	102,070
Change in compensated absences	(112,221)
Change in net OPEB asset	299,000
Change in termination benefits	702,496
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>2,723,865</u>
Change in net assets of governmental activities	<u>\$ 4,985,348</u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

September 30, 2009

	Business-type Activities - Recreation Enterprise Fund	Governmental Activities - Internal Service Funds
	<u>Fund</u>	<u>Funds</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,300	\$ 58,978
Equity in pooled cash and investments	4,293,903	24,085,461
Accounts receivable	1,000	
Interest receivable		48,246
Due from other funds	5,025	3,917
Due from other governments	62,516	
Prepaid expenses		25,387
Total current assets	<u>4,364,744</u>	<u>24,221,989</u>
Noncurrent assets		
Capital assets		
Land	5,623,777	
Construction in progress	5,061,644	
Buildings	3,182,585	
Improvements other than buildings	5,673,142	
Equipment	533,223	6,250,876
	<u>20,074,371</u>	<u>6,250,876</u>
Less accumulated depreciation	(2,953,719)	(1,182,379)
Total capital assets, net of accumulated depreciation	<u>17,120,652</u>	<u>5,068,497</u>
Total assets	21,485,396	29,290,486
LIABILITIES		
Current liabilities		
Accounts payable	555,819	706,879
Accrued liabilities	44,770	3,233,380
Due to other funds		3,791
Compensated absences payable	38,061	
Customer deposits	200,032	
Unearned revenue	413,818	
Total current liabilities	<u>1,252,500</u>	<u>3,944,050</u>
Noncurrent liability		
Compensated absences payable	157,000	28,347
Total liabilities	<u>1,409,500</u>	<u>3,972,397</u>
NET ASSETS		
Invested in capital assets	17,120,652	5,068,497
Unrestricted	2,955,244	20,249,592
Total net assets	<u>\$ 20,075,896</u>	<u>\$ 25,318,089</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, 2009

	Business-type Activities - Recreation Enterprise Fund	Governmental Activities - Internal Service Funds
	<u> </u>	<u> </u>
Operating revenue		
Golf fees and related revenue	\$ 426,904	\$
Marina fees and related revenue	3,221,024	
Charges for services	483,473	8,482,192
Other operating revenue	28,609	130,154
	<u>4,160,010</u>	<u>8,612,346</u>
 Operating expenses		
Personal services	1,962,714	246,581
Contractual services	343,566	23,403
Repairs and maintenance	132,035	
Equipment rental	8,170	
Materials and supplies	179,819	
Utilities	556,028	
Insurance and claims		5,394,203
Depreciation	282,593	662,688
Other	84,210	74,792
	<u>3,549,135</u>	<u>6,401,667</u>
Operating income	610,875	2,210,679
 Nonoperating revenue (expense)		
Investment earnings	67,711	338,173
Insurance recoveries		175,520
Loss on disposal of capital assets	(117,207)	(507)
	<u>(49,496)</u>	<u>513,186</u>
Income before capital contributions and transfers	561,379	2,723,865
 Capital contributions	1,830,934	
Transfers out	<u>(550,000)</u>	
Change in net assets	1,842,313	2,723,865
 Net assets at October 1, 2008	<u>18,233,583</u>	<u>22,594,224</u>
Net assets at September 30, 2009	<u>\$ 20,075,896</u>	<u>\$ 25,318,089</u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended September 30, 2009

	Business-type Activities - Recreation Enterprise Fund	Governmental Activities - Internal Service Fund
	<u>Fund</u>	<u>Fund</u>
OPERATING ACTIVITIES		
Receipts from customers and users	\$ 4,133,644	\$ 8,482,192
Payments to employees	(1,952,153)	(234,462)
Payments to suppliers	(1,616,865)	(6,014,290)
Payments to other funds		(3,917)
Other receipts	28,609	131,193
Net cash provided by operating activities	<u>593,235</u>	<u>2,360,716</u>
NONCAPITAL FINANCING ACTIVITY		
Transfers to other funds	(550,000)	
Net cash used in noncapital financing activity	<u>(550,000)</u>	<u>0</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment	(4,467,319)	(3,050,720)
Insurance recoveries		175,520
Capital contributions	1,413,175	
Net cash used in capital and related financing activities	<u>(3,054,144)</u>	<u>(2,875,200)</u>
INVESTING ACTIVITY		
Investment earnings received	67,711	289,927
Net cash provided by investing activity	<u>67,711</u>	<u>289,927</u>
Net decrease in cash and cash equivalents	(2,943,198)	(224,557)
Cash and cash equivalents at October 1, 2008	<u>7,239,401</u>	<u>24,368,996</u>
Cash and cash equivalents at September 30, 2009	<u>\$ 4,296,203</u>	<u>\$ 24,144,439</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 610,875	\$ 2,210,679
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	282,593	662,688
Changes in operating assets and liabilities:		
Decrease in accounts receivable	11,687	
Increase in due from other funds	(2,519)	(2,050)
(Increase) decrease in prepaid expenses	2,564	(25,387)
Increase (decrease) in accounts payable	(318,619)	30,964
Increase (decrease) in accrued liabilities	7,761	(519,371)
Decrease in due to other funds	0	(9,279)
Decrease in customer deposits	(13,468)	
Increase in unearned revenue	4,024	
Increase in compensated absences payable	8,337	12,472
Net cash provided by operating activities	<u>\$ 593,235</u>	<u>\$ 2,360,716</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributed services for golf course renovation	<u>\$ 417,759</u>	<u>\$ 0</u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

September 30, 2009

	<u>Trust Funds</u>	<u>Kreusler Park Agency Fund</u>
ASSETS		
Cash and short-term investments	\$ 6,192,681	\$
Equity in pooled cash and investments	2,663,834	37,829
Accrued interest and dividends receivable	118,407	
Due from other funds	1,438	
Due from State of Florida	103,396	
Due from broker for securities sold	2,010,438	
Other receivables	23,874	
Prepaid expenses and other assets	21,659	
Investments, at fair value		
U.S. Government and Agency securities	3,961,844	
Domestic common stocks	16,528,940	
Domestic corporate bonds	14,280,428	
Mututal funds	96,032,921	
Alternative investments	38,351,068	
Total investments	<u>169,155,201</u>	<u>0</u>
Total assets	180,290,928	37,829
LIABILITIES		
Accounts payable	306,608	37,829
Due to other funds	6,381	
DROP plan liability	950,007	
Total liabilities	<u>1,262,996</u>	<u>37,829</u>
NET ASSETS		
Held in trust for pension and retiree health benefits (a schedule of funding progress is presented in Note G for the Pension Trust Funds)	<u>\$ 179,027,932</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, 2009

	<u>Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 8,533,179
Employee	2,704,434
State	746,929
Other	81,140
	<u>12,065,682</u>
	Total contributions
Investment income (loss)	
Net depreciation in fair value of investments	(3,839,966)
Interest and dividend income	1,342,490
Other	2,299
	<u>(2,495,177)</u>
Less investment expense	763,458
	<u>(3,258,635)</u>
	Net investment loss
	Total additions
	8,807,047
DEDUCTIONS	
Benefit payments	12,595,664
Share account distributions	125,972
Refunds	185,578
Administrative expense	568,013
Other	27,763
	<u>13,502,990</u>
	Total deductions
	Net decrease
	(4,695,943)
Net assets held in trust for pension and retiree health benefits at October 1, 2008	<u>183,723,875</u>
NET ASSETS HELD IN TRUST FOR PENSION AND RETIREE HEALTH BENEFITS AT SEPTEMBER 30, 2009	<u><u>\$ 179,027,932</u></u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

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, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2009, the Town had a 7.8125% interest in ECR. The investment in the ECR joint venture at September 30, 2009 amounted to \$8,775,994.

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, 2008. 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. Summarized financial information relating to ECR as of and for the year ended September 30, 2008 is as follows:

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets		
Current and other assets		\$ 27,720,954
Capital assets, net		<u>73,353,216</u>
	Total assets	101,074,170
Current liabilities		3,731,241
Non-current liabilities		<u>8,893,271</u>
	Total liabilities	<u>12,624,512</u>
	Net assets	<u>\$ 88,449,658</u>
 Change in Net Assets		
Charges for services		\$ 10,258,821
Other		<u>1,600,999</u>
	Total operating revenues	11,859,820
Operating expenses		<u>16,553,540</u>
	Operating loss	(4,693,720)
Non-operating revenues, net		<u>161,329</u>
	Loss before capital contributions	(4,532,391)
Capital contributions		<u>4,934,030</u>
	Increase in net assets	<u>\$ 401,639</u>

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, 2009, the outstanding balance due to the State Loan Fund was \$8,893,271.

At September 30, 2009, the ECR participants and their respective interest in ECR were as follows:

Participant	Reserve Capacity Percentages
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>
Total	<u>100.0000%</u>

For the fiscal year ended September 30, 2009, the Town paid the following amounts to ECR:

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operations	\$	624,681
Sewer disposal		264,302
Debt service		123,120
Renewal and replacement		300,089
O&M Central Pump Station		103,167
	\$	<u>1,415,359</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*.

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:

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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,

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fees for building permits and other fees collected in advance of the year to which they relate. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt, which is recognized when due. Property taxes, intergovernmental revenue, franchise fees (all of which are based on a percentage of gross receipts), charges for services and investment income are all considered susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be measurable and available only when received in cash by the Town.

Proprietary fund financial statements distinguish *operating* revenue and expenses from *nonoperating* items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the 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.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

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

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

succeeding twelve months. For the fiscal year ending September 30, 2009, 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 (2007/2008) property tax revenue. The percentage reduction is calculated based on the compound annual growth rate in the per capita property taxes levied for fiscal years ended September 30, 2003 through 2008.

The State law allows local governments to adopt a higher millage rate based on the following approval of the governing body: 1) a majority vote to adopt a rate equal to the adjusted current year rolled-back millage rate plus an adjustment for growth in per capita Florida personal income; 2) a two-thirds vote to adopt a rate equal to the adjusted current year rolled-back millage rate plus 10%; or 3) any millage rate approved by unanimous vote or referendum. For the fiscal year ending September 30, 2009 the Town adopted a millage rate of 3.2512. This millage rate results in a total tax levy of \$44,492,410 for 2009, representing an increase of 3.16%, 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 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 consists primarily of amounts due from local businesses for franchise and utility taxes, amounts due from individuals for parking fines and ambulance fees, and amounts due from Town residents for solid waste disposal fees. The Town does not require collateral for accounts receivable. Accounts receivable are reported net of an allowance for doubtful accounts determined based on the age of the individual receivable, with age categories ranging from 30 days past due to several years past due. Generally, the allowance includes accounts over 90 days past due. Accounts receivable are written off on an individual basis in the year the Town deems them to be uncollectible.

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

Prepaid Expenses: Payments for insurance premiums and other administrative expenditures/expenses extending over more than one accounting period are accounted for as prepaid expenses and allocated between accounting periods.

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.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Bond Issue Costs, Premiums, Discounts and Deferred Losses on Refunding: Expenses incurred in connection with the issuance of long-term debt, as well as bond premiums, discounts and losses on refunding, are deferred and amortized over the term of the related debt in the government-wide financial statements. These amounts are amortized using the straight-line method, which approximates the interest method of amortization.

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

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

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

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

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

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund balance reserves indicate the portion of fund balance that is not appropriable for expenditure or is legally segregated by outside parties for a specific purpose.

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 for full-time employees and 160 hours for part-time employees, upon termination of service. Upon retirement, an employee will be paid 50% of all accrued and unused sick leave not to exceed 800 hours for full-time employees and 400 hours for part-time employees. 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 / Deferred Revenue: Unearned and deferred revenue consists of license fees and charges for services collected at the end of the fiscal year that relate to and will be earned in the subsequent fiscal year.

On-behalf Payments: The Town receives on-behalf payments from the State of Florida to be used for Police and Fire-Rescue pension benefits. Such payments are recorded as intergovernmental revenue and public safety expenditures in the GAAP basis government-wide and General Fund financial statements, but are not budgeted and therefore are not included in the General Fund budgetary comparison schedule. On-behalf payments paid to the Town by the State totaled \$746,929 for the fiscal year ended September 30, 2009.

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.

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.

The GASB has issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments. The requirements of this statement will be effective for the Town for the fiscal year ending September 30, 2010.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The GASB has also issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. The requirements of this statement will be effective for the Town for the fiscal year ending September 30, 2011.

Management has not completed its analysis of the effects of these statements, 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, 2009, excluding amounts held by Fiduciary Funds, include petty cash of \$4,960 and deposits with financial institutions with a carrying value of \$60,028 and a bank balance of \$128,893. Cash and short-term investments of the Fiduciary Funds at September 30, 2009, consist of deposits with financial institutions with a carrying value and book balance of approximately \$5,758,000 and a U.S. Treasury money market mutual fund with a carrying value of \$434,527.

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

Equity in Pooled Cash and Investments: The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed as "Equity in pooled cash and investments." The Town's OPEB Trust and Kreusler Park Agency Funds had equity in pooled cash and investments of \$2,663,834 and \$37,829, respectively, at September 30, 2009. Pooled cash and investments at September 30, 2009 consisted of cash with a carrying value of \$3,063,118 and a bank balance of \$3,081,328. The entire amount of the bank balance is 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 carrying value (fair value) of investments included in pooled cash and investments at September 30, 2009 was as follows:

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

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

	<u>Fair Value</u>
U.S. Government and Agency securities	\$ 8,968,227
U.S. Government money market mutual funds	38,541,052
Florida Municipal Investment Trust	36,991,833
Domestic corporate bonds	<u>1,007,887</u>
Total investments	<u>\$ 85,508,999</u>

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 (\$22,110,663 at September 30, 2009) and the Intermediate High Quality Bond portfolio (\$14,881,170 at September 30, 2009). 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; corporate bonds rated A or higher; 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 Florida Statutes on the investments of public employee retirement systems. In addition to the previously mentioned investments, the Town Pension Boards and the OPEB Trust Fund are also authorized to invest in domestic and international equity securities, corporate bonds, mutual funds, and investment partnerships and other alternative investments within certain limitations established by the Town Code.

The carrying value (fair value) of the Town's Fiduciary Funds' investments at September 30, 2009, were as follows:

	<u>Fair Value</u>
U.S. Government and Agency securities	\$ 3,961,844
Domestic common stocks	16,528,940
Domestic corporate bonds	14,280,428

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

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

	<u>Fair Value</u>
Mutual funds	
Publicly traded	
Equity	\$ 26,943,985
Fixed income	7,593,820
Real estate	9,308,977
Not publicly traded - pooled funds	
Equity	37,114,437
Fixed income	15,071,702
Alternative investments	<u>38,351,068</u>
Total investments	<u>\$ 169,155,201</u>

At September 30, 2009, approximately 31% 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, 2009, approximately 23% 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.

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

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

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

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, including U.S. Government money market mutual funds, 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 requirements 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 as of September 30, 2009 were 1.58 years and 3.83 years, respectively. The Town's fiduciary funds' investments consist of a fixed income pooled fund with a carrying value of \$15,071,702 and an effective duration of 3.72 years at September 30, 2009. The table below summarizes the scheduled maturities of all other fixed income investments at September 30, 2009:

<u>Investment Type</u>	<u>Fair Value of Investment Maturities</u>			
	<u>Less Than One Year</u>	<u>One to Five Years</u>	<u>Six to Ten Years</u>	<u>More Than Ten Years</u>
<u>Pooled Investments</u>				
U.S. Government and Agency securities	\$ 2,887,726	\$ 6,080,501	\$	\$
Domestic corporate bonds		1,007,887		
<u>Fiduciary Funds Investments</u>				
U.S. Government and Agency securities	54,758	982,620	1,093,554	1,830,912
Corporate Bonds	1,660,264	5,556,746	1,130,311	5,933,107
Fixed income mutual funds	<u>2,372</u>	<u>1,797,645</u>	<u>5,793,803</u>	
Total	<u>\$ 4,605,120</u>	<u>\$ 15,425,399</u>	<u>\$ 8,017,668</u>	<u>\$ 7,764,019</u>

Credit Risk: Credit risk is the risk that a debt issuer will not fulfill its obligations. The Town's investment policy addresses credit risk by limiting investments to the safest types of securities and diversifying the investment portfolio. The security rating by a Nationally Recognized Statistical Rating Organization (NRSRO) is also an indication of credit risk. The Town requires that all investments in debt securities be rated A or higher by a NRSRO. The 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, 2009

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. The NRSRO ratings for the Town's investments at September 30, 2009 are summarized below. All other securities are not rated:

<u>Investment Type</u>	<u>NRSRO Rating</u>	<u>Fair Value</u>
<u>Pooled Investments</u>		
U.S. Government and Agency securities	AAA	\$ 8,968,227
U.S. Government money market mutual funds	AAA	38,541,052
Florida Municipal Investment Trust	AAA	36,991,833
Domestic corporate bonds	AAA	1,007,887
<u>Fiduciary Funds</u>		
U.S. Government and Agency securities	AAA	3,961,844
Corporate bonds	AAA	762,299
Corporate bonds	AA	918,591
Corporate bonds	A	6,940,315
Corporate bonds	BBB	5,574,377
Corporate bonds	Unrated	84,846
Fixed income mutual funds	AAA	6,822,743
Fixed income mutual funds	AA	15,200,951
Fixed income mutual funds	A	299,004
Fixed income mutual funds	BBB	279,420
Fixed income mutual funds	BB	63,404

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. 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.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

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

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. While there was no direct exposure to foreign currency risk in the Town's investments at September 30, 2009, the Town's fiduciary funds do invest in international equity mutual funds that had a fair value of \$9,416,921 at September 30, 2009.

NOTE C - CAPITAL ASSETS

The capital asset activity for the year ended September 30, 2009 was as follows:

<u>Governmental Activities</u>	Balance at Beginning of Year	Increases	Decreases	Balance at End of Year
Capital assets not being depreciated				
Land	\$ 8,039,238	\$ 1,907,713	\$	\$ 9,946,951
Construction in progress	<u>17,034,864</u>	<u>10,750,270</u>	<u>(6,045,136)</u>	<u>21,739,998</u>
Total capital assets not being depreciated	25,074,102	12,657,983	(6,045,136)	31,686,949
Capital assets being depreciated				
Buildings	20,935,933	3,095,110		24,031,043
Improvements other than buildings	1,333,618			1,333,618
Equipment	15,234,384	3,917,074	(1,404,579)	17,746,879
Infrastructure	<u>70,952,401</u>	<u>2,753,341</u>	<u>(143,640)</u>	<u>73,562,102</u>
Total capital assets being depreciated	108,456,336	9,765,525	(1,548,219)	116,673,642
Less accumulated depreciation for				
Buildings	(8,809,902)	(442,254)		(9,252,156)
Improvements other than buildings	(867,558)	(10,946)		(878,504)
Equipment	(7,348,808)	(1,690,983)	1,312,400	(7,727,391)
Infrastructure	<u>(25,612,226)</u>	<u>(4,371,905)</u>	<u>117,785</u>	<u>(29,866,346)</u>
Total accumulated depreciation	<u>(42,638,494)</u>	<u>(6,516,088)</u>	<u>1,430,185</u>	<u>(47,724,397)</u>
Total capital assets being depreciated, net	<u>65,817,842</u>	<u>3,249,437</u>	<u>(118,034)</u>	<u>68,949,245</u>
Governmental activities capital assets, net	<u>\$ 90,891,944</u>	<u>\$ 15,907,420</u>	<u>\$ (6,163,170)</u>	<u>\$ 100,636,194</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General government	\$ 258,476
Public safety	822,328
Physical environment	4,763,567
Culture and recreation	9,029

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE C - CAPITAL ASSETS (Continued)

Governmental Activities

Capital assets held by the Town's internal service funds are charged to the various functions based on their usage of the assets \$ 662,688

Total depreciation expense - governmental activities \$ 6,516,088

<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	<u>2,072,844</u>	<u>4,631,231</u>	<u>(1,642,431)</u>	<u>5,061,644</u>
Total capital assets not being depreciated	7,696,621	4,631,231	(1,642,431)	10,685,421
Capital assets being depreciated				
Buildings	1,827,239	1,355,346		3,182,585
Improvements other than buildings	6,054,197	287,085	(668,140)	5,673,142
Equipment	<u>351,837</u>	<u>253,847</u>	<u>(72,461)</u>	<u>533,223</u>
Total capital assets being depreciated	8,233,273	1,896,278	(740,601)	9,388,950
Less accumulated depreciation for				
Buildings	(527,674)	(64,800)		(592,474)
Improvements other than buildings	(2,523,836)	(177,974)	560,435	(2,141,375)
Equipment	<u>(243,010)</u>	<u>(39,819)</u>	<u>62,959</u>	<u>(219,870)</u>
Total accumulated depreciation	<u>(3,294,520)</u>	<u>(282,593)</u>	<u>623,394</u>	<u>(2,953,719)</u>
Total capital assets being depreciated, net	<u>4,938,753</u>	<u>1,613,685</u>	<u>(117,207)</u>	<u>6,435,231</u>
Business-type activities capital assets, net	<u>\$ 12,635,374</u>	<u>\$ 6,244,916</u>	<u>\$ (1,759,638)</u>	<u>\$ 17,120,652</u>

NOTE D - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Transactions between funds during the year consisted of loans, services provided, reimbursements or transfers. Loans are reported as *Due from Other Funds* and *Due to Other Funds* as appropriate and are subject to elimination in the government-wide financial statements. Services, deemed to be reasonably equivalent in value, are treated as revenue and expenditures/expenses. Reimbursements occur when one fund incurs a 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 and Beach Restoration Project Fund were used to fund various capital projects. Transfers from the General Fund and the Beach Restoration Project Fund to the nonmajor funds were used to fund debt service. Transfers from the Town Facilities Fund to the Beach Restoration Project Fund were used to

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

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

fund various beach projects. Transfers from the Recreation Enterprise Fund to the General Fund were used to pay for various culture and recreation projects. Transfers within the governmental and business-type activities are eliminated in the government-wide financial statements. Interfund receivables and payables and interfund transfers at September 30, 2009 are summarized as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Improvement Fund	\$ 71,658
	Nonmajor Funds	7,692
	Internal Service Funds	3,791
	Trust Funds	6,381
Recreation Enterprise Fund	General Fund	5,025
Internal Service Funds	General Fund	3,917
Trust Funds	General Fund	<u>1,438</u>
		<u>\$ 99,902</u>

Interfund transfers:

	<u>Transfers In - Reported In</u>				<u>Total</u>
	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Beach Restoration Project Fund</u>	<u>Nonmajor Funds</u>	
Transfers Out:					
Reported in					
General Fund	\$	\$ 1,817,000	\$ 2,000,000	\$ 3,790,000	\$ 7,607,000
Beach Restoration Project Fund				549,800	549,800
Town Facilities Fund			1,900,000		1,900,000
Recreation Enterprise Fund	<u>550,000</u>				<u>550,000</u>
	<u>\$ 550,000</u>	<u>\$ 1,817,000</u>	<u>\$ 3,900,000</u>	<u>\$ 4,339,800</u>	<u>\$ 10,606,800</u>

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE E - LONG-TERM DEBT

Changes in long-term debt for the year ended September 30, 2009 are summarized as follows:

<i><u>Governmental Activities</u></i>	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year	Amounts Due Within One Year
Compensated absences	\$ 3,580,697	\$ 848,241	\$ (723,548)	\$ 3,705,390	\$ 723,013
Termination benefits payable	1,613,827	21,196	(723,692)	911,331	797,172
Revenue bonds payable	13,205,000		(3,875,000)	9,330,000	4,020,000
Revenue notes payable	<u>10,000,000</u>	<u>395,004</u>		<u>10,395,004</u>	<u>395,004</u>
Total long-term debt	<u>\$ 28,399,524</u>	<u>\$ 1,264,441</u>	<u>\$ (5,322,240)</u>	24,341,725	<u>\$ 5,935,189</u>
Unamortized premiums				2,854	
Unamortized discounts				(16,481)	
Unamortized loss on refunding				(59,119)	
Current maturities				<u>(5,935,189)</u>	
Net long-term debt				<u>\$ 18,333,790</u>	
<i><u>Business-type Activities</u></i>					
Compensated absences	<u>\$ 186,724</u>	<u>\$ 25,360</u>	<u>\$ (17,023)</u>	<u>\$ 195,061</u>	<u>\$ 38,061</u>

The compensated absences liability and liability for termination benefits of the governmental activities are liquidated primarily by the Town's General Fund.

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 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, 2010. The bonds are special obligations of the Town payable solely from and secured solely by non-ad valorem revenue and any unused bond proceeds and related investment income. A Municipal Bond Insurance Association (MBIA) policy was 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:

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE E - LONG-TERM DEBT (Continued)

<u>Year Ending September 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	3.45%	\$ 3,885,000	\$ 67,069	\$ 3,952,069

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 was 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>
2010	3.250%	\$ 135,000	\$ 245,221	\$ 380,221
2011	3.500	140,000	240,578	380,578
2012	3.700	145,000	235,445	380,445
2013	3.800	150,000	229,913	379,913
2014	3.800	155,000	224,118	379,118
2015	4.000	160,000	217,973	377,973
2016	4.000	170,000	211,373	381,373
2017	4.125	175,000	204,363	379,363
2018	4.250	180,000	196,929	376,929
2019	4.400	190,000	188,924	378,924
2020	4.375	200,000	180,369	380,369
2021	4.500	210,000	171,269	381,269
2022	4.500	215,000	161,706	376,706
2023	4.625	225,000	151,666	376,666
2024	4.750	240,000	140,763	380,763
2025	4.750	250,000	129,125	379,125
2026	4.750	260,000	117,013	377,013
2027	4.750	275,000	104,306	379,306
2028	4.750	290,000	90,888	380,888
2029	5.000	305,000	76,375	381,375
2030	5.000	320,000	60,750	380,750

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE E - LONG-TERM DEBT (Continued)

<u>Year Ending September 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2031	5.000	\$ 335,000	\$ 44,375	\$ 379,375
2032	5.000	350,000	27,250	377,250
2033	5.000	<u>370,000</u>	<u>9,250</u>	<u>379,250</u>
		<u>\$ 5,445,000</u>	<u>\$ 3,659,942</u>	<u>\$ 9,104,942</u>

REVENUE NOTES PAYABLE

Town of Palm Beach, Florida, Public Improvement Revenue Note, Series 2008

On June 24, 2008, the Town issued a \$10,000,000 Town of Palm Beach, Florida, Public Improvement Revenue Note, Series 2008 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 Series 2008 Note. The Series 2008 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% (.87% at September 30, 2009). Principal and interest payments are due on January 1, April 1, July 1, and October 1, commencing January 1, 2009 for interest and January 1, 2011 for principal, until maturity on July 1, 2028. The Series 2008 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 Series 2008 Note are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$	\$ 126,750	\$ 126,750
2011	435,000	86,054	521,054
2012	580,000	81,323	661,323
2013	580,000	76,277	656,277
2014	565,000	71,264	636,264
2015	560,000	66,381	626,381
2016	560,000	61,509	621,509
2017	560,000	56,637	616,637
2018	560,000	51,765	611,765
2019	560,000	46,893	606,893
2020	560,000	42,021	602,021
2021	560,000	37,149	597,149
2022	560,000	32,277	592,277
2023	560,000	27,405	587,405
2024	560,000	22,533	582,533
2025	560,000	17,661	577,661

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE E - LONG-TERM DEBT (Continued)

Year Ending September 30,	Principal	Interest	Total
2026	\$ 560,000	\$ 12,789	\$ 572,789
2027	560,000	7,917	567,917
2028	560,000	2,741	562,741
	<u>\$ 10,000,000</u>	<u>\$ 927,346</u>	<u>\$ 10,927,346</u>

Interest requirements for the Series 2008 Note are calculated using the interest rate effective at September 30, 2009. The interest rate on the Series 2008 Note changes effective with each change in the BBA LIBOR Rate.

Town of Palm Beach, Florida, Public Improvement Revenue Note, Series 2009

On June 5, 2009, the Town issued a \$2,000,000 Town of Palm Beach, Florida, Public Improvement Revenue Note, Series 2009 to finance certain improvements to the Worth Avenue Commercial District in anticipation of permanent long-term financing to be secured in the short-term future. The note provides that the Town may, in one or more drawings, borrow up to \$2,000,000 against the note. The outstanding principal plus accrued interest thereon is due when the note matures on May 31, 2010. The interest rate is reset at the beginning of each month and is based on the BBA LIBOR Rate two days prior to the first day of such month plus .97% (1.23% at September 30, 2009). The note is a special obligation of the Town and is payable solely from and secured solely by non-ad valorem revenue and any unused note proceeds and related investment income, as well as proceeds of refunding obligations specifically issued to refund the Series 2009 Note. As of September 30, 2009, the principal outstanding on the note is \$395,004. Interest due during the fiscal year ending September 30, 2010 is \$3,313, which is calculated using the interest rate effective at September 30, 2009. The outstanding principal balance of this note is classified as long-term debt in the accompanying financial statements since the Town has secured permanent long-term financing and has repaid this note in conjunction with the issuance of Public Improvement Revenue and Refunding Bonds, Series 2010A (Capital Improvement Program) on February 25, 2010.

Annual Requirements

The annual debt service requirements to maturity, including interest of \$4,657,670 (excluding compensated absences, which have no fixed maturity and termination benefits payable) are as follows:

Year Ending September 30,	Revenue Bonds	Revenue Notes	Total
2010	\$ 4,332,290	\$ 525,067	\$ 4,857,357
2011	380,578	521,054	901,632
2012	380,445	661,323	1,041,768
2013	379,913	656,277	1,036,190
2014	379,118	636,264	1,015,382
2015-2019	1,894,562	3,083,185	4,977,747
2020-2024	1,895,773	2,961,38	4,857,158

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE E - LONG-TERM DEBT (Continued)

Year Ending September 30,	Revenue Bonds	Revenue Notes	Total
2025-2029	\$ 1,897,707	\$ 2,281,108	\$ 4,178,815
2030-2033	<u>1,516,625</u>	<u> </u>	<u>1,516,625</u>
	<u>\$ 13,057,011</u>	<u>\$ 11,325,663</u>	<u>\$ 24,382,674</u>

Interest Expense: Total interest costs incurred and paid on all Town debt for the year ended September 30, 2009 totaled \$741,244 and \$650,150 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, 2009 outstanding Series 2000 Revenue Bonds in the amount of \$3,905,000 are considered defeased.

Pledged Revenues: As discussed previously, the Town has pledged future non-ad valorem revenues of the General Fund to repay \$19,725,004 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 require less than 21 percent of such revenues. The total principal and interest remaining to be paid on the bonds and notes is \$24,382,674. Principal and interest paid for 2009 on the outstanding revenue bonds and note and total non-ad valorem revenues were \$4,525,150 and \$20,686,781, respectively.

Subsequent Event: In January 2010, the Town Council approved the issuance of \$77,000,000 revenue bonds to advance refund all existing bonds and notes outstanding and to finance certain construction projects throughout the Town. On February 25, 2010, the Town issued Public Improvement Revenue and Refunding Bonds, Series 2010A (Capital Improvement Program) in the amount of \$57,035,000 and Public Improvement Revenue Bonds, Series 2010B (Worth Avenue Commercial Project) in the amount of \$14,770,000.

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, 2009 as follows:

	Major Governmental Funds				
	General Fund	Capital Improvement Fund	Beach Restoration Project Fund	Town Facilities Fund	Other Governmental Funds
Reserved Fund Balances					
Reserved for inventory	\$ 454,035	\$	\$	\$	\$
Reserved for prepaid items	24,250				

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE F - FUND BALANCES (Continued)

	Major Governmental Funds				
	General Fund	Capital Improvement Fund	Beach Restoration Project Fund	Town Facilities Fund	Other Governmental Funds
Reserved for capital projects	\$	\$	\$	\$ 3,034,045	\$
Reserved for debt service					126,750
Reserved for other purposes					484,739
Total Reserved Fund Balances	478,285	0	0	3,034,045	611,489
Designated Fund Balances					
Designated for:					
Subsequent years' expenditures	4,978,800				
Capital projects		5,521,538	10,069,850	2,516,280	
Debt service					291,518
Other purposes:					
East Central Regional Wastewater Treatment Facility	994,823				
Compensated absences	3,333,243				
Other	17,073				
Total Designated Fund Balances	9,323,939	5,521,538	10,069,850	2,516,280	291,518
Undesignated Fund Balances	20,980,277				
Total Fund Balances	<u>\$ 30,782,501</u>	<u>\$ 5,521,538</u>	<u>\$ 10,069,850</u>	<u>\$ 5,550,325</u>	<u>\$ 903,007</u>

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

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE G - RETIREMENT PLANS (Continued)

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.

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, 2009, 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%	17.35%
Lifeguard employees	7.21%	25.81%
Police employees	6.98%	36.10%
Fire-Rescue employees	6.82%	48.60%

Net Pension Obligation: A reconciliation of the Town's beginning and ending net pension obligation to the Plans is presented below.

	<u>General Employees</u>	<u>Police Officers</u>	<u>Firefighters</u>
Annual required contribution	\$ 2,420,128	\$ 2,330,352	\$ 2,709,281
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	2,420,128	2,330,352	2,709,281
Contributions made	<u>(2,420,128)</u>	<u>(2,330,352)</u>	<u>(2,709,281)</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: The annual pension cost, net pension obligation and required contribution for the fiscal year ended September 30, 2009 were determined as part of the actuarial valuation of the Plans as of September 30, 2007 using the entry age actuarial cost method. Significant actuarial assumptions used in the latest actuarial valuations of the Plans are summarized as follows:

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE G - RETIREMENT PLANS (Continued)

	General Employees	Police Officers	Firefighters
Valuation date	September 30, 2008	September 30, 2008	September 30, 2008
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	3-30 years	3-30 years	3-30 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market
Investment rate of return (includes inflation at 5.5%)	8.0%	8.0%	8.0%
Projected salary increases (includes inflation and other general increases at 5.5%)	9.8% to 6.2%	9.8% to 6.2%	9.8% to 6.2%
Cost-of-living adjustments	Members who retire after 9/30/68 and prior to 10/1/90 receive an annual 1.0% increase computed on the base benefit. Members retiring after 9/30/90 will be increased 2.0% annually based on their total pension benefit, after an initial 3-year deferral period. Other adjustments have been made periodically.	Members who retire after 9/30/68 and prior to 10/1/90 receive an annual 1.0% increase computed on the base benefit. Members retiring after 9/30/90 will be increased 2.0% annually based on their total pension benefit, after an initial 3-year deferral period. Other adjustments have been made periodically.	Members who retire after 9/30/68 and prior to 10/1/90 receive an annual 1.0% increase computed on the base benefit. Members retiring after 9/30/90 will be increased 2.0% annually based on their total pension benefit, after an initial 3-year deferral period. Other adjustments have been made periodically.

Annual Pension Cost: Information about the Town's annual pension cost for the last three fiscal years ended September 30th is shown below:

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

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>General Employees</u>			
2007	\$ 3,266,484	100%	\$ 0
2008	2,614,902	100%	0
2009	2,420,128	100%	0
<u>Police Officers</u>			
2007	\$ 2,448,457	100%	\$ 0
2008	2,592,527	100%	0
2009	2,330,352	100%	0
<u>Firefighters</u>			
2007	\$ 2,411,101	100%	\$ 0
2008	2,875,169	100%	0
2009	2,709,281	100%	0

Funding Progress: 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 (in thousands) for the last three actuarial plan years ended September 30th is shown below.

<u>Plan / 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>						
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%
2008	73,732	83,758	10,026	88.0%	12,687	79.0%
<u>Police Officers</u>						
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%
2008	61,668	68,525	6,857	90.0%	5,309	129.2%

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE G - RETIREMENT PLANS (Continued)

Plan / Year	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
<u>Firefighters</u>						
2006	\$ 49,220	\$ 64,220	\$ 14,984	76.7%	\$ 5,710	262.4%
2007	54,723	67,027	12,304	81.6%	5,573	220.8%
2008	57,652	71,813	14,161	80.3%	5,823	243.2%

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 175 retirees receiving benefits and a total of 386 active participants, of which 386 are not yet eligible to receive benefits. As of September 30, 2009, there are 626 dependents of retirees and active participants.

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 50% 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.

Net OPEB Asset: A reconciliation of the Town's beginning and ending net OPEB asset is presented below.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE H - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual required contribution	\$ 1,663,000
Interest on net OPEB asset	(1,128,000)
Adjustment to annual required contribution	<u>815,000</u>
Annual OPEB cost	1,350,000
Contributions made	<u>(1,649,000)</u>
Increase in net OPEB asset	(299,000)
Net OPEB asset, October 1, 2008	<u>(14,097,870)</u>
Net OPEB asset, September 30, 2009	<u>\$ (14,396,870)</u>

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

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

The most recent actuarial valuation of the Plan was done as of October 1, 2008. The projected unit credit actuarial cost method was used. The actuarial assumptions included an 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, an annual healthcare cost trend rate of 11% initially, reduced by decrements to an ultimate rate of 5% in the year 2021 and a salary increase assumption of 3.5% per annum. All three rates included a 5.5% inflation assumption. The actuarial value of assets was determined based on the actual fair value of assets as of the valuation date. The UAAL will be amortized over a period of 30 years as a level percentage of projected payroll on an open basis.

Annual OPEB Cost: Three-year trend information about the Town's annual OPEB cost is shown below:

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE H - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB 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)
9-30-09	1,350,000	1,649,000	122%	(14,396,870)

Funding Progress: As noted above, the most recent actuarial valuation of the Plan was done as of October 1, 2008. There was only one prior valuation, which was done as of October 1, 2006 to determine the initial funding of the Plan. Since the Plan was initially funded subsequent to October 1, 2006, there was no funding progress information available as of that date. The schedule of funding progress is intended to present 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 including additional years will be presented beginning with the fiscal year during which the next valuation report becomes available. Funding progress information (in thousands) as of October 1, 2008 is shown below:

Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
\$ 15,786	\$ 26,720	\$ 10,934	59.1%	\$ 30,878	35.4%

The financial statements for the OPEB Trust Fund as of and for the year ended September 30, 2009 are reported below because the Trust does not issue a separate report.

Statement of Plan Net Assets

Assets

Cash and short-term investments	\$ 22,678
Equity in pooled cash and investments	2,663,834
Accrued interest and dividends receivable	6,182
Due from other funds	1,438
Investments, at fair value	<u>13,402,252</u>
Total Assets	16,096,384

Liabilities

Accounts payable	<u>197,845</u>
------------------	----------------

Net Assets held in trust for OPEB benefits \$ 15,898,539

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE H - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Statement of Changes in Plan Net Assets

Additions

Contributions		
Employer	\$	1,649,000
Employee		948,344
Other		<u>81,140</u>
Total contributions		2,678,484
Investment income (loss)		
Net depreciation in fair value of investments		(784,903)
Interest and dividend income		<u>305,794</u>
Total investment loss		(479,109)
Less: investment expense		<u>79,786</u>
Net investment loss		<u>(558,895)</u>
Total additions		2,119,589

Deductions

Benefit payments	1,941,781
Administrative expense	<u>65,149</u>
Total deductions	<u>2,006,930</u>

Net increase 112,659

Net assets held in trust for OPEB benefits at October 1, 2008 15,785,880

Net assets held in trust for OPEB benefits at September 30, 2009 \$ 15,898,539

NOTE I - TERMINATION BENEFITS

During fiscal year ended September 30, 2008, 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.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE I - TERMINATION BENEFITS (Continued)

- 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 agreed to 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, 2009, the present value of future incentive payments and estimated insurance premiums reported as a liability in the statement of net assets was \$911,331. 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. A total of 21 employees 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 who elected continued employment with the Town 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. A claims liability of \$3,229,000 is included in accrued liabilities of the Internal Service Funds at September 30, 2009. 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, 2009 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, 2009 are summarized as follows:

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE J - INSURANCE PROGRAM (Continued)

Accrued
Claims
Liability

Group Accident and Health: Certain employees and retirees of the Town contribute through payroll deductions or deductions from pension payments to the cost of group benefits. The remainder of the necessary funding is contributed by the Town based on an actuarially determined amount. As of September 30, 2009, these benefits covered 386 active employees, 175 retirees and 626 dependents. Net costs for the year ended September 30, 2009 were approximately \$5,238,000. 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 \$6.7 million maximum plan costs for 2009). Insurance coverage for claims in excess of these specific limits (up to the policy maximum of \$2,000,000 per person, per life-time) has been obtained from a commercial carrier. The Town makes available certain health insurance benefits for its retired employees and their dependents in accordance with State Statute. Retiree health care benefits are accounted for in the Town's OPEB plan.

\$ 751,000

General Liability, Automobile Liability, Public Official Liability, Workers' Compensation and Property: The Town retains the risk of loss for most exposures and maintains excess insurance coverage above the Town's retained risk of loss of \$100,000 per occurrence for Public Official Liability, \$100,000 per occurrence, \$200,000 aggregate for General Liability and Automobile Liability, and \$350,000 per claim for Workers' Compensation. An aggregate retention (Loss Fund) of \$780,000 applies to each fiscal year. The loss fund does not include the 5% deductible for a "named" windstorm.

Excess liability coverage of \$5,000,000 per occurrence, \$10,000,000 aggregate is maintained with commercial carriers for General Liability and Automobile Liability. Public Official Liability coverage of \$5,000,000 per occurrence and \$5,000,000 in the aggregate is also maintained. Excess Workers' Compensation coverage is maintained with commercial carriers at statutory limits and Property coverage is maintained with commercial carriers at \$41,195,301 for buildings and contents with a \$5,000 deductible per occurrence plus a 5% deductible per insured location for a "named" windstorm.

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

2,478,000

\$ 3,229,000

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

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE J - INSURANCE PROGRAM (Continued)

	Year Ended September 30, 2009	Year Ended September 30, 2008
Accrued claims liability at beginning of fiscal year	\$ 3,748,000	\$ 3,748,000
Current year claims and changes in estimates	3,166,000	3,280,000
Claim payments	<u>(3,685,000)</u>	<u>(3,280,000)</u>
Accrued claims liability at end of fiscal year	<u>\$ 3,229,000</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 AND CONTINGENCIES

Contractual Commitments: The Town has various long-term contractual obligations for construction projects on which work has not been completed. The remaining commitments on these obligations at September 30, 2009 are as follows:

General Fund	\$ 8,400
Capital Improvement Fund	1,094,130
Beach Restoration Fund	1,736,628
Town Facilities Fund	4,889,424
Recreation Enterprise Fund	<u>612,217</u>
Total	<u>\$ 8,340,799</u>

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. As of September 30, 2009, approximately \$961,000 of such amounts to be refunded by the Town is included in "Due to other governments" in the accompanying statement of net assets of the Town's governmental activities.

NOTE L - PRIOR PERIOD ADJUSTMENT

During the current year, management determined that State financial assistance totaling \$261,515 should have been recorded as revenue in the year ending September 30, 2008 when the allowable costs under the grant program were incurred. To correct this error, the beginning fund balance, as originally reported, of the Capital Improvement Fund of \$9,096,526 has been increased to \$9,358,041. In addition, beginning net assets for governmental activities of \$167,436,888, as originally reported, has been increased to \$167,698,403. Had this error not occurred, the net change in fund balance of the Capital Improvement Fund for 2008 would have increased by \$261,515 to \$(1,911,391) and the change in net assets of the governmental activities would have increased to \$1,419,853.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue				
Taxes				
Ad Valorem	\$ 42,543,000	\$ 42,543,000	\$ 42,887,217	\$ 344,217
Local Option Gas Tax	341,000	341,000	324,077	(16,923)
Franchise Fees	2,585,000	2,585,000	2,454,232	(130,768)
Utility Service	4,117,000	4,117,000	4,608,088	491,088
Business Tax Receipts	747,000	747,000	726,239	(20,761)
	<u>50,333,000</u>	<u>50,333,000</u>	<u>50,999,853</u>	<u>666,853</u>
Fees and Permits				
Building Permits	4,691,300	4,691,300	4,701,645	10,345
Fees and Other Permits	174,600	174,600	164,135	(10,465)
	<u>4,865,900</u>	<u>4,865,900</u>	<u>4,865,780</u>	<u>(120)</u>
Intergovernmental				
State Shared Revenue	1,037,500	1,037,500	1,091,542	54,042
Shared Revenue-local	150,300	150,300	98,867	(51,433)
	<u>1,187,800</u>	<u>1,187,800</u>	<u>1,190,409</u>	<u>2,609</u>
Charges for Services				
General Government	30,700	30,700	27,618	(3,082)
Public Safety	1,346,900	1,346,900	1,539,185	192,285
Physical Environment	1,139,100	1,139,100	1,131,884	(7,216)
Transportation	641,700	641,700	579,294	(62,406)
	<u>3,158,400</u>	<u>3,158,400</u>	<u>3,277,981</u>	<u>119,581</u>
Fines and Forfeitures	1,521,200	1,521,200	925,373	(595,827)
Investment Earnings	1,201,300	1,201,300	1,923,224	721,924
Grant Revenue	73,600	73,600	294,720	221,120
Miscellaneous				
Rents and Royalties	85,500	85,500	44,491	(41,009)
Other Miscellaneous	223,800	223,800	229,868	6,068
	<u>309,300</u>	<u>309,300</u>	<u>274,359</u>	<u>(34,941)</u>
Total Revenue	62,650,500	62,650,500	63,751,699	1,101,199

See notes to budgetary comparison schedule.

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
General Government				
Town Manager	\$ 3,206,600	\$ 3,705,693	\$ 3,271,048	\$ 434,645
Human Resources	727,600	745,960	655,427	90,533
Information Systems	2,140,800	2,184,376	2,139,388	44,988
Town Clerk	363,400	365,297	353,158	12,139
Finance	1,595,460	1,607,343	1,536,061	71,282
Planning, Zoning and Building	678,900	744,944	657,133	87,811
Permit Issuance	1,262,200	1,201,881	1,028,898	172,983
Contingency	1,005,024	1,604	0	1,604
Employee Benefits	1,649,000	1,649,000	1,649,000	0
	<u>12,628,984</u>	<u>12,206,098</u>	<u>11,290,113</u>	<u>915,985</u>
Public Safety				
Inspection and Compliance	1,066,200	1,146,256	1,142,542	3,714
Fire-Rescue	12,573,716	12,602,740	12,457,329	145,411
Police	16,473,200	16,617,608	16,028,911	588,697
Emergency/Disaster Response	82,500	1,087,555	1,003,768	83,787
	<u>30,195,616</u>	<u>31,454,159</u>	<u>30,632,550</u>	<u>821,609</u>
Physical Environment				
Administration	869,000	870,847	845,749	25,098
Sewer and Sanitation	8,009,800	8,412,045	7,332,517	1,079,528
Public Works	3,154,000	3,746,786	3,170,611	576,175
	<u>12,032,800</u>	<u>13,029,678</u>	<u>11,348,877</u>	<u>1,680,801</u>
Transportation				
Streets and Repairs	337,100	610,249	564,198	46,051
Traffic Control	681,100	734,427	684,247	50,180
	<u>1,018,200</u>	<u>1,344,676</u>	<u>1,248,445</u>	<u>96,231</u>
Culture and Recreation				
Recreation	144,500	217,558	147,406	70,152
Library	272,400	272,400	272,400	0
Parks and Beaches	1,518,100	1,565,235	1,428,571	136,664
	<u>1,935,000</u>	<u>2,055,193</u>	<u>1,848,377</u>	<u>206,816</u>

See notes to budgetary comparison schedule.

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Non-departmental	\$ 1,918,000	\$ 1,918,092	\$ 1,918,051	\$ 41
Total Expenditures	59,728,600	62,007,896	58,286,413	3,721,483
Other Financing Sources (Uses)				
Transfers In	550,000	550,000	550,000	0
Transfers Out	(7,607,000)	(7,607,000)	(7,607,000)	0
	<u>(7,057,000)</u>	<u>(7,057,000)</u>	<u>(7,057,000)</u>	<u>0</u>
Revenue and Other Sources Under Expenditures and Other Uses	<u>\$ (4,135,100)</u>	<u>\$ (6,414,396)</u>	(1,591,714)	<u>\$ 4,822,682</u>
Fund balance at October 1, 2008			<u>32,374,215</u>	
Fund balance at September 30, 2009			<u>\$ 30,782,501</u>	

See notes to budgetary comparison schedule.

TOWN OF PALM BEACH, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2009

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 fiscal year ended September 30, 2009, the Town Council approved supplemental appropriations in the General Fund totaling \$2,279,296.

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, 2009, the Town had commitments related to unperformed contracts, which have been re-appropriated in the 2009-2010 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. 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, 2009

NOTE B - BUDGET AND ACTUAL COMPARISONS (Continued)

	<u>Revenue</u>	<u>Expenditures</u>
Budgetary basis	\$ 63,751,699	\$ 58,286,413
State on-behalf payments for Police and Fire-Rescue pension contributions not included in budgetary basis	<u>746,929</u>	<u>746,929</u>
GAAP basis	<u>\$ 64,498,628</u>	<u>\$ 59,033,342</u>

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

**MAJOR CAPITAL PROJECTS FUNDS
BUDGETARY COMPARISON SCHEDULES**

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - CAPITAL IMPROVEMENT FUND

Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Investment earnings	\$ 425,000	\$ 425,000	\$ 177,275	\$ (247,725)
Grant revenue	1,120,000	1,120,000	52,691	(1,067,309)
Miscellaneous	0	0	15,336	15,336
	<u>0</u>	<u>0</u>	<u>15,336</u>	<u>15,336</u>
Total revenue	<u>\$ 1,545,000</u>	<u>\$ 1,545,000</u>	<u>\$ 245,302</u>	<u>\$ (1,299,698)</u>
EXPENDITURES				
Current				
Physical environment	\$ 957,000	\$ 2,366,410	\$ 1,237,813	\$ 1,128,597
Culture and recreation	0	5,783	5,693	90
Capital outlay	2,435,000	12,451,699	5,026,000	7,425,699
Debt service				
Debt issue costs	0	0	24,303	(24,303)
	<u>0</u>	<u>0</u>	<u>24,303</u>	<u>(24,303)</u>
Total expenditures - budgetary basis	<u>\$ 3,392,000</u>	<u>\$ 14,823,892</u>	<u>\$ 6,293,809</u>	<u>\$ 8,530,083</u>
OTHER FINANCING SOURCES				
Revenue note issued	\$ 0	\$ 0	\$ 395,004	\$ 395,004
Transfers in	1,847,000	1,847,000	1,817,000	(30,000)
	<u>1,847,000</u>	<u>1,847,000</u>	<u>1,817,000</u>	<u>(30,000)</u>
Total other financing sources	<u>\$ 1,847,000</u>	<u>\$ 1,847,000</u>	<u>\$ 2,212,004</u>	<u>\$ 365,004</u>

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - BEACH RESTORATION PROJECT FUND

Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Investment earnings	\$ 167,000	\$ 167,000	\$ 222,005	\$ 55,005
Grant revenue	<u>1,800,000</u>	<u>1,800,000</u>	<u>217,704</u>	<u>(1,582,296)</u>
Total revenue	<u>\$ 1,967,000</u>	<u>\$ 1,967,000</u>	<u>\$ 439,709</u>	<u>\$ (1,527,291)</u>
EXPENDITURES				
Current				
Physical environment	\$ 2,565,100	\$ 2,565,100	\$ 677,517	\$ 1,887,583
Capital outlay	<u>3,500,900</u>	<u>5,124,513</u>	<u>759,238</u>	<u>4,365,275</u>
Total expenditures - budgetary basis	<u>\$ 6,066,000</u>	<u>\$ 7,689,613</u>	<u>\$ 1,436,755</u>	<u>\$ 6,252,858</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 3,900,000	\$ 3,900,000	\$ 3,900,000	\$ 0
Transfers out	<u>(549,800)</u>	<u>(549,800)</u>	<u>(549,800)</u>	<u>0</u>
Total other financing sources	<u>\$ 3,350,200</u>	<u>\$ 3,350,200</u>	<u>\$ 3,350,200</u>	<u>\$ 0</u>

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - TOWN FACILITIES FUND

Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Investment earnings	\$ 230,000	\$ 230,000	\$ 62,045	\$ (167,955)
Grant revenue	245,000	245,000	227,547	(17,453)
Miscellaneous	500,000	500,000	89,147	(410,853)
Total revenue	<u>\$ 975,000</u>	<u>\$ 975,000</u>	<u>\$ 378,739</u>	<u>\$ (596,261)</u>
EXPENDITURES				
Capital outlay	<u>\$ 9,782,393</u>	<u>\$ 10,236,012</u>	<u>\$ 4,965,033</u>	<u>\$ 5,270,979</u>
Total expenditures - budgetary basis	<u>\$ 9,782,393</u>	<u>\$ 10,236,012</u>	<u>\$ 4,965,033</u>	<u>\$ 5,270,979</u>
OTHER FINANCING USES				
Transfers out	<u>\$ (1,900,000)</u>	<u>\$ (1,900,000)</u>	<u>\$ (1,900,000)</u>	<u>\$ 0</u>
Total other financing uses	<u>\$ (1,900,000)</u>	<u>\$ (1,900,000)</u>	<u>\$ (1,900,000)</u>	<u>\$ 0</u>

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. The Town's special revenue funds are as follows:

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

Federal Forfeiture Fund - To account for Federal forfeiture receipts.

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

DEBT SERVICE FUNDS

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

Series 2003 Debt Service Fund

Series 2008 Debt Service Fund

TOWN OF PALM BEACH, FLORIDA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

September 30, 2009

	Special Revenue		
	State Forfeiture Fund	Federal Forfeiture Fund	Donation Fund
ASSETS			
Equity in pooled cash and investments	\$ 154,582	\$ 66,390	\$ 280,026
Total assets	<u>\$ 154,582</u>	<u>\$ 66,390</u>	<u>\$ 280,026</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 335	\$	\$ 8,232
Due to other funds			7,692
	<u>335</u>	<u>0</u>	<u>15,924</u>
FUND BALANCES			
Reserved:			
Reserved for debt service			
Reserved for other purposes	154,247	66,390	264,102
Unreserved, designated for debt service			
Total fund balances	<u>154,247</u>	<u>66,390</u>	<u>264,102</u>
Total liabilities and fund balances	<u>\$ 154,582</u>	<u>\$ 66,390</u>	<u>\$ 280,026</u>

Debt Service		Total Nonmajor Governmental Funds
Series 2003 Debt Service Fund	Series 2008 Debt Service Fund	
\$ 45,854	\$ 372,414	\$ 919,266
<u>\$ 45,854</u>	<u>\$ 372,414</u>	<u>\$ 919,266</u>
\$	\$	\$ 8,567
		7,692
<u>0</u>	<u>0</u>	<u>16,259</u>
	126,750	126,750
45,854	245,664	484,739
<u>45,854</u>	<u>372,414</u>	<u>291,518</u>
<u>\$ 45,854</u>	<u>\$ 372,414</u>	<u>\$ 919,266</u>

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2009

	Special Revenue		
	State Forfeiture Fund	Federal Forfeiture Fund	Donation Fund
Revenue			
Fines and forfeitures			
Seizure deposits	\$	\$ 2,490	\$
Investment earnings	1,037	369	1,217
Contributions			189,613
	<u>1,037</u>	<u>2,859</u>	<u>190,830</u>
Expenditures			
Current			
General government			67,243
Public safety	12,918	4,000	165,940
Physical environment			1,675
Culture and recreation			4,564
Capital outlay	23,213		13,750
Debt service			
Principal retirement			
Interest and fiscal charges			
	<u>36,131</u>	<u>4,000</u>	<u>253,172</u>
Revenue over (under) expenditures	(35,094)	(1,141)	(62,342)
Other financing sources			
Transfers in			
Net change in fund balances	(35,094)	(1,141)	(62,342)
Fund balances at October 1, 2008	<u>189,341</u>	<u>67,531</u>	<u>326,444</u>
Fund balances at September 30, 2009	<u>\$ 154,247</u>	<u>\$ 66,390</u>	<u>\$ 264,102</u>

Debt Service		Total Nonmajor Governmental Funds
Series 2003 Debt Service Fund	Series 2008 Debt Service Fund	
\$ 697	\$ 2,105	\$ 2,490
		5,425
		189,613
<u>697</u>	<u>2,105</u>	<u>197,528</u>
		67,243
		182,858
		1,675
		4,564
		36,963
3,875,000		3,875,000
461,178	188,972	650,150
<u>4,336,178</u>	<u>188,972</u>	<u>4,818,453</u>
(4,335,481)	(186,867)	(4,620,925)
<u>4,339,800</u>		<u>4,339,800</u>
4,319	(186,867)	(281,125)
<u>41,535</u>	<u>559,281</u>	<u>1,184,132</u>
<u>\$ 45,854</u>	<u>\$ 372,414</u>	<u>\$ 903,007</u>

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - SERIES 2003 DEBT SERVICE FUND

Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Investment earnings	\$ 1,000	\$ 1,000	\$ 697	\$ (303)
EXPENDITURES				
Debt service				
Principal retirement	\$ 3,875,000	\$ 3,875,000	\$ 3,875,000	\$ 0
Interest and fiscal charges	464,700	464,700	461,178	3,522
Total expenditures	\$ 4,339,700	\$ 4,339,700	\$ 4,336,178	\$ 3,522
OTHER FINANCING SOURCES				
Transfers in	\$ 4,339,800	\$ 4,339,800	\$ 4,339,800	\$ 0

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - SERIES 2008 DEBT SERVICE FUND

Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Investment earnings	<u>\$ 14,000</u>	<u>\$ 14,000</u>	<u>\$ 2,105</u>	<u>\$ (11,895)</u>
EXPENDITURES				
Debt service				
Interest and fiscal charges	<u>\$ 252,000</u>	<u>\$ 252,000</u>	<u>\$ 188,972</u>	<u>\$ 63,028</u>

INTERNAL SERVICE FUNDS

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

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

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

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

TOWN OF PALM BEACH, FLORIDA

COMBINING BALANCE SHEET - INTERNAL SERVICE FUNDS

September 30, 2009

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Equipment Replacement Fund	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 20,000	\$ 38,978	\$	\$ 58,978
Equity in pooled cash and investments	10,079,084	2,883,339	11,123,038	24,085,461
Interest receivable	24,123		24,123	48,246
Due from other funds		3,917		3,917
Prepaid expenses	100	25,287		25,387
Total current assets	<u>10,123,307</u>	<u>2,951,521</u>	<u>11,147,161</u>	<u>24,221,989</u>
Noncurrent assets				
Capital assets				
Equipment	63,601		6,187,275	6,250,876
Accumulated depreciation	<u>(6,746)</u>		<u>(1,175,633)</u>	<u>(1,182,379)</u>
Total capital assets, net of accumulated depreciation	<u>56,855</u>	<u>0</u>	<u>5,011,642</u>	<u>5,068,497</u>
Total assets	10,180,162	2,951,521	16,158,803	29,290,486
LIABILITIES				
Current liabilities				
Accounts payable	58,495	341,311	307,073	706,879
Accrued liabilities	2,480,729	752,651		3,233,380
Due to other funds	3,791			3,791
Total current liabilities	<u>2,543,015</u>	<u>1,093,962</u>	<u>307,073</u>	<u>3,944,050</u>
Noncurrent liability				
Compensated absences payable	16,505	11,842		28,347
Total liabilities	<u>2,559,520</u>	<u>1,105,804</u>	<u>307,073</u>	<u>3,972,397</u>
NET ASSETS				
Invested in capital assets	56,855		5,011,642	5,068,497
Unrestricted	<u>7,563,787</u>	<u>1,845,717</u>	<u>10,840,088</u>	<u>20,249,592</u>
Total net assets	<u>\$ 7,620,642</u>	<u>\$ 1,845,717</u>	<u>\$ 15,851,730</u>	<u>\$ 25,318,089</u>

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2009

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Equipment Replacement Fund	Total
Operating revenue				
Charges for services	\$ 1,918,000	\$ 4,660,663	\$ 1,903,529	\$ 8,482,192
Other	15,244		114,910	130,154
	<u>1,933,244</u>	<u>4,660,663</u>	<u>2,018,439</u>	<u>8,612,346</u>
Operating expenses				
Personal services	137,374	109,207		246,581
Contractual services	18,038	5,365		23,403
Insurance and claims	1,020,942	4,373,261		5,394,203
Depreciation	3,566		659,122	662,688
Other	10,738	3,584	60,470	74,792
	<u>1,190,658</u>	<u>4,491,417</u>	<u>719,592</u>	<u>6,401,667</u>
Operating Income	742,586	169,246	1,298,847	2,210,679
Nonoperating revenue (expense)				
Investment earnings	113,265	16,009	208,899	338,173
Insurance recoveries	175,520			175,520
Loss on disposal of capital assets		(507)		(507)
	<u>288,785</u>	<u>15,502</u>	<u>208,899</u>	<u>513,186</u>
Change in Net Assets	1,031,371	184,748	1,507,746	2,723,865
Net assets at October 1, 2008	<u>6,589,271</u>	<u>1,660,969</u>	<u>14,343,984</u>	<u>22,594,224</u>
Net assets at September 30, 2009	<u>\$ 7,620,642</u>	<u>\$ 1,845,717</u>	<u>\$ 15,851,730</u>	<u>\$ 25,318,089</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUNDS

Year Ended September 30, 2009

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Equipment Replacement Fund	Total
OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,918,000	\$ 4,660,663	\$ 1,903,529	\$ 8,482,192
Payments to employees	(135,966)	(98,496)		(234,462)
Payments to suppliers	(1,576,820)	(4,377,828)	(59,642)	(6,014,290)
Payments to other funds		(3,917)		(3,917)
Other receipts	16,283		114,910	131,193
Net cash provided by operating activities	<u>221,497</u>	<u>180,422</u>	<u>1,958,797</u>	<u>2,360,716</u>
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of property and equipment			(3,050,720)	(3,050,720)
Insurance recoveries	175,520			175,520
Net cash provided by (used in) capital and related financing activities	<u>175,520</u>	<u>0</u>	<u>(3,050,720)</u>	<u>(2,875,200)</u>
INVESTING ACTIVITY				
Investment earnings received	89,142	16,009	184,776	289,927
Net cash provided by investing activity	<u>89,142</u>	<u>16,009</u>	<u>184,776</u>	<u>289,927</u>
Net increase (decrease) in cash and cash equivalents	486,159	196,431	(907,147)	(224,557)
Cash and cash equivalents at October 1, 2008	9,612,925	2,725,886	12,030,185	24,368,996
Cash and cash equivalents at September 30, 2009	<u>\$ 10,099,084</u>	<u>\$ 2,922,317</u>	<u>\$ 11,123,038</u>	<u>\$ 24,144,439</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 742,586	\$ 169,246	\$ 1,298,847	\$ 2,210,679
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	3,566		659,122	662,688
Changes in operating assets and liabilities:				
(Increase) decrease in due from other funds	1,039	(3,917)	828	(2,050)
Increase in prepaid expenses	(100)	(25,287)		(25,387)
Increase (decrease) in accounts payable	(11,769)	42,733		30,964
Decrease in accrued liabilities	(519,371)			(519,371)
Increase (decrease) in due to other funds	3,791	(13,070)		(9,279)
Increase in compensated absences payable	1,755	10,717		12,472
Net cash provided by operating activities	<u>\$ 221,497</u>	<u>\$ 180,422</u>	<u>\$ 1,958,797</u>	<u>\$ 2,360,716</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 Kreusler Park.

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF PLAN NET ASSETS -
TRUST FUNDS

September 30, 2009

	General Employees Pension Trust Fund	Police Officers' Retirement Trust Fund	Firefighters' Retirement Trust Fund	OPEB Trust Fund	Total
ASSETS					
Cash and short-term investments	\$ 801,003	\$ 3,358,866	\$ 2,010,134	\$ 22,678	\$ 6,192,681
Equity in pooled cash and investments				2,663,834	2,663,834
Accrued interest and dividends receivable	7,501	60,397	44,327	6,182	118,407
Due from other funds				1,438	1,438
Due from State of Florida			103,396		103,396
Due from broker for securities sold		105,000	1,905,438		2,010,438
Other receivables			23,874		23,874
Prepaid expenses and other assets	1,864	9,020	10,775		21,659
Investments, at fair value					
U.S. Government and Agency securities		1,643,583	2,318,261		3,961,844
Domestic common stocks	7,356,621	4,193,767	4,978,552		16,528,940
Domestic corporate bonds		7,607,948	5,359,680	1,312,800	14,280,428
Mutual funds	52,186,139	18,318,056	17,434,718	8,094,008	96,032,921
Alternative investments		17,303,766	17,051,858	3,995,444	38,351,068
Total investments	<u>59,542,760</u>	<u>49,067,120</u>	<u>47,143,069</u>	<u>13,402,252</u>	<u>169,155,201</u>
Total assets	60,353,128	52,600,403	51,241,013	16,096,384	180,290,928
LIABILITIES					
Accounts payable	38,134	35,218	35,411	197,845	306,608
Due to other funds	6,381				6,381
DROP plan liability			950,007		950,007
Total liabilities	<u>44,515</u>	<u>35,218</u>	<u>985,418</u>	<u>197,845</u>	<u>1,262,996</u>
NET ASSETS HELD IN TRUST FOR PENSION AND RETIREE HEALTH BENEFITS					
	<u>\$ 60,308,613</u>	<u>\$ 52,565,185</u>	<u>\$ 50,255,595</u>	<u>\$ 15,898,539</u>	<u>\$ 179,027,932</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS -
TRUST FUNDS

Year Ended September 30, 2009

	General Employees Pension Trust Fund	Police Officers' Retirement Trust Fund	Firefighters' Retirement Trust Fund	OPEB Trust Fund	Total
ADDITIONS					
Contributions					
Employer	\$ 2,420,128	\$ 2,104,724	\$ 2,359,327	\$ 1,649,000	\$ 8,533,179
Employee	891,027	422,170	442,893	948,344	2,704,434
State		225,628	521,301		746,929
Other				81,140	81,140
Total contributions	<u>3,311,155</u>	<u>2,752,522</u>	<u>3,323,521</u>	<u>2,678,484</u>	<u>12,065,682</u>
Investment income (loss)					
Net depreciation in fair value of investments	(471,559)	(1,479,266)	(1,104,238)	(784,903)	(3,839,966)
Interest and dividend income	64,151	590,542	382,003	305,794	1,342,490
Other	1,736	563			2,299
	<u>(405,672)</u>	<u>(888,161)</u>	<u>(722,235)</u>	<u>(479,109)</u>	<u>(2,495,177)</u>
Less investment expense	243,332	242,246	198,094	79,786	763,458
Net investment loss	<u>(649,004)</u>	<u>(1,130,407)</u>	<u>(920,329)</u>	<u>(558,895)</u>	<u>(3,258,635)</u>
Total additions	2,662,151	1,622,115	2,403,192	2,119,589	8,807,047
DEDUCTIONS					
Benefit payments	3,617,877	3,478,322	3,557,684	1,941,781	12,595,664
Share account distributions			125,972		125,972
Refunds	100,068	85,510			185,578
Administrative expense	79,284	208,665	214,915	65,149	568,013
Other			27,763		27,763
Total deductions	<u>3,797,229</u>	<u>3,772,497</u>	<u>3,926,334</u>	<u>2,006,930</u>	<u>13,502,990</u>
Net increase (decrease)	(1,135,078)	(2,150,382)	(1,523,142)	112,659	(4,695,943)
Net assets held in trust for pension and retiree health benefits at October 1, 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>
NET ASSETS HELD IN TRUST FOR PENSION AND RETIREE HEALTH BENEFITS AT SEPTEMBER 30, 2009	<u>\$ 60,308,613</u>	<u>\$ 52,565,185</u>	<u>\$ 50,255,595</u>	<u>\$ 15,898,539</u>	<u>\$ 179,027,932</u>

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUND

Year Ended September 30, 2009

	Balance October 1, 2008	Additions	Deductions	Balance September 30, 2009
KREUSLER PARK FUND				
ASSETS				
Equity in pooled cash and investments	\$ 17,532	\$ 295,099	\$ 274,802	\$ 37,829
Due from other funds	0	166,012	166,012	0
	<u>0</u>	<u>166,012</u>	<u>166,012</u>	<u>0</u>
Total assets	<u>\$ 17,532</u>	<u>\$ 461,111</u>	<u>\$ 440,814</u>	<u>\$ 37,829</u>
LIABILITIES				
Accounts payable	\$ 17,532	\$ 445,886	\$ 425,589	\$ 37,829
	<u>17,532</u>	<u>445,886</u>	<u>425,589</u>	<u>37,829</u>
Total liabilities	<u>\$ 17,532</u>	<u>\$ 445,886</u>	<u>\$ 425,589</u>	<u>\$ 37,829</u>

STATISTICAL SECTION

STATISTICAL SECTION

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

Contents	Page
Financial Trends	83
<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	90
<i>These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.</i>	
Debt Capacity	99
<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	105
<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	107
<i>These schedules contain information about the Town's operations and resources to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.</i>	

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

Town of Palm Beach, Florida

Net Assets by Component

Last Seven Fiscal Years

Accrual Basis of Accounting

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Governmental activities							
Invested in capital assets, net of related debt	\$ 51,595,063	\$ 50,906,153	\$ 52,423,983	\$ 70,412,738	\$ 71,453,781	\$ 75,658,381	\$ 80,983,936
Restricted	0	250,907	199,674	234,245	276,523	1,184,132	611,489
Unrestricted	75,213,296	80,397,271	86,813,836	83,756,838	94,548,246	90,855,890	91,088,326
Total governmental activities net assets	\$ 126,808,359	\$ 131,554,331	\$ 139,437,493	\$ 154,403,821	\$ 166,278,550	\$ 167,698,403	\$ 172,683,751
Business-type activities							
Invested in capital assets, net of related debt	\$ 8,946,928	\$ 10,515,063	\$ 10,679,781	\$ 10,965,117	\$ 10,971,879	\$ 12,635,374	\$ 17,120,652
Restricted	0	0	0	0	0	800,000	0
Unrestricted	2,781,185	3,129,161	4,091,466	4,117,835	4,715,002	4,798,209	2,955,244
Total business-type activities net assets	\$ 11,728,113	\$ 13,644,224	\$ 14,771,247	\$ 15,082,952	\$ 15,686,881	\$ 18,233,583	\$ 20,075,896
Primary government							
Invested in capital assets, net of related debt	\$ 60,541,991	\$ 61,421,216	\$ 63,103,764	\$ 81,377,855	\$ 82,425,660	\$ 88,293,755	\$ 98,104,588
Restricted	0	250,907	199,674	234,245	276,523	1,984,132	611,489
Unrestricted	77,994,481	83,526,432	90,905,302	87,874,673	99,263,248	95,654,099	94,043,570
Total primary government net assets	\$ 138,536,472	\$ 145,198,555	\$ 154,208,740	\$ 169,486,773	\$ 181,965,431	\$ 185,931,986	\$ 192,759,647

Town of Palm Beach, Florida

Changes in Net Assets

Last Seven Fiscal Years

Accrual Basis of Accounting

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Expenses							
Governmental activities							
General government	\$ 8,402,847	\$ 12,881,165	\$ 10,541,925	\$ 10,770,654	\$ 11,620,148	\$ 14,194,382	\$ 11,687,399
Public safety	19,803,167	22,872,573	27,865,411	27,115,822	30,526,540	29,688,750	30,755,445
Physical environment	9,307,102	11,851,242	12,267,718	19,746,156	15,169,120	19,802,683	17,536,687
Transportation	582,376	773,122	1,042,556	1,179,979	864,359	1,131,044	1,206,068
Culture and recreation	2,489,073	1,561,430	1,677,604	1,919,405	1,854,023	1,814,544	1,796,409
Interest on long-term debt	1,277,118	1,590,795	1,138,344	1,030,985	913,297	825,899	741,244
Total governmental activities expenses	41,861,683	51,530,327	54,533,558	61,763,001	60,947,487	67,457,302	63,723,252
Business-type activities							
Leisure services	1,528,543	2,935,651	3,099,168	3,474,250	3,546,363	3,450,003	3,666,342
Total business-type activities expenses	1,528,543	2,935,651	3,099,168	3,474,250	3,546,363	3,450,003	3,666,342
Total primary government expenses	\$ 43,390,226	\$ 54,465,978	\$ 57,632,726	\$ 65,237,251	\$ 64,493,850	\$ 70,907,305	\$ 67,389,594
Program Revenues							
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	\$ 5,035,126
Public safety	2,233,350	1,827,503	1,551,196	1,913,437	2,449,825	2,330,239	2,464,558
Physical environment	2,707,891	869,451	925,645	1,354,292	1,022,063	1,041,072	1,131,884
Transportation	398,614	433,041	393,012	410,584	540,123	657,135	650,537
Culture and recreation	354,790	0	0	0	54,004	84,663	61,388
Operating grants and contributions							
General government	0	2,378,073	3,892,522	2,995,182	28,427	847,910	39,649
Public safety	713,611	182,917	1,394,472	963,866	1,214,891	1,253,809	842,282
Physical environment	722,869	60,470	1,612,048	9,672,675	163,213	158,231	319,781
Transportation	0	0	0	78,013	71,204	694,700	42,347
Culture and recreation	0	177,157	32,932	49,728	74,614	15,831	39,894
Capital grants and contributions							
Public safety	52,768	478,202	68,524	179,952	30,837	10,957	1,885,000
Physical environment	2,567,523	607,209	0	0	3,154,725	672,290	2,490
Culture and recreation	0	21,791	0	0	0	0	445,251
Total governmental activities program revenues	15,610,858	13,353,324	16,964,687	24,363,354	16,112,512	15,783,083	12,960,187
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	4,160,010
Operating grants and contributions	0	0	0	67,183	0	0	0
Capital grants and contributions	0	0	0	0	0	1,884,649	1,830,934
Total business-type activities program revenues	3,137,471	3,543,090	3,786,711	4,051,490	4,291,969	6,407,688	5,990,944
Total primary government program revenues	\$ 18,748,329	\$ 16,896,414	\$ 20,751,398	\$ 28,414,844	\$ 20,404,481	\$ 22,190,771	\$ 18,951,131
Net (expense)/revenue							
Governmental activities	\$ (26,250,825)	\$ (38,177,003)	\$ (37,568,871)	\$ (37,399,647)	\$ (44,834,975)	\$ (51,674,219)	\$ (50,763,065)
Business-type activities	1,608,928	607,439	687,543	577,240	745,606	2,957,685	2,324,602
Total primary government net expense	\$ (24,641,897)	\$ (37,569,564)	\$ (36,881,328)	\$ (36,822,407)	\$ (44,089,369)	\$ (48,716,534)	\$ (48,438,463)

Town of Palm Beach, Florida

Changes in Net Assets (continued)

Last Seven Fiscal Years

Accrual Basis of Accounting

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes:							
Property taxes	\$ 29,815,341	\$ 32,778,331	\$ 35,539,136	\$ 39,008,774	\$ 43,096,605	\$ 41,457,249	\$ 42,887,217
Local option gas tax	224,517	219,755	222,226	360,210	360,853	337,785	324,077
Franchise fees	1,726,221	1,881,195	1,989,980	2,433,811	2,478,487	2,447,544	2,454,232
Utility service taxes	4,156,003	3,983,261	4,160,185	4,167,844	4,105,957	4,496,507	4,608,088
Business tax receipts							726,239
Intergovernmental, unrestricted	958,145	1,730,628	1,192,382	1,158,415	1,249,609	1,108,340	1,190,409
Investment earnings	2,285,717	1,676,047	2,661,913	4,709,493	4,891,708	2,666,647	2,728,147
Miscellaneous	850,582	1,905,491	0	0	51,565	0	280,004
Transfers	675,000	(1,251,733)	(313,789)	527,428	474,920	580,000	550,000
Total governmental activities	<u>40,691,526</u>	<u>42,922,975</u>	<u>45,452,033</u>	<u>52,365,975</u>	<u>56,709,704</u>	<u>53,094,072</u>	<u>55,748,413</u>
Business-type activities							
Investment earnings	55,287	56,939	125,691	261,893	333,243	169,017	67,711
Transfers	(675,000)	1,251,733	313,789	(527,428)	(474,920)	(580,000)	(550,000)
Total business-type activities	<u>(619,713)</u>	<u>1,308,672</u>	<u>439,480</u>	<u>(265,535)</u>	<u>(141,677)</u>	<u>(410,983)</u>	<u>(482,289)</u>
Total primary government	<u>\$ 40,071,813</u>	<u>\$ 44,231,647</u>	<u>\$ 45,891,513</u>	<u>\$ 52,100,440</u>	<u>\$ 56,568,027</u>	<u>\$ 52,683,089</u>	<u>\$ 55,266,124</u>
Changes in Net Assets							
Governmental activities	\$ 14,440,701	\$ 4,745,972	\$ 7,883,162	\$ 14,966,328	\$ 11,874,729	\$ 1,419,853	\$ 4,985,348
Business-type activities	989,215	1,916,111	1,127,023	311,705	603,929	2,546,702	1,842,313
Total primary government	<u>\$ 15,429,916</u>	<u>\$ 6,662,083</u>	<u>\$ 9,010,185</u>	<u>\$ 15,278,033</u>	<u>\$ 12,478,658</u>	<u>\$ 3,966,555</u>	<u>\$ 6,827,661</u>

Town of Palm Beach, Florida

Fund Balances of Governmental Funds

Last Seven Fiscal Years

Modified Accrual Basis of Accounting

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
General Fund							
Reserved	\$ 918,224	\$ 2,881,233	\$ 1,213,317	\$ 1,379,142	\$ 2,188,726	\$ 515,591	\$ 478,285
Unreserved	20,511,244	23,413,449	24,761,271	23,010,110	28,447,330	31,858,624	30,304,216
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>	<u>\$ 30,782,501</u>
All other governmental funds							
Reserved	\$ 8,988,509	\$ 8,233,283	\$ 9,932,425	\$ 4,569,597	\$ 3,879,869	\$ 1,184,132	\$ 3,645,534
Unreserved, reported in:							
Capital Projects funds	47,027,447	42,062,662	35,813,734	34,579,119	22,254,563	29,111,356	18,107,668
Debt Service funds							291,518
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>\$ 30,295,488</u>	<u>\$ 22,044,720</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	Business Tax Receipts (1)	Total
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
2009	42,887,217	324,077	2,454,232	4,608,088	726,239	50,999,853

Change:

2000-2009	75.8%	-3.0%	44.9%	29.8%	N/A	70.1%
-----------	-------	-------	-------	-------	-----	-------

*Property taxes received for both General Fund and Debt Service Fund (debt service taxes ended in FY2005).

(1) In 2009 occupational licenses and business permits were reclassified from charges for services to taxes.

Town of Palm Beach, Florida

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

	Fiscal Year			
	2000	2001	2002	2003
Revenues				
Taxes	\$ 30,029,262	\$ 32,232,409	\$ 33,371,408	\$ 35,323,171
Fees and permits	7,309,553	6,236,113	5,503,582	5,654,137
Intergovernmental	2,059,790	1,655,313	1,874,958	3,671,884
Charges for services	2,131,584	2,309,482	2,227,358	2,560,809
Fines and forfeitures	601,549	781,383	566,084	1,477,456
Investment earnings	2,773,177	3,981,390	2,365,768	2,055,825
Grant revenue	622,278	1,260,721	492,853	2,620,291
Miscellaneous	490,415	1,322,688	1,168,307	1,034,628
Total revenues	<u>46,017,608</u>	<u>49,779,499</u>	<u>47,570,318</u>	<u>54,398,201</u>
Expenditures				
General government	5,177,891	5,180,026	5,975,712	5,610,928
Public safety	16,426,549	17,156,353	17,919,096	18,716,632
Physical environment	6,311,150	6,676,052	7,001,958	7,879,102
Transportation	942,015	939,737	993,183	582,376
Culture and recreation	1,733,867	1,756,614	1,953,697	2,448,947
Non-departmental	1,650,768	1,948,065	2,292,624	2,746,915
Capital outlay	2,750,478	7,559,940	8,760,344	12,360,305
Debt service				
Principal	1,936,960	770,479	766,832	765,063
Interest	246,722	1,468,440	1,346,513	1,158,641
Bond issue costs	0	0	0	0
Total expenditures	<u>37,176,400</u>	<u>43,455,706</u>	<u>47,009,959</u>	<u>52,268,909</u>
Revenues over (under) expenditures	8,841,208	6,323,793	560,359	2,129,292
Other financing sources (uses)				
Transfers in	4,108,419	12,402,818	10,451,455	10,333,656
Transfers out	(3,433,419)	(11,727,818)	(9,776,455)	(9,658,656)
Proceeds from sale of capital assets	0	0	0	0
Capital lease issued	0	676,387	140,795	0
Bonds/Notes issued	23,003,099	0	0	6,108,358
Redemption of bonds	0	0	0	(18,936,555)
Proceeds of refunding note	0	0	0	19,016,765
Total other financing sources (uses)	<u>23,678,099</u>	<u>1,351,387</u>	<u>815,795</u>	<u>6,863,568</u>
Net change in fund balances	<u>\$ 32,519,307</u>	<u>\$ 7,675,180</u>	<u>\$ 1,376,154</u>	<u>\$ 8,992,860</u>
Debt service as a percentage of non-capital expenditures	<u>6.34%</u>	<u>6.24%</u>	<u>5.53%</u>	<u>4.82%</u>

Fiscal Year					
2004	2005	2006	2007	2008	2009
\$ 38,862,542	\$ 41,911,527	\$ 45,970,639	\$ 50,041,902	\$ 48,739,085	\$ 50,999,853
6,116,488	6,913,397	6,473,831	7,147,383	7,835,468	4,865,780
1,927,469	2,072,960	2,153,286	2,312,236	2,107,927	1,937,338
2,054,178	2,097,306	2,487,444	2,448,829	2,808,298	3,277,981
1,079,973	822,112	874,351	1,572,285	1,194,275	927,863
1,282,245	2,119,210	3,663,648	3,618,646	2,036,192	2,389,974
2,720,018	5,106,760	12,674,928	3,313,649	2,331,850	792,662
1,185,826	781,153	495,349	567,739	613,605	568,455
<u>55,228,739</u>	<u>61,824,425</u>	<u>74,793,476</u>	<u>71,022,669</u>	<u>67,666,700</u>	<u>65,759,906</u>
6,647,556	7,817,780	8,315,398	8,932,304	9,986,924	10,923,177
21,444,642	27,088,862	26,417,211	28,458,944	29,464,707	31,367,667
10,350,736	10,928,714	18,557,179	12,773,809	15,175,670	13,252,050
769,745	1,043,893	1,185,987	838,808	1,160,600	1,248,445
1,561,430	1,678,681	1,938,137	1,748,780	1,829,385	1,858,634
4,822,927	2,510,033	2,390,000	2,220,201	2,414,968	1,918,051
7,627,971	8,062,746	20,270,287	8,089,774	7,859,165	11,429,915
3,825,289	4,135,584	3,564,637	3,672,904	3,811,297	3,875,000
1,372,527	1,014,223	864,847	763,674	614,269	650,150
0	0	0	0	30,500	24,303
<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>	<u>76,547,392</u>
(3,194,084)	(2,456,091)	(8,710,207)	3,523,471	(4,680,785)	(10,787,486)
9,761,263	11,392,115	14,210,192	8,602,057	7,039,939	10,606,800
(9,386,855)	(13,805,904)	(13,682,764)	(8,127,137)	(6,459,939)	(10,056,800)
1,964,879	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	10,000,000	395,004
0	0	0	0	0	0
0	0	0	0	0	0
<u>2,339,287</u>	<u>(2,413,789)</u>	<u>527,428</u>	<u>474,920</u>	<u>10,580,000</u>	<u>945,004</u>
\$ <u>(854,797)</u>	\$ <u>(4,869,880)</u>	\$ <u>(8,182,779)</u>	\$ <u>3,998,391</u>	\$ <u>5,899,215</u>	\$ <u>(9,842,482)</u>
<u>10.23%</u>	<u>9.16%</u>	<u>7.00%</u>	<u>7.47%</u>	<u>6.91%</u>	<u>6.99%</u>

Town of Palm Beach, Florida

Historic and Projected General Fund Non-Ad Valorem Revenues

Last Ten Fiscal Years Actual and Next Year Budgeted

	<u>Actual</u> <u>FY2000</u>	<u>Actual</u> <u>FY2001</u>	<u>Actual</u> <u>FY2002</u>	<u>Actual</u> <u>FY2003</u>
Franchise Fees (4)	\$ 1,693,857	\$ 2,049,125	\$ 1,716,214	\$ 1,726,221
Utility Service Tax	3,549,952	3,560,240	4,022,212	4,156,003
Occupational Licenses	547,441	634,645	605,737	617,974
Building Permits (1)	6,406,102	5,158,528	4,781,034	4,906,964
Other License Fees & Permits	245,086	219,919	116,811	129,199
State Shared Revenue (2)	872,579	833,836	903,840	846,318
Grants	217,939	26,212	44,608	52,768
Local Shared Revenue	596,487	86,922	163,871	290,620
General Government	34,135	28,739	30,709	36,095
Public Safety	655,934	775,900	662,763	940,784
Physical Environment	829,803	893,973	907,551	892,634
Transportation	343,076	340,899	351,495	398,614
Culture - Recreation (3)	268,636	269,969	274,840	292,682
Fines & Forfeitures	600,722	758,453	550,323	863,474
Contributions	0	25,801	250	0
Investment Earnings	1,637,841	1,782,377	665,828	583,091
Rents & Royalties	71,695	70,203	92,470	60,573
Sale of Capital Assets (5)	33,041	35,014	41,923	0
Miscellaneous Other	70,974	150,926	88,808	69,386
Total Non-Ad Valorem Revenues	<u>\$ 18,675,300</u>	<u>\$ 17,701,681</u>	<u>\$ 16,021,287</u>	<u>\$ 16,863,400</u>

(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 were deposited in the Equipment Replacement Fund after FY2002.

Actual FY2004	Actual FY2005	Actual FY2006	Actual FY2007	Actual FY2008	Actual FY2009	Budgeted FY2010
\$ 1,881,195	\$ 1,989,980	\$ 2,433,811	\$ 2,478,487	\$ 2,447,544	\$ 2,454,232	\$ 2,480,000
3,983,261	4,160,185	4,167,844	4,105,957	4,496,507	4,608,088	4,458,000
697,297	695,544	721,659	740,875	741,535	726,239	720,000
5,273,284	6,073,756	5,628,019	6,201,211	6,844,875	4,701,645	4,727,300
145,907	144,097	124,153	205,297	249,058	164,135	227,300
893,193	954,356	1,029,461	1,142,553	1,072,734	1,081,727	1,056,500
150,735	165,216	162,824	135,131	71,745	353,590	51,200
196,841	207,581	204,636	40,077	24,700	39,997	40,000
46,244	49,565	46,062	41,094	34,413	27,618	25,900
705,442	729,084	1,065,595	908,376	1,146,921	1,539,185	1,237,600
869,451	925,645	991,712	1,022,063	1,041,072	1,131,884	1,176,900
433,054	393,012	410,584	477,295	585,892	579,294	547,500
0	0	0	0	0	0	0
846,677	811,038	770,067	1,541,448	1,183,318	1,152,807	1,149,200
150,000	4,035	900	0	10,000	0	10,000
527,686	905,025	1,902,793	2,287,127	1,368,751	1,923,224	1,540,000
72,377	50,460	39,634	80,961	111,320	44,491	88,100
0	0	0	0	0	0	0
83,894	140,317	243,602	147,348	190,761	158,625	134,000
\$ 16,956,538	\$ 18,398,896	\$ 19,943,356	\$ 21,555,300	\$ 21,621,146	\$ 20,686,781	\$ 19,669,500

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 were 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, 2009. 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: Tax-exempt Property	Total Taxable Value	Total Direct Tax Rate	Total Assessed Value	Assessed Value as a % of Actual Value
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%
2009	16,446,919,025	1,144,245,693	1,283,286	319,200,545	(4,347,624,821)	13,564,023,728	3.2512	17,911,648,549	76%

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	
2000	4.3000	0.3452	4.6452	9.0430	4.9456	2.1856	20.8194
2001	4.4019	0.1040	4.5059	8.9180	4.9362	2.2630	20.6231
2002	3.9757	0.0884	4.0641	8.9780	4.9351	2.4558	20.4330
2003	3.9706	0.0835	4.0541	8.7790	4.8084	2.4883	20.1298
2004	3.9768	0.0761	4.0529	8.5710	4.7910	2.5557	19.9706
2005	3.9594	0.0693	4.0287	8.4320	4.7677	2.5257	19.7541
2006	3.9080	0	3.9080	8.1060	4.7192	2.5114	19.2446
2007	3.7273	0	3.7273	7.8720	4.4775	2.3254	18.4022
2008	3.3637	0	3.3637	7.3560	3.9813	2.1308	16.8318
2009	3.2512	0	3.2512	7.2510	3.9656	2.2569	16.7247

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, 2009 and Nine Years Ago

	2009			
	<u>Taxable Assessed Value</u>	<u>Taxes Paid</u>	<u>Rank</u>	<u>Percentage of Town Taxable Assessed Value</u>
Breakers Hotel	\$ 271,108,504	\$ 881,428	1	2.00%
Nelson Peltz	95,328,725	309,933	2	0.70%
JV Associates	66,000,000	214,579	3	0.49%
County Road Property LLC	65,018,718	211,389	4	0.48%
Dwight Schar	59,250,386	192,635	5	0.44%
700 North Lake LLC	54,094,071	175,871	6	0.40%
Sidney Spiegel	44,528,394	144,771	7	0.33%
Sydell Miller	48,670,656	158,238	8	0.36%
Everglades Club	41,377,527	134,527	9	0.31%
Edward Falcone	39,574,840	128,666	10	0.29%
Worth Avenue Associates LTD				
Thirty Eight East Corporation				
Abraham Gosman				
Sydney Spiegel Trust				
Mar-a-Lago Club				
Sidney Kimmel				
Totals	<u>\$ 784,951,821</u>	<u>\$ 2,552,037</u>		<u>5.79%</u>

Source: Palm Beach County Property Appraiser

2000			
<u>Taxable Assessed Value</u>	<u>Taxes Paid</u>	<u>Rank</u>	<u>Percentage of Town Taxable Assessed Value</u>
\$ 154,174,852	\$ 662,952	1	2.89%
43,413,450	186,678	3	0.81%
47,000,000	202,100	2	0.88%
30,195,086	129,839	5	0.57%
32,900,000	141,470	4	0.62%
24,814,779	106,704	7	0.46%
23,879,745	102,683	8	0.45%
21,586,747	92,823	10	0.40%
22,156,732	95,274	9	0.42%
24,873,562	106,956	6	0.47%
<u>\$ 424,994,953</u>	<u>\$ 1,827,479</u>		<u>7.97%</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
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%
2009	44,766,064	42,684,473	95.35%	202,744	42,887,217	95.80%

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
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%	2,369
2009		3,885,000	15,840,004		19,725,004	1.87%	2,043

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	Less:		Total	Percentage of Assessed Value of Taxable Property	Per Capita
	General Obligation Bonds	Amounts Available in Debt Service Fund			
2000	\$ 3,080,000	\$ 537,000	\$ 2,543,000	\$ 0.04%	\$ 273
2001	2,515,000	371,000	2,144,000	0.02%	222
2002	1,935,000	279,000	1,656,000	0.01%	171
2003	1,325,000	199,000	1,126,000	0.01%	116
2004	680,000	111,000	569,000	0.01%	59
2005	0	0	0	N/A	0
2006	0	0	0	N/A	0
2007	0	0	0	N/A	0
2008	0	0	0	N/A	0
2009	0	0	0	N/A	0

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, 2009

	Total Outstanding	Percentage Applicable to Town of Palm Beach ⁽¹⁾	Amount Applicable to Town of Palm Beach
Direct:			
Town of Palm Beach	\$ 0	100.00%	\$ 0
Overlapping:			
Palm Beach County	\$ 270,150,000	8.50%	22,962,750
Palm Beach County School District	32,835,000	8.50%	2,790,975
Total overlapping debt	302,985,000		25,753,725
Total direct and overlapping debt payable from ad valorem taxes	\$ 302,985,000		\$ 25,753,725
Estimated population			9,650
Total direct and overlapping debt per capita			\$ 2,669

⁽¹⁾ Based on 2009 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			
	2000	2001	2002	2003
Debt limit	\$ 266,878,531	\$ 297,291,088	\$ 342,257,861	\$ 375,349,791
Total net debt applicable to limit	2,642,603	2,143,460	1,656,079	1,125,981
Legal debt margin	<u>\$ 264,235,928</u>	<u>\$ 295,147,628</u>	<u>\$ 340,601,782</u>	<u>\$ 374,223,810</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>0.97%</u>	<u>0.72%</u>	<u>0.48%</u>	<u>0.30%</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					
2004	2005	2006	2007	2008	2009
\$ 413,646,646	\$ 450,671,835	\$ 512,678,925	\$ 595,548,163	\$ 630,950,772	\$ 678,201,186
568,576	0	0	0	0	0
<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>\$ 678,201,186</u>
<u>0.14%</u>	<u>0.00%</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 Eight Fiscal Years

Fiscal Year	Non-Ad Valorem Revenue Available for Debt Coverage	Current Debt Service			Current Coverage
		Principal	Interest	Total	
2002	\$ 16,021,287	\$ 0	\$ 1,211,858	\$ 1,211,858	13.22
2003	16,863,400	0	1,211,858	1,211,858	13.92
2004	16,956,538	3,045,000	2,203,824	5,248,824	3.23
2005	18,398,896	3,370,000	1,884,144	5,254,144	3.50
2006	19,943,356	3,480,000	854,485	4,334,485	4.60
2007	21,720,573	3,585,000	750,354	4,335,354	5.01
2008	21,621,146	3,720,000	612,163	4,332,163	4.99
2009	20,686,781	3,875,000	650,150	4,525,150	4.57

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. In 2009, the Town issued a \$2 million revenue note to finance certain improvements to the Worth Avenue Commercial District.

Town of Palm Beach, Florida

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population ⁽¹⁾	Estimated Total Personal Income	Per Capita Personal Income ⁽²⁾	Median Age ⁽²⁾	Education Level in Years of Schooling	School Enrollment ⁽²⁾	Unemployment Rate ⁽³⁾
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%
2009	9,650	1,053,963,350	109,219	66.6	N/A	414	9.5%

Data Sources:

(1) The population for 2003 through 2009 was obtained from the University of Florida, Bureau of Economic Business Administration. The population for 2000 through 2002 was obtained from the 2000 U.S. Census Bureau count.

(2) Source: 2000 U.S. Census Bureau

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

N/A - Not Available

Town of Palm Beach, Florida

Principal Employers

September 30, 2009 and Nine Years Ago

Employer	2009			2000		
	Employees ⁽¹⁾	Rank	Percentage of Total Town Employment ⁽²⁾	Employees	Rank	Percentage of Total Town Employment
Breakers Hotel	2,581	1	17.09%	N/A		N/A
Four Seasons Resort	420	2	2.78%	N/A		N/A
Town of Palm Beach	410	3	2.71%	N/A		N/A
Ocean Grand	400	4	2.65%	N/A		N/A
Everglades Club	360	5	2.38%	N/A		N/A
Gunster, Yoakley & Stewart	253	6	1.67%	N/A		N/A
Testa's Restaurant	221	7	1.46%	N/A		N/A
Publix Markets	208	8	1.38%	N/A		N/A
Café Boulard/Mar-a-Lago	200	9	1.32%	N/A		N/A
Coldwell Banker/Century 21	194	10	1.28%	N/A		N/A
Totals	5,247		34.72%	N/A		N/A

Source: ⁽¹⁾ Various Town employers

⁽²⁾ 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 Seven Fiscal Years

	Full-time Equivalent Employees as of September 30,						
	2003	2004	2005	2006	2007	2008	2009
General government	83.52	82.02	86.84	86.98	86.45	84.50	84.50
Public Safety							
Building official	1.00	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	10.90
Police officers	78.00	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	80.00
Civilian Police/Fire	58.25	58.20	59.20	59.20	59.20	59.20	59.70
Physical Environment							
Sanitation	44.26	44.26	44.27	44.27	44.24	44.24	44.24
Storm Sewer Maintenance	15.43	15.43	15.32	17.32	17.60	17.66	17.66
Transportation							
Roads and Streets	6.03	6.03	5.91	5.91	5.61	5.61	5.61
Culture and Recreation							
Leisure services	29.24	30.13	29.83	30.28	32.23	29.17	28.78
Total	398.13	400.97	406.27	412.36	415.23	410.28	410.39

Town of Palm Beach, Florida

Operating Indicators by Function / Program

Last Seven Fiscal Years

Function	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Public Safety							
Police							
Physical arrests	1,791	1,617	2,151	2,134	1,889	1,715	2,120
Parking violations	23,948	23,591	23,060	23,328	21,835	16,832	13,514
Traffic violations	4,070	4,050	6,859	4,904	4,210	4,658	4,669
Fire							
Number of fire calls	1,101	1,471	1,853	1,220	1,364	1,373	1,175
Number of EMS Calls	1,499	1,383	1,429	1,074	1,644	1,598	1,319
Physical Environment							
Sanitation							
Refuse collected (tons)	10,131	10,407	10,891	10,744	10,534	10,976	9,877
Recyclables collected (tons)	1,730	1,736	1,758	1,751	1,780	1,844	1,579
Transportation							
Roads and Streets							
Street resurfacing (miles)	2	2	2	8	7	8	6
Pot holes repaired	50	50	50	50	46	61	72
Culture and Recreation							
Leisure Services							
Youth athletic participants	N/A	N/A	3,729	4,704	7,628	4,942	3,278
Camp program participants	N/A	N/A	4,567	6,339	10,089	10,243	10,626
Youth enrichment participants	N/A	N/A	5,262	5,260	6,263	9,365	6,759
Adult Enrichment/Fitness participants	N/A	N/A	3,729	4,704	9,202	9,201	3,447
Special Events Offered	5	5	5	5	7	5	5
Special Events participants	N/A	1,175	1,233	1,450	1,461	1,438	1,950
Tennis Participants	N/A	28,338	31,289	35,091	35,136	29,109	29,766
Rounds of Golf	35,426	35,468	33,875	31,118	28,952	25,275	14,226
Range buckets sold	20,717	20,258	20,456	21,080	19,180	14,746	8,313
Annual Marina Leases	81	81	82	82	82	82	78
Seasonal Marina Leases	3	3	2	2	2	2	5
Total transient vessels	809	655	785	696	681	626	649

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					
	2000	2001	2002	2003	2004	2005
Public Safety						
Police						
Stations	1	1	1	1	1	1
Patrol Units	22	22	22	22	22	22
Fire						
Fire Stations	3	3	3	3	3	3
Fire Trucks	7	7	7	7	7	7
ALS Rescue Vehicles	3	4	4	4	5	5
Physical Environment						
Sanitation						
Garbage Trucks	17	17	17	17	17	17
Trash Trucks	12	12	12	12	12	12
Transportation						
Roads and Streets						
Street lights	788	825	826	826	826	826
Lane miles	103	103	103	103	103	103
Culture and Recreation						
Leisure Services						
Ballfields - lighted	1	1	1	1	1	1
Basketball courts	1	1	1	1	1	1
Multi-purpose fields	1	1	1	1	1	1
Tennis courts	8	8	11	11	12	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	2	2	2	2
Parks	9	9	9	9	9	9

Sources: Town departments

Note: Data is not available for general government.

Fiscal Year			
2006	2007	2008	2009
1	1	1	1
21	21	21	21
3	3	3	3
7	7	7	7
5	5	5	5
17	17	17	17
12	12	12	12
826	878	922	972
103	103	103	103
1	0	0	0
1	1	1	1
1	1	1	1
14	14	14	13
87	88	88	88
1	1	1	1
1	1	1	1
1	1	1	1
2	2	2	2
9	10	10	11

**COMPLIANCE REPORT AND
MANAGEMENT LETTER**



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

CERTIFIED PUBLIC ACCOUNTANTS

505 SOUTH FLAGLER DRIVE, SUITE 900
WEST PALM BEACH, FL 33401-5948

TELEPHONE (561) 832-9292
FAX (561) 832-9455

info@cdlcpa.com

WILLIAM K. CALER, JR., CPA
LOUIS M. COHEN, CPA
JOHN C. COURTNEY, CPA, JD
DAVID S. DONTEN, CPA
JAMES B. HUTCHISON, CPA
JOEL H. LEVINE, CPA
JAMES F. MULLEN, IV, CPA
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 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*

To the Honorable Mayor and Members
of the Town Council
Town of Palm Beach, Florida
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, 2009, which collectively comprise the basic financial statements of the Town of Palm Beach, Florida, and have issued our report thereon dated April 20, 2010. Our report includes 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 Firefighters' Retirement Trust Fund and Police Officers' Retirement Trust Fund, two fiduciary funds of the Town, as described in our report on the financial statements of the Town of Palm Beach, Florida. 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 over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in internal control of the Town of Palm Beach, Florida to be a material weakness:

(2008-1) Grant Awards / (2007-3) Timely Recording of Grant Reimbursement Requests

As noted in our audits for the years ended September 30, 2008 and 2007, the Town does not have adequate internal controls in place to properly record grant activity, reimbursement requests and related expenditures. Pursuant to the Florida Single Audit Act, a nonstate entity, as defined in the Act, that expends \$500,000 or more of State financial assistance in any fiscal year is required to have a State single audit for that fiscal year in accordance with the Act. The Town incurred approximately \$262,000 of expenditures in the fiscal year ended September 30, 2008 that are eligible for reimbursement under a State grant program. However, these expenditures were not included in the Town's internal grant schedule, which resulted in an incorrect determination by the Town that a single audit was not required for the fiscal year ending September 30, 2008. In addition, grant revenue should be recognized when all eligibility requirements imposed by the provider are met. For reimbursement-type grant programs, the recipient becomes eligible when allowable costs under the grant program are incurred. We noted that the Town recognized grant revenue in the current fiscal year for the amounts that were expended in 2008 under the same program. We recommend that the Town establish procedures to ensure that all grant expenditures are identified in the period to which they relate to avoid incorrect determinations in the future of whether or not a single audit is required. Additionally, the Town should establish procedures to ensure that revenue from reimbursement-type grant programs is recorded in the period during which allowable costs under the program are incurred.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the internal control of the Town of Palm Beach, Florida, to be significant deficiencies:

(2009-1) Recording Purchases of Inventory and Supplies

We noted that the Town records purchases of inventory and supplies only after the invoices for such items are submitted by vendors. This could result in the understatement of inventory if vendors do not submit invoices to the Town in a timely manner following the receipt of such items. We recommend that the Town establish procedures for recording inventory and supplies in the period during which they are received.

(2009-2) Purchasing Requirements for Construction Projects

The Town's Purchasing Manual requires the purchasing department to obtain sealed bids for purchases exceeding \$25,000 or construction projects exceeding \$100,000. During our cash disbursement testing, we noted a construction project in the amount of \$193,215 for which there did not appear to be competitive sealed bids or any documentation showing that vendor quotes were obtained. A Council Resolution Package was submitted to the Town Council for approval, without submitting the Package through the Purchasing Department as required by the Town's Purchasing Manual. Once the Council approved the Resolution Package, the purchasing department issued a purchase order.

We recommend that the Town obtain sealed bids or vendor quotes as required by the Town's Purchasing Manual. Furthermore, all of the supporting documentation should be submitted through the purchasing department and all necessary approvals should be obtained prior to submitting the package to Council. Purchase orders should not be issued unless the Town's procedures have been followed or there is documentation approved by management or the Council as to why the normal purchasing procedures were not followed.

(2008-4) Performance Bonds

Contractors place performance bonds with the Town to assure the completion of a project in accordance with Town specifications. We noted one instance where the Town determined that a project had not been completed in accordance with Town specifications and the performance bond was not refundable. However, the Finance Department was not notified and therefore did not update the accounting records to recognize the bond as revenue. We recommend that the Town establish procedures to ensure that the Finance Department is timely notified when determinations are made that performance bonds are no longer refundable and therefore need to be recognized as revenue.

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 also noted certain additional matters that we reported to management of the Town of Palm Beach, Florida in a separate letter dated April 20, 2010.

The responses by 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.*

April 20, 2010



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

WILLIAM K. CALER, JR., CPA
LOUIS M. COHEN, CPA
JOHN C. COURTNEY, CPA, JD
DAVID S. DONTEN, CPA
JAMES B. HUTCHISON, CPA
JOEL H. LEVINE, CPA
JAMES F. MULLEN, IV, CPA
THOMAS A. PENCE, JR., CPA
SCOTT L. PORTER, CPA
MARK D. VEIL, CPA

CERTIFIED PUBLIC ACCOUNTANTS

505 SOUTH FLAGLER DRIVE, SUITE 900
WEST PALM BEACH, FL 33401-5948

TELEPHONE (561) 832-9292
FAX (561) 832-9455

info@cdlcpa.com

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Management Letter

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

We have audited the financial statements of the Town of Palm Beach, Florida, as of and for the year ended September 30, 2009, and have issued our report thereon dated April 20, 2010. Other auditors audited the financial statements of the Town's Firefighters' Retirement Trust Fund and Police Officers' Retirement Trust Fund, two fiduciary funds of the Town, as described in our report on the financial statements of the Town of Palm Beach, Florida. This management letter does not include the results of the other auditors' testing.

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. 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 April 20, 2010, 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 governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report:

1. Section 10.551(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. We noted that our recommendations related to comments (2008-2) Proper Recording of Capital Assets, (2008-3) Depreciation Expense, (2008-5) Payroll, (2008-6) Purchasing Cards, (2008-7) Travel Expenditures, (2008-9) Control Procedure Documentation, and (2007-4) Travel Expenditures included in our management letter dated February 18, 2009 were adequately addressed or no longer apply. Comments (2008-1) Grant Awards, (2008-4) Performance Bonds and (2007-3) Timely Recording of Grant Reimbursement Requests have not been completely addressed and are repeated in 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*. In addition, the following comments still require the attention of management:

(2008-8) Information Systems

Access and Security - Resolved

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.

(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.

2. Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include 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 complied with Section 218.415, Florida Statutes.
3. Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such findings.
4. Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
5. Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we offer the following comments and recommendations:

(2009-3) Bank Reconciliations

The Town's policy states that Town bank accounts are reconciled to the general ledger before the end of the subsequent month. However, we noted several instances where the monthly bank reconciliations were dated well after the end of the following month. Bank accounts should be reconciled in a timely manner to allow for the timely detection of unauthorized transactions so that appropriate corrective action may be taken. We recommend that the Town ensure that bank accounts are reconciled within the timeframe prescribed by Town policy.

(2009-4) Information Systems

Physical Facilities

The main server room temperature alarm is set to 78 degrees although the room is generally kept under 70 degrees. The alarm should be set much closer to the expected room temperature so that

in the event of an air conditioning failure, much more time would be allowed before the temperature exceeds the acceptable range. Further, the secondary server room does not have a temperature alarm installed. We recommend that one be installed for the secondary server room.

Access and Security

Individuals using VPN or another form of remote access to connect to the Town's network are currently not required to sign a form acknowledging their understanding of the importance of security and confidentiality. We recommend that the Town obtain signed acknowledgement forms for all individuals authorized to access the Town's network remotely.

Protection and Recovery

There is only one Domain Controller on the network. We recommend that the Town obtain a second Domain Controller to ensure that the network is not disabled in a server down situation.

Accounting System

A list of every user in the Finance Department including their specific access to the various functions of the accounting system should be printed out and signed off on by the Finance Director confirming that every user has the minimum access to function as needed.

Special policies and procedures should address all aspects of credit card processing. This includes disposing of any workstations or servers that touch credit card data at any point, a detailed report of how the credit card numbers are transmitted and any use of temporary files or storage in memory.

(2009-5) Calculation of Retiree Benefit Amounts for General Retirees

The Town of Palm Beach General Employees Pension Trust Fund provides for annual cost of living increases for members at the following rates: a) one percent of the base benefit for members who retire after September 30, 1968 and prior to October 1, 1990 and b) two percent of their current benefit for members who retire after September 30, 1990. The individual retiree files do not contain a history of the calculation of the increases to the retiree's benefit amounts. While the Town was able to recreate the benefit amounts for the retirees that we selected for testing, we recommend that benefit histories be maintained in each retiree's file to document the calculations and adjustments of monthly benefit amounts.

(2009-6) Emergency Purchases

The Town's purchasing manual requires that emergency purchases must affect health, life or the welfare of citizens or employee's; require department head or designee signature/approval; and, the prior approval of the Purchasing Agent and the Town Manager, in certain instances, before the emergency purchase order can be issued. Emergency purchases greater than \$5,000 require the Town Manager's approval. If an item is categorized as an emergency purchase, the purchase is not subject to the Town's requirements for vendor quotes or seal bids, as applicable, depending on the dollar amount of the purchase.

During our review of capital asset additions, we noticed certain capital expenditures made as emergency purchases for which there was no indication or documentation that the purchase met the criteria as an emergency affecting the health, life or welfare of the citizens or employees. We recommend that such documentation be obtained and placed in the purchasing file for each emergency purchase to substantiate that the purchase qualifies as an emergency. If the purchase does not meet the criteria for an emergency purchase, then the purchase should follow the

Town's normal purchasing procedures.

(2009-7) Construction Projects and Kickback Scheme

In April 2010, the Town identified a kickback scheme involving its Construction Manager who was selecting vendors to do Town construction projects. Many of these projects were deemed to be "emergency repairs" which allowed the Construction Manager to avoid formal bidding requirements. The Town's initial police investigation cites kickbacks paid to the Construction Manager totaling approximately \$247,500. The police investigation was initiated after the Town received a tip from a confidential informant and is still ongoing as of the date of this management letter.

6. Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note A to the financial statements.
7. Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes, as of and for the year ended September 30, 2009.
8. Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Town for the fiscal year ended September 30, 2009, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2009. In connection with our audit, we determined that these two reports were in substantial agreement.
9. Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures as of September 30, 2009. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on the representations made by management and the review of financial information provided by management. The results of our procedures disclosed no matters that are required to be reported.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. U.S. generally accepted auditing standards require us to indicate that 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, Dauter, Levine,
Porter & Veil, P.A.*

April 20, 2010



TOWN OF PALM BEACH

Finance Department

April 20, 2010

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., that involve matters required to be disclosed under Government Auditing Standards and the Rules of the Auditor General for the State of Florida. The responses by Town staff immediately follow each comment.

(2008-1) Grant Awards / (2007-3) Timely Recording of Grant Reimbursement Requests

As noted in our audits for the years ended September 30, 2008 and 2007, the Town does not have adequate internal controls in place to properly record grant activity, reimbursement requests, and related expenditures. Pursuant to the Florida Single Audit Act, a non-state entity, as defined in the Act, that expends \$500,000 or more of State financial assistance in any fiscal year is required to have a State single audit for that fiscal year in accordance with the Act. The Town incurred approximately \$262,000 of expenditures in the fiscal year ended September 30, 2008 that are eligible for reimbursement under a State grant program. However, these expenditures were not included in the Town's internal grant schedule, which resulted in an incorrect determination by the Town that a single audit was not required for the fiscal year ending September 30, 2008. In addition, grant revenue should be recognized when all eligibility requirements imposed by the provider are met. For reimbursement-type grant programs, the recipient becomes eligible when allowable costs under the grant program are incurred. We noted that the Town recognized grant revenue in the current fiscal year for the amounts that were expended in 2008 under the same program. We recommend that the Town establish procedures to ensure that all grant expenditures are identified in the period to which they relate to avoid incorrect determinations in the future of whether or not a single audit is required. Additionally, the Town should establish procedures to ensure that revenue from reimbursement-type grant programs is recorded in the period during which allowable costs under the program are incurred.

Response – The expenditures in question relate to a FDOT grant for street lights. The purchase of the light poles was made in advance of the construction of the project. Finance was not notified that this purchase was a grant-related expenditure. During FY09, the grant reimbursement request was made for the light pole expenditure, as well as the installation.

The Finance Department will continue to monitor grant approvals by Town Council. In addition, the Finance Department will work with the Town department responsible for administering each grant to ensure all grant expenditures are reported as single audit expenditures in the year expended.

(2009-1) Recording Purchases of Inventory and Supplies

We noted that the Town records purchases of inventory and supplies only after the invoices for such items are submitted by vendors. This could result in the understatement of inventory if vendors do not submit invoices to the Town in a timely manner following the receipt of such items. We recommend that the Town establish procedures for recording inventory and supplies in the period during which they are received.

Response – A formal request has been made with the Town’s software vendor to modify the software program to value the inventory at the time of receipt of the items into inventory.

(2009-2) Purchasing Requirements for Construction Projects

The Town’s Purchasing Manual requires the purchasing department to obtain sealed bids for purchases exceeding \$25,000 or construction projects exceeding \$100,000. During our cash disbursement testing, we noted a construction project in the amount of \$193,215 for which there did not appear to be competitive sealed bids or any documentation showing that vendor quotes were obtained. A Council Resolution Package was submitted to the Town Council for approval without submitting the Package through the Purchasing Department as required by the Town’s Purchasing Manual. Once the Council approved the Resolution Package, the purchasing department issued a purchase order.

We recommend that the Town obtain sealed bids or vendor quotes as required by the Town’s Purchasing Manual. Furthermore, all of the supporting documentation should be submitted through the purchasing department and all necessary approvals should be obtained prior to submitting the package to Council. Purchase orders should not be issued unless the Town’s procedures have been followed or there is documentation approved by management or the Council as to why the normal purchasing procedures were not followed.

Response – The noted project was approved by Town Council on May 13, 2008, as recommended in a memorandum from staff dated April 25, 2008. Since 2008, we have tightened the purchasing policies and updated the purchasing manual. All backup related to a construction matter or large purchase must be approved by the Purchasing Department before it is approved for the Town Council agenda. In addition, internal auditors have been hired to examine our purchasing procedures for construction projects and we expect modifications to the purchasing manual that will further strengthen our purchasing procedures.

(2008-4) Performance Bonds

Contractors place performance bonds with the Town to assure the completion of a project in accordance with Town specifications. We noted one instance where the Town determined that a project had not been completed in accordance with Town specifications and the performance bond was not refundable. However, the Finance Department was not notified and therefore did not update the accounting records to recognize the bond as revenue. We recommend that the Town establish procedures to ensure that the Finance Department is timely notified when determinations are made that performance bonds are no longer refundable and therefore need to be recognized as revenue.

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 continue to highlight the older bonds and solicit a response from the Departments each month on the status of those projects.

(2008-8) Information Systems

Access and Security – Resolved

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 – Backups are now placed in a fire/waterproof safe and kept in the Central Fire-Rescue Station, 3rd floor, Emergency Operations Center computer room.

(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.

Physical Facilities Response – During Phase 3 of Town Hall renovations (expected completion date - June 2010), the Town is installing a gas based fire suppression system in the 3rd floor computer room. This will replace the water based system.

Data Protection – The Office of Information Systems (IS) does not encrypt financial data backups because of the risk involved in not being able to restore from an encrypted tape. In addition, IS believes the cost to implement an encryption system far outweighs the benefit derived from encryption.

(2009-3) Bank Reconciliations

The Town's policy states that Town bank accounts are reconciled to the general ledger before the end of the subsequent month. However, we noted several instances where the monthly bank reconciliations were dated well after the end of the following month. Bank accounts should be reconciled in a timely manner to allow for the timely detection of unauthorized transactions so that appropriate corrective action may be taken. We recommend that the Town ensure that bank accounts are reconciled within the timeframe prescribed by Town policy.

Response – Every attempt is made by staff to finalize bank reconciliations by the end of the subsequent month in order to adhere to policy. During FY2009, due to competing priorities and special projects, it was difficult to complete the reconciliations on a timely basis. A control form will be developed to ensure that each bank reconciliation is completed by the end of the month.

(2009-4) Information Systems

Physical Facilities

The main server room temperature alarm is set to 78 degrees although the room is generally kept under 70 degrees. The alarm should be set much closer to the expected room temperature so that in the event of an air conditioning failure, much more time would be allowed before the temperature exceeds the acceptable range. Further, the secondary server room does not have a temperature alarm installed. We recommend that one be installed for the secondary server room.

Access and Security

Individuals using VPN or another form of remote access to connect to the Town's network are currently not required to sign a form acknowledging their understanding of the importance of security and confidentiality. We recommend that the Town obtain signed acknowledgement forms for all individuals authorized to access the Town's network remotely.

Protection and Recovery

There is only one Domain Controller on the network. We recommend that the Town obtain a second Domain Controller to ensure that the network is not disabled in a server down situation.

Accounting System

A list of every user in the Finance Department including their specific access to the various functions of the accounting system should be printed out and signed off on by the Finance Director confirming that every user has the minimum access to function as needed.

Special policies and procedures should address all aspects of credit card processing. This includes disposing of any workstations or servers that touch credit card data at any point, a detailed report of how the credit card numbers are transmitted and any use of temporary files or storage in memory.

Physical Facilities Response – Both server rooms have a temperature alarm. We will adjust the temperature alarms to 72 degrees which is 2 degrees above the recommended temperature of the room.

Access and Security Response – The Office of Information Systems will create a remote access form for Town employees that use remote access to acknowledge the importance of security and confidentiality while using this feature. IS will distribute and obtain signatures on the remote access form.

Protection and Recovery Response – During the fall of 2010, the Office of Information Systems will be migrating to a Windows 2008 domain structure and at that time, a redundant Domain Controller will be implemented.

Accounting System Response – The Office of Information Systems has obtained a list of all Finance Department users and their access to various functions in the accounting systems. The list has been signed off on by the Finance Director. The purchasing card policy will be modified to include a reference to the disposal of workstations and servers containing credit card data. All disposed PC's and servers are formatted prior to leaving the town's possession.

(2009-5) Calculation of Retiree Benefit Amounts for General Retirees

The Town of Palm Beach General Employees Pension Trust Fund provides for annual cost of living increases for members at the following rates: a) one percent of the base benefit for members who retire after September 30, 1968 and prior to October 1, 1990 and b) two percent of their current benefit for members who retire after September 30, 1990. The individual retiree files do not contain a history of the calculation of the increases to the retiree's benefit amounts. While the Town was able to recreate the benefit amounts for the retirees that we selected for testing, we recommend that benefit histories be maintained in each retiree's file to document the calculations and adjustments of monthly benefit amounts.

Response – A spreadsheet is sent to Human Resources each year when the calculation and increase are made to the retiree's pension amount. The information on the retirement increase will be filed with the affected retiree file for future reference and to maintain history.

(2009-6) Emergency Purchases

The Town's purchasing manual requires that emergency purchases must affect health, life or the welfare of citizens or employees; require department head or designee signature/approval; and, the prior approval of the Purchasing Agent and the Town Manager, in certain instances, before the emergency purchase order can be issued. Emergency purchases greater than \$5,000 require the Town Manager's approval. If an item is categorized as an emergency purchase, the purchase is not subject to the Town's requirements for vendor quotes or seal bids, as applicable, depending on the dollar amount of the purchase.

During our review of capital asset additions, we noticed certain capital expenditures made as emergency purchases for which there was no indication or documentation that the purchase met the criteria as an emergency affecting the health, life or welfare of the citizens or employees. We recommend that such documentation be obtained and placed in the purchasing file for each emergency purchase to substantiate that the purchase qualifies as an emergency. If the purchase does not meet the criteria for an emergency purchase, then the purchase should follow the Town's normal purchasing procedures.

Response – Procedures will be tightened to limit the number of emergency purchases. Documentation justifying the emergency purchase will be required and maintained in the file before the requisition and check is issued for the purchase. In addition, internal auditors have been hired to examine our purchasing procedures and we expect modifications to the purchasing manual that will further strengthen our purchasing procedures.

(2009-7) Construction Projects and Kickback Scheme

In April 2010, the Town identified a kickback scheme involving its Construction Manager who was selecting vendors to do Town construction projects. Many of these projects were deemed to be "emergency repairs" which allowed the Construction Manager to avoid formal bidding requirements. The Town's initial police investigation cites kickbacks paid to the Construction Manager totaling approximately \$247,500. The police investigation was initiated after the Town received a tip from a confidential informant and is still ongoing as of the date of this management letter.

Response – Law Enforcement is currently conducting a criminal investigation of the matter. The Town is conducting an administrative investigation which includes a forensic audit by an outside auditor.

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

Sincerely,

A handwritten signature in black ink that reads "Jane Struder". The signature is written in a cursive style with a large, prominent initial "J".

Jane Struder, CPA
Finance Director