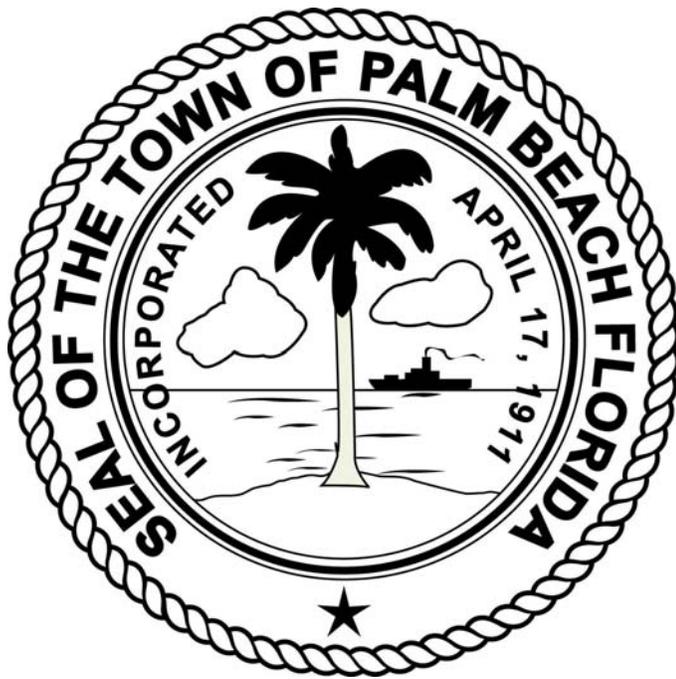
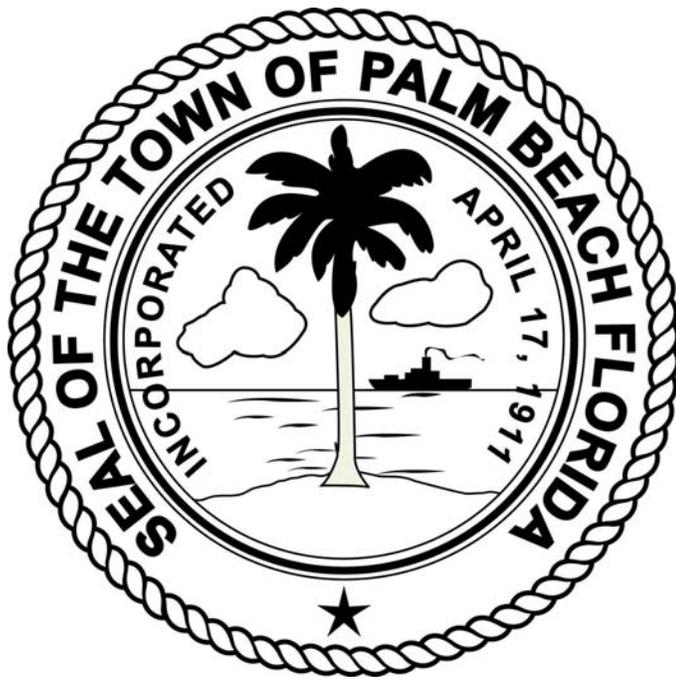


Town of Palm Beach, Florida  
Comprehensive Annual Financial Report  
Fiscal Year Ended September 30, 2011



Town of Palm Beach, Florida  
Comprehensive Annual Financial Report  
Fiscal Year Ended September 30, 2011



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**TOWN OF PALM BEACH, FLORIDA**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**



Prepared by the Finance Department

Jane Struder, CPA  
Finance Director

TOWN OF PALM BEACH, FLORIDA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 SEPTEMBER 30, 2011

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# TOWN OF PALM BEACH

Finance Department

March 8, 2012

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, 2011, 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, 2011. 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.

Nowlen, Holt and Miner, P.A., independent auditors, have issued an unqualified opinion on the Town of Palm Beach's financial statements for the fiscal year ended September 30, 2011. The independent auditors' report is located at the front of the financial section of this report.

As a recipient of federal and state financial assistance, the Town is subject to a single audit in conformity with the provisions of the Federal Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and the related U.S. Office of Management and Budget's Circular A-133 and Chapter 10.550, Rules of Auditor General of the State of Florida. Information related to the Single Audit, including the schedule of expenditures of federal awards and state financial assistance, findings and recommendations, and auditors' reports on the internal control and compliance with applicable laws and regulations are included in the Single Audit section.

The Town's financial statements have been prepared using the reporting model in accordance with Governmental Accounting Standard Board (GASB) Statement no. 34, Basic Financial Statements – and Management's Discussion and Analysis (MD&A). The 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. 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 8,348 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 363 employees, including 71 sworn police officers and 68 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.

**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.

## 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-serving 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 recent recession has had an impact on Palm Beach. Property values have declined from the FY2009 peak of \$13,684,919,443. The Town's taxable value for FY11 decreased by 11.42% to \$11,735,088,108 which caused the Town to reduce tax revenue by \$4,674,568 to maintain the same millage rate as FY09 and FY10. In FY12, the taxable value decline was only .46% suggesting that the property values were stabilizing. Foreclosure activity has severely impacted Florida. The impact to the Town is significantly less than the Florida or national average.

Per capita personal income for the Town of Palm Beach is \$109,219, which is well above the state and national average. Median household income is \$124,562.

In 2010, Moody's and Standard and Poor's affirmed the Town's "AAA" ratings. The Town's conservative financial policies and strong management of its financial resources were recognized.

## MAJOR INITIATIVES AND ACCOMPLISHMENTS

### *For the Year*

During fiscal year 2011 the following accomplishments occurred:

- § The Worth Avenue Improvement project commenced in the spring of 2010 and was completed in November 2010. The project was a major streetscape project encompassing large portions of the Worth Avenue Commercial District. The enhancements were paid for using special non ad valorem assessments to the commercial properties benefitting from the improvements.
- § Work began on design and construction of projects associated with the accelerated capital improvement program. These projects include pump station improvement, force main replacement, sanitary gravity main replacement, and street lighting and traffic signal improvements.
- § A total of 32.65 positions were eliminated from the budget with no lay-offs. The FY11 budget was \$3,118,452 less than the FY10 budget. The millage rate remained constant at 3.2512.

### ***For the Future***

Work will continue to implement the accelerated capital improvement program. The construction of a large force main replacement project and a pump station rehabilitation project will occur during the summer of 2012.

Two neighborhoods are working with the Town to bury their overhead utility lines. Other neighborhoods are in the planning stages to bury their overhead utility lines. The full cost will be borne by the citizens in each applicable neighborhood and will be paid through a special non ad valorem assessment pursuant to the provisions of Florida Statute 197.3632. We expect additional neighborhoods to voluntarily participate in the program.

Pension reform measures are expected to be enacted for all employees by May 1, 2012. A hybrid pension plan containing a defined benefit and a defined contribution component is expected to be approved. The new pension plan will save over \$5 million in the first year. Currently the pension plans are governed by three pension boards. Going forward, under the pension reform measures, there will be one board to oversee the pension fund for all employee groups.

The FY12 budget was reduced by 8.2% from the FY11 budget. The majority of the decrease was due to the savings from the pension reform measures described above. A total of 4.68 positions were eliminated from the budget.

During FY12 the Town Council authorized an increase in parking fines. The change is expected to increase parking fine revenues by over \$200,000 per year.

### ***Financial Policies***

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions in FY11. In addition, the Town has formally adopted other financial policies including reserve policies, 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 Town maintains a minimum level of unassigned fund balance of 25% of general fund operating expenditures. This provides the Town with 90 days of working capital in the event of an emergency. The ending unassigned fund balance of \$18,155,941 as of September 30, 2011, is \$3,522,082 over the required minimum.

### ***Long Term Financial Planning***

Since FY2004, Town staff has prepared a Long Term Financial Plan that encompassed a 5 year period. In FY2009, the Town prepared an update of the long term financial plan that encompassed a 10 year time horizon. This plan showed deficits beginning in FY12 through FY20. During the next three years, efforts were made to trim expenses wherever possible. An updated plan was presented in 2011, showing improvement based upon salary and benefit changes, pension reform, debt restructuring, and other cost savings measures. Through attrition, 47.7 positions were cut from the budget. Over the 10 year horizon,

surpluses are shown through FY17 and small manageable deficits begin in FY18. In the long term plan presented in FY09, the deficit in FY20 had been predicted to be over \$20 million. After the implementation of the cost cutting measures and, even with the reduction in property tax revenue in FY11, the updated forecasted deficit for FY20 was reduced to \$1.6 million. The FY12 update will be presented on April 12, 2012 that will further reduce expenses and improve the long term financial outlook for the Town. Copies of the Long Term Financial Plan can be found on the Town's website.

#### Other Information

**Independent Audit:** State Statutes require an annual audit by independent certified public accountants. The accounting firm of Nowlen, Holt & Miner, P.A., performed this audit for fiscal year 2011. 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, 2010. This was the 23rd consecutive year the Town has received this prestigious award.

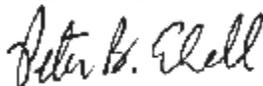
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. The contents must conform to program standards. Such reports must satisfy both U.S. generally accepted accounting principles and applicable 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, 2011.

**Acknowledgements:** The preparation of the Comprehensive Annual Financial Report 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, Nowlen, Holt & Miner, 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, 2010

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.



*Linda C. Davidson*

President

*Jeffrey R. Emer*

Executive Director



# TOWN OF PALM BEACH ORGANIZATIONAL STRUCTURE

CITIZENS OF PALM BEACH

ELECT



**MAYOR**  
Gail Coniglio

TOWN COUNCIL



**PRESIDENT**  
David A. Rosow



**PRESIDENT PRO-TEM**  
Robert N. Wildrick



William J. Diamond



Richard M. Kleid



Michael J. Pucillo

APPOINTS



**TOWN ATTORNEY**  
John C. Randolph



**TOWN MANAGER**  
Peter B. Elwell

**ADVISORY BOARD  
AND COMMISSIONS**



**FINANCE DIRECTOR**  
Jane Struder

SUPERVISES



**RECREATION  
DIRECTOR**  
Jay Boodheshwar



**HUMAN RESOURCES  
DIRECTOR**  
Danielle Olson



**PLANNING, ZONING  
AND BUILDING  
DIRECTOR**  
John Page



**DIRECTOR OF  
PUBLIC SAFETY**  
Kirk W. Blouin



**PUBLIC WORKS  
DIRECTOR**  
H. Paul Brazil



# NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE  
215 FIFTH STREET, SUITE 200  
POST OFFICE BOX 347  
WEST PALM BEACH, FLORIDA 33402-0347  
TELEPHONE (561) 659-3060  
FAX (561) 835-0628  
WWW.NHMCPA.COM

EVERETT B. NOWLEN (1830-1884), CPA  
EDWARD T. HOLT, CPA  
WILLIAM B. MINER, CPA  
ROBERT W. HENDRIX, JR., CPA  
JANET R. BARICEVICH, CPA

KATHLEEN A. MINER, CPA  
TERRY L. MORTON, JR., CPA  
N. RONALD BENNETT, CPA  
J. MICHAEL STEVENS, CPA  
ALEXIA G. VARGA, CPA  
BRIAN J. BRESCIA, CFP®, CPA  
KARA D. PETERSON, CPA  
EDWARD T. HOLT, JR., CPA

## INDEPENDENT AUDITOR'S REPORT

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

BELLE GLADE OFFICE  
333 S.E. 2nd STREET  
POST OFFICE BOX 338  
BELLE GLADE, FLORIDA 33430-0338  
TELEPHONE (561) 898-5612  
FAX (561) 898-8248

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 Town of Palm Beach, Florida as of and for the year ended September 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Palm Beach, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Palm Beach Police Officers' Retirement System and the Town of Palm Beach Firefighters' Retirement System., two fiduciary funds of the Town of Palm Beach, which together represent 47 percent, 47 percent, and 28 percent, respectively of the assets, fund balance/net assets, and additions/revenue of the aggregate remaining fund information of the Town of Palm Beach, Florida. 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 Town of Palm Beach Police Officers' Retirement System and the town of Palm Beach Firefighters' Retirement System, is based on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports 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, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2012, on our consideration of the Town of Palm Beach, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, the budgetary comparison information on pages 83 through 87, the schedule of funding progress - pension plans on page 88, the schedule of contributions from employer - General Employees' Retirement System on page 89, and the schedule of funding progress - other postemployment benefits on page 90 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Nowlen, Holt & Mimes, P.A.*

West Palm Beach, Florida  
March 8, 2012

## 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, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v 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 \$179,944,154 (net assets). Of this amount, \$43,032,712 (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 \$80,016,583, a decrease of \$9,424,827 in comparison with the prior year. Approximately 22% of the total amount is available for spending at the Town's discretion (unassigned fund balance).
3. At the end of the current fiscal year unassigned fund balance is \$17,901,793.
4. The Town's total government-wide revenue was \$68,908,074, while total expenses were \$76,780,459.
5. Governmental Activities generated \$64,572,301 in revenue (excluding transfers) with \$73,119,122 in expenses.
6. Business-type Activities generated \$4,335,773 in revenue (excluding transfers) with \$3,661,337 in expenses.
7. The Town's long-term debt decreased by \$1,464,227 during the current fiscal year.

### Overview of the Financial Statements

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

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

The *statement of net assets* presents information on all of the Town of Palm Beach's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The **statement of activities** presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (**governmental activities**) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (**business-type activities**). The governmental activities of the Town include general government, public safety, physical environment, transportation, and culture and recreation. The business-type activities include the marina, golf course and recreation programs.

The Town's government-wide financial statements are presented on pages 13-15 of this report.

**Fund Financial Statements.** A **fund** is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Palm Beach, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Palm Beach can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** **Governmental funds** are used to account for essentially the same functions reported as **governmental activities** in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for **governmental funds** with similar information presented for **governmental activities** in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and **governmental activities**.

The Town of Palm Beach maintains thirteen 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, accelerated Capital Fund and the Worth Avenue Construction Fund, all of which are considered major funds. Data for the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is presented in the form of **combining statements** elsewhere in this report.

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

**Proprietary funds.** The Town of Palm Beach maintains two different types of proprietary funds. **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Palm Beach uses an enterprise fund to account for its recreation activities including; the Town Docks, the Par 3 Golf Course, Tennis, and Adult and Youth recreational activities. **Internal service funds** are an accounting device used to accumulate and allocate costs internally among the Town of Palm Beach's various functions. The Town of Palm Beach uses internal service funds to account for its self-insurance health fund, self-insurance risk fund, and equipment replacement fund.

Because these services predominately benefit governmental rather than business-type functions, they have been included 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 20-23 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 26-82 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 83-90 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 91-113 of this report.

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

**Net assets.** On the following page, is a summary of the fiscal year 2011 Statement of Net Assets found on page 13 and comparative information for fiscal year 2010.

**Town of Palm Beach, Florida**  
**Net Assets**  
**September 30, 2011 and 2010, As Restated**

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>						
Current and other assets	\$ 138,589,699	\$149,150,235	\$ 4,175,324	\$ 3,708,250	\$142,765,023	\$152,858,485
Capital assets, net	<u>112,591,243</u>	<u>115,075,548</u>	<u>16,521,594</u>	<u>17,020,243</u>	<u>129,112,837</u>	<u>132,095,791</u>
<b>Total assets</b>	<b>251,180,942</b>	<b>264,225,783</b>	<b>20,696,918</b>	<b>20,728,493</b>	<b>271,877,860</b>	<b>284,954,276</b>
<b>LIABILITIES</b>						
Current liabilities	12,302,404	16,022,953	717,419	632,144	13,019,823	16,655,097
Long-term liabilities	<u>78,756,474</u>	<u>80,298,283</u>	<u>157,409</u>	<u>184,357</u>	<u>78,913,883</u>	<u>80,482,640</u>
<b>Total liabilities</b>	<b>91,058,878</b>	<b>96,321,236</b>	<b>874,828</b>	<b>816,501</b>	<b>91,933,706</b>	<b>97,137,737</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	80,099,513	89,404,386	16,521,594	17,020,243	96,621,107	106,424,629
Restricted	40,290,335	45,184,112			40,290,335	45,184,112
Unrestricted	<u>39,732,216</u>	<u>33,316,049</u>	<u>3,300,496</u>	<u>2,891,749</u>	<u>43,032,712</u>	<u>36,207,798</u>
<b>Total net assets</b>	<b><u>\$160,122,064</u></b>	<b><u>\$167,904,547</u></b>	<b><u>\$ 19,822,090</u></b>	<b><u>\$ 19,911,992</u></b>	<b><u>\$179,944,154</u></b>	<b><u>\$187,816,539</u></b>

Net assets may serve over time as a useful indicator of a government's financial position. At September 30, 2011, the Town's assets exceeded liabilities by \$179,944,154. Net assets decreased by \$7,872,385 as a result of a \$7,782,483 decrease in governmental activities and a decrease of \$89,902 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 \$43,032,712.

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 \$96,621,107. 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, 2011, as compared to September 30, 2010:

**Town of Palm Beach, Florida**  
**Changes in Net Assets**  
**For the Fiscal Years Ended September 30, 2011 and 2010, As Restated**

	Governmental		Business-type		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 11,712,276	\$ 8,667,456	\$ 4,308,462	\$ 4,350,130	\$ 16,020,738	\$ 13,017,586
Operating grants and contributions	224,429	902,978			224,429	902,978
Capital grants and contributions	4,020,155	515,464		6,500	4,020,155	521,964
General revenue:						
Property taxes	36,635,343	41,508,570			36,635,343	41,508,570
Local option gas tax	301,900	321,246			301,900	321,246
Franchise fees	2,204,718	2,152,817			2,204,718	2,152,817
Utility service taxes	4,847,146	4,885,696			4,847,146	4,885,696
Business tax receipts	694,373	716,018			694,373	716,018
Intergovernmental	937,865	905,276			937,865	905,276
Investment earnings	940,069	2,061,399	27,311	26,142	967,380	2,087,541
Miscellaneous	2,054,027	232,309			2,054,027	232,309
Total revenue	<u>64,572,301</u>	<u>62,869,229</u>	<u>4,335,773</u>	<u>4,382,772</u>	<u>68,908,074</u>	<u>67,252,001</u>
<b>Expenses</b>						
General government	11,580,425	13,535,702			11,580,425	13,535,702
Public safety	29,833,142	29,321,521			29,833,142	29,321,521
Physical environment	23,071,088	16,541,921			23,071,088	16,541,921
Transportation	1,459,738	898,456			1,459,738	898,456
Economic environment	2,369,146				2,369,146	
Culture and recreation	1,642,965	3,293,395			1,642,965	3,293,395
Interest on long-term debt	3,163,237	2,081,998			3,163,237	2,081,998
Recreation						
Enterprise			3,661,337	3,774,682	3,661,337	3,774,682
Total expenses	<u>73,119,122</u>	<u>65,672,993</u>	<u>3,661,337</u>	<u>3,774,682</u>	<u>76,780,459</u>	<u>69,447,675</u>
Increase in Net Assets						
Before Transfers	(8,546,821)	(2,803,764)	674,436	608,090	(7,872,385)	(2,195,674)
Transfers	764,338	550,000	(764,338)	(550,000)		
Increase in net assets	<u>(7,782,483)</u>	<u>(2,253,764)</u>	<u>(89,902)</u>	<u>58,090</u>	<u>(7,872,385)</u>	<u>(2,195,674)</u>
Net assets at beginning of year	<u>167,904,547</u>	<u>170,158,311</u>	<u>19,911,992</u>	<u>19,853,902</u>	<u>187,816,539</u>	<u>190,012,213</u>
Net assets at end of year	<u>\$160,122,064</u>	<u>\$167,904,547</u>	<u>\$ 19,822,090</u>	<u>\$ 19,911,992</u>	<u>\$179,944,154</u>	<u>\$187,816,539</u>

The Town's combined net assets decreased by \$7,872,385 or 4.1% during 2011. This decline can be attributed to governmental activities that decreased \$7,782,483 or 99% of the total decline in net assets of

the Town plus business-type activities that decreased \$89,902. The decrease in net assets of the governmental activities is attributable to an increase in expenses for coastal protection projects in governmental operations.

### Financial Analysis

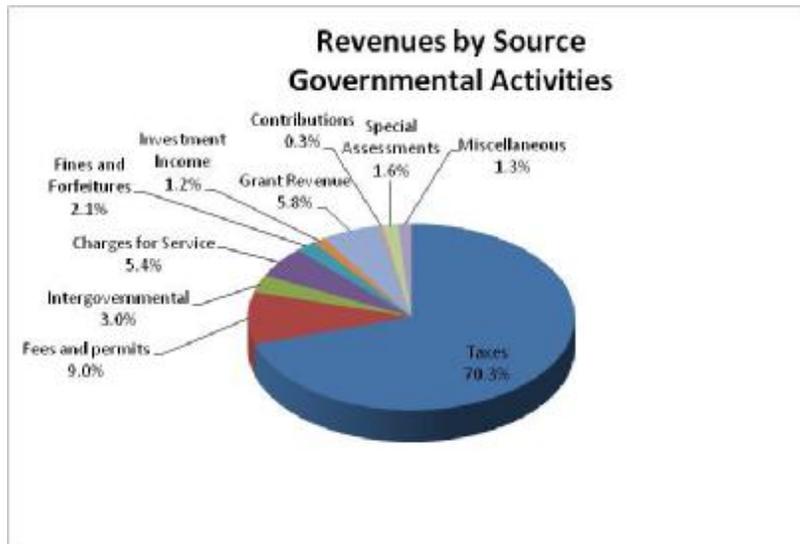
Governmental funds. The fund financial statements for the governmental funds are provided on pages 16-19. The focus of the Town of Palm Beach's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town of Palm Beach's financing requirements. In particular, *unassigned 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 \$80,016,583, which decreased by \$9,424,827 from September 30, 2010. This decrease was primarily due to expenditures for coastal protection and debt service.

The following schedule presents a summary of all governmental fund revenue for the fiscal year ended September 30, 2011, and the amount and percentage of increases and decreases in relation to prior year revenues:

Revenue	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2010</u>	<u>Percent Increase (Decrease)</u>
Taxes	\$ 44,728,989	70.3%	\$ (4,900,867)	(9.9)%
Fees and permits	5,749,007	9.0	1,646,129	40.1
Intergovernmental	1,900,329	3.0	48,062	2.6
Charges for services	3,461,768	5.4	267,407	8.4
Fines and forfeitures	1,309,725	2.1	688,747	110.9
Investment income	737,696	1.2	(1,076,699)	(59.3)
Grant revenue	3,678,245	5.8	3,594,939	4315.3
Contributions	222,646	0.3	(572,515)	(72.0)
Special Assessments	989,814	1.6	425,395	75.4
Miscellaneous	<u>852,864</u>	<u>1.3</u>	<u>550,740</u>	<u>182.3</u>
<b>Total Revenue</b>	<b><u>\$ 63,631,083</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 671,338</u></b>	<b>1.1%</b>

The most significant changes in revenue are described below:

- § Property taxes decreased resulting from a decrease in the taxable value and maintaining the same millage rate.
- § License and permit revenue increased due to improvements in building permit activity.
- § Intergovernmental revenue increased due to improved collections from state revenue sharing and sales tax.
- § Charges for services increased due to parking meter fee increases at Mid-Town Beach and an increase in solid waste collection fees.
- § Fine and forfeiture income increased due to additional code enforcement fine revenue and improved parking ticket revenue.
- § Investment income decreased due to the depressed interest rate environment.
- § Grant revenue increased due to funding received from FEMA grants related to tropical storm Fay and a grant received for a mobile firefighter training tower.
- § Miscellaneous revenue increased due to a settlement received from Palm Beach County.

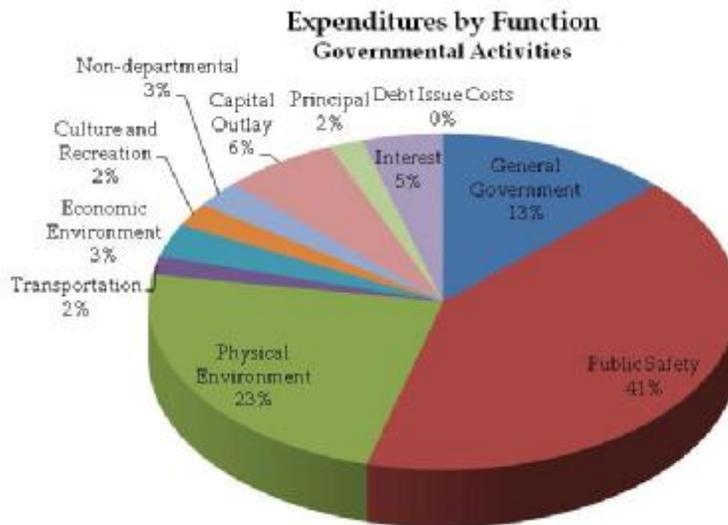


The following schedule presents a summary of all governmental funds expenditures for the fiscal year ended September 30, 2011, and the percentage of increases and decreases in relation to prior year amounts:

	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2010</u>	<u>Percent Increase (Decrease)</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	9,466,491	12.8%	\$ (1,250,185)	(11.7)%
Public safety	30,511,290	41.3	(45,702)	(0.1)
Physical environment	17,281,410	23.4	5,705,225	49.3
Transportation	1,311,456	1.8	402,148	44.2
Economic Environment	2,369,146	3.2	2,369,146	100.0
Culture and recreation	1,642,083	2.2	1,194	0.1
Non-departmental	1,905,398	2.6	3,010	0.2
Capital Outlay	4,662,208	6.3	(18,383,531)	(79.8)
<b>Debt Service:</b>				
Principal	1,372,838	1.9	(2,647,162)	(65.8)
Interest	3,260,692	4.4	1,924,513	144.0
Debt issue costs	<u>27,341</u>	<u>0.0</u>	<u>(673,792)</u>	<u>(96.1)</u>
<b>Total Expenditures</b>	<u>\$ 73,810,353</u>	<u>100.0%</u>	<u>\$ (12,595,136)</u>	<u>(14.6)%</u>

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

- § General government expenditures decreased due to reductions in personnel and other cost saving measures.
- § Public safety expenditures decreased due to the decreases in personnel expenditures.
- § Physical environment costs increased due to expenditures for beach restoration.
- § Transportation expenditures increased due to additional street repair projects.
- § Culture and recreation expenditures were basically unchanged.
- § Non-departmental expenditures represent the transfer to the Internal Service Insurance Funds, these expenditures were basically unchanged from the prior year.
- § Capital outlay decreased due to the one time expenditures for the Worth Avenue reconstruction project in 2010.
- § Debt service payments decreased overall due to the payoff of the 2003A bond in FY10 and lower annual debt service payments from the issuance of the 2010 bonds. The debt issue costs decreased in FY2011 due to the one-time costs associated with the issuance 2010 Revenue Bonds.



**General Fund.** The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$18,155,941, while the total fund balance was \$25,722,567. The total fund balance of the General Fund decreased by \$1,709,669 due, in part, to transfers to the Coastal Protection Fund. As a measure of the General Fund's liquidity, it is useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 29% of total General Fund expenditures including transfers out.

The fund balance of the Capital Improvement Fund decreased from the prior year by \$2,852,518. This decrease resulted from capital project expenditures during the year.

The restricted fund balance of the Accelerated Capital Fund was 37,625,910. The fund was established in FY10 as a result of the 2010 Revenue Bond issue.

The assigned fund balance of the Beach Restoration Fund is \$7,890,771. These funds will be used for future coastal protection projects.

Other governmental funds which include debt service, special revenue and small capital funds had fund balances totaling \$3,383,411.

**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 \$3,315,215 at September 30, 2011. Net assets for this fund increased \$448,153.

### 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 FY2011 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 1.2% more than the final budget due to higher than anticipated ad valorem revenue and building permit revenue. Actual expenditures were 6.3% less than the final budget due to reductions in personnel other cost containment measures implemented in FY11.

### 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, 2011, net capital assets of governmental activities totaled \$112,591,243 and the net capital assets of the business-type activities totaled \$16,521,594 (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 D to the financial statements.

**Town of Palm Beach  
Capital Assets  
September 30, 2011 and 2010**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 9,946,951	\$ 9,946,951	\$ 5,623,777	\$ 5,623,777	\$ 15,570,728	\$ 15,570,728
Construction in Progress	5,789,231	15,156,493			5,789,231	15,156,493
Buildings	29,485,989	28,396,062	2,461,184	2,525,499	31,947,173	30,921,561
Improvements other than buildings	4,227,126	585,529	8,193,138	8,598,041	12,420,264	9,183,570
Equipment	9,061,370	9,757,000	243,495	272,926	9,304,865	10,029,926
Infrastructure	53,880,330	51,003,602			53,880,330	51,003,602
Intangible assets- Facilities rights of use	200,246	229,911			200,246	229,911
	<u>\$ 112,591,243</u>	<u>\$115,075,548</u>	<u>\$ 16,521,594</u>	<u>\$ 17,020,243</u>	<u>\$ 129,112,837</u>	<u>\$ 132,095,791</u>

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

- § Work began to replace drainage lines, water main, gravity sanitary sewer and curbing on North Lake Way and Tangier Avenue.
- § Work began to replace storm sewer, storm drainage, cutter/curbing, and new sanitary sewer on North Lake Way and Laurian Lane.
- § The Town is continuing to work with the City of West Palm Beach to upgrade water mains throughout the Town that fall either within Town planned projects or stand-alone West Palm Beach projects.
- § Dune restoration projects in Reach 4, 7 and 8 were completed in 2011.
- § The Worth Avenue Improvement project commenced in the spring of 2010 was completed in November 2010. The Worth Avenue project was a major streetscape project encompassing large

portions of the Worth Avenue Commercial District. A Bond was issued for the project and the debt service will be paid for using special non ad valorem assessments to the commercial properties benefitting from the improvements.

**Debt Administration**

As of September 30, 2011, the Town had \$70,540,000 par value in revenue bonds outstanding representing a 1.8% decrease due to debt service payments made during 2011. The debt outstanding as of the end of the fiscal year was secured by various revenue sources.

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

**Town of Palm Beach  
Outstanding Debt  
September 30, 2011 and 2010**

	2011	2010
Revenue Bonds	\$ 70,540,000	\$ 71,805,000
Loan Payable	540,924	648,762
Total	\$ 71,080,924	\$ 72,453,762

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 FY2012, the Town Council adopted a General Fund budget, including transfers out, of \$58,535,436 representing a 8.2% decrease from FY2011. The FY2012 budget includes additional cuts in personnel, a reduction in pension costs and a reduction in property tax revenue of \$246,300. The taxable value decreased by 0.46% in FY2011 and the Town’s 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 annually prepared a Long Term Financial Plan. To reduce projected deficits, staff has reviewed pension benefits, health insurance benefits, compensation program for all Town employees, and reductions in staffing. Pension reform measures will be adopted during FY12 that will save over \$5 million per year in pension costs. The anticipated savings from pension reform are reflected in the FY12 budget.

**Requests for Information**

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

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

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF NET ASSETS

September 30, 2011

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 53,351	\$ 2,300	\$ 55,651
Equity in pooled cash and investments	111,964,119	4,088,247	116,052,366
Accounts receivable, net	876,453	26,864	903,317
Interest receivable	206,309		206,309
Due from other governments	1,145,176	62,516	1,207,692
Internal balances	16,913	(16,913)	
Inventory	589,618		589,618
Prepays	14,500	12,310	26,810
Net OPEB asset	14,812,000		14,812,000
Debt issue costs	663,922		663,922
Investment in joint venture	7,577,934		7,577,934
Equity in pooled cash and investments - restricted	669,404		669,404
Capital assets			
Land	9,946,951	5,623,777	15,570,728
Construction in progress	5,789,231		5,789,231
Capital assets being depreciated and amortized, net	96,855,061	10,897,817	107,752,878
Total assets	<u>251,180,942</u>	<u>20,696,918</u>	<u>271,877,860</u>
<b>LIABILITIES</b>			
Accounts and contracts payable	3,764,857	74,180	3,839,037
Accrued liabilities	5,374,930	41,906	5,416,836
Accrued interest payable	802,097		802,097
Restricted payable	32,702		32,702
Due to other governments	815,699	35,160	850,859
Deposits	280,648	210,311	490,959
Unearned revenue	1,061,929	355,862	1,417,791
Note payable - short term	169,542		169,542
Long-term debt			
Due within one year	1,993,426	33,883	2,027,309
Due in more than one year	76,763,048	123,526	76,886,574
Total Liabilities	<u>91,058,878</u>	<u>874,828</u>	<u>91,933,706</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	80,099,513	16,521,594	96,621,107
Restricted for:			
Debt service	259,817		259,817
Public safety	205,582		205,582
Capital projects	39,480,287		39,480,287
Other purposes	344,649		344,649
Unrestricted	39,732,216	3,300,496	43,032,712
Total net assets	<u>\$ 160,122,064</u>	<u>\$ 19,822,090</u>	<u>\$ 179,944,154</u>

See notes to the financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF ACTIVITIES

Year Ended September 30, 2011

Functions / Programs	Expenses	Program Revenue		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Government activities</b>				
General government	\$ 11,580,425	\$ 5,879,837	\$ 68,200	\$ 120,895
Public safety	29,833,142	2,716,885	145,364	379,170
Physical environment	23,071,088	1,219,036	5,000	3,512,898
Transportation	1,459,738	1,841,501		7,192
Economic environment	2,369,146			
Culture and recreation	1,642,346	55,017	5,865	
Interest on long-term debt	3,163,237			
<b>Total governmental activities</b>	<b>73,119,122</b>	<b>11,712,276</b>	<b>224,429</b>	<b>4,020,155</b>
<b>Business-type activities</b>				
Leisure services	3,661,337	4,308,462		
<b>Total</b>	<b>\$ 76,780,459</b>	<b>\$ 16,020,738</b>	<b>\$ 224,429</b>	<b>\$ 4,020,155</b>

General Revenue

Property taxes

Local option gas tax

Franchise taxes

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 - beginning of year, as restated

Net assets - end of year

Net Revenue (Expense) and  
Changes in Net Assets

Governmental Activities	Business-type Activity	Total
\$ (5,511,493)	\$	\$ (5,511,493)
(26,591,723)		(26,591,723)
(18,334,154)		(18,334,154)
388,955		388,955
(2,369,146)		(2,369,146)
(1,581,464)		(1,581,464)
(3,163,237)		(3,163,237)
(57,162,262)		(57,162,262)
	647,125	647,125
(57,162,262)	647,125	(56,515,137)
36,635,343		36,635,343
301,900		301,900
2,204,718		2,204,718
4,847,146		4,847,146
694,373		694,373
937,865		937,865
940,069	27,311	967,380
2,054,027		2,054,027
764,338	(764,338)	
49,379,779	(737,027)	48,642,752
(7,782,483)	(89,902)	(7,872,385)
167,904,547	19,911,992	187,816,539
<u>\$ 160,122,064</u>	<u>\$ 19,822,090</u>	<u>\$ 179,944,154</u>

See notes to the financial statements.

**TOWN OF PALM BEACH, FLORIDA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**September 30, 2011**

	Major Governmental Funds					Total Governmental Funds
	General Fund	Capital Improvement Fund	Beach Restoration Project Fund	Accelerated Capital Fund	Nonmajor Governmental Funds	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 3,650	\$	\$	\$	\$	\$ 3,650
Equity in pooled cash and investments	28,727,814	5,100,266	7,936,872	38,042,948	3,888,556	83,696,456
Accounts receivable, net	876,453					876,453
Interest receivable	7,177		1,447	155,533	5,897	170,054
Due from other governments	331,622	207,429	582,233		23,892	1,145,176
Due from other funds	9,178	143,396				152,574
Inventory	559,775			29,843		589,618
Prepaid items	8,000					8,000
Restricted cash	24,364	645,040				669,404
<b>TOTAL ASSETS</b>	<b>\$ 30,548,033</b>	<b>\$ 6,096,131</b>	<b>\$ 8,520,552</b>	<b>\$ 38,228,324</b>	<b>\$ 3,918,345</b>	<b>\$ 87,311,385</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts and contracts payable	\$ 1,683,796	\$ 478,679	\$ 108,483	\$ 602,414	\$ 191,264	\$ 3,064,636
Accrued liabilities	934,908					934,908
Restricted payable		32,702				32,702
Due to other governments	789,424					789,424
Due to other funds					150,236	150,236
Deposits	280,648					280,648
Deferred revenue	1,136,690	190,826	521,298		23,892	1,872,706
Note payable - short term					169,542	169,542
<b>TOTAL LIABILITIES</b>	<b>4,825,466</b>	<b>702,207</b>	<b>629,781</b>	<b>602,414</b>	<b>534,934</b>	<b>7,294,802</b>
<b>FUND BALANCES</b>						
<b>Non-spendable:</b>						
Inventory	559,775					559,775
Prepays	8,000					8,000
<b>Restricted for:</b>						
Capital projects				37,625,910		37,625,910
Public safety					205,582	205,582
Special projects		612,338			344,649	956,987
Debt service					259,817	259,817
Worth avenue					1,854,377	1,854,377
<b>Committed to:</b>						
<b>East Central Regional Wastewater</b>						
Treatment Facility	574,268					574,268
Compensated absences	3,621,915					3,621,915
<b>Assigned to:</b>						
Subsequent year's expenditures	2,802,668					2,802,668
Capital projects		4,781,586				4,781,586
Beach restoration			7,890,771			7,890,771
Town facilities					973,134	973,134
Unassigned	18,155,941				(254,148)	17,901,793
<b>TOTAL FUND BALANCES</b>	<b>25,722,567</b>	<b>5,393,924</b>	<b>7,890,771</b>	<b>37,625,910</b>	<b>3,383,411</b>	<b>80,016,583</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 30,548,033</b>	<b>\$ 6,096,131</b>	<b>\$ 8,520,552</b>	<b>\$ 38,228,324</b>	<b>\$ 3,918,345</b>	<b>\$ 87,311,385</b>

See notes to the financial statements.

TOWN OF PALM BEACH, FLORIDA

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

September 30, 2011

Total Governmental Fund Balances	\$ 80,016,583
<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.	103,529,872
Revenue is recognized when earned in the government-wide statements regardless of when it is collected. Governmental funds recognize revenue when both measurable and available. Deferred revenue	810,777
Net OPEB asset created through funding of the employer contribution to the defined benefit OPEB plan is not recognized in the funds.	14,812,000
Investment in joint venture is not a financial resource and, therefore is not reported in the funds.	7,577,934
Internal service funds are used by management to charge 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.	32,237,260
The internal service funds have operated with cumulative positive income results over the years. The surplus in charges have decreased the fund balances of the total governmental funds reported above. Since internal service funds should operate at a breakeven basis, the cumulative surplus charges are added to the above fund balance.	14,719
Debt issue costs are reported as expenditures in governmental funds when debt is issued. These items are deferred and amortized over the life of the related debt in the government-wide statements. Unamortized debt issue costs	663,922
Long-term liabilities, including accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Revenue bonds payable	(70,540,000)
Bond premiums	(2,786,469)
Bond discounts	382,923
Deferred loss on refunding	559,948
Note payable	(540,924)
Accrued interest payable	(802,097)
Compensated absences	(3,621,915)
Accrued landfill closure and postclosure care costs	(2,192,469)
	<hr/>
Net Assets of Governmental Activities	<u>\$ 160,122,064</u>

See notes to the financial statements.

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2011

	Major Governmental Funds					Total Governmental Funds
	General Fund	Capital Improvement Fund	Beach Restoration Project Fund	Accelerated Capital Fund	Other Governmental Funds	
<b>REVENUES</b>						
Taxes	\$ 44,728,989	\$	\$	\$	\$	\$ 44,728,989
Fees and permits	5,749,007					5,749,007
Intergovernmental	1,900,329					1,900,329
Charges for services	3,461,768					3,461,768
Fines and forfeitures	1,297,225				12,500	1,309,725
Investment earnings	495,650	49,585	62,682	123,235	6,544	737,696
Grant revenue	220,815	3,372	3,454,058			3,678,245
Contributions					222,646	222,646
Special assessments					989,814	989,814
Miscellaneous	765,685	16,654			70,525	852,864
<b>Total revenues</b>	<b>58,619,468</b>	<b>69,611</b>	<b>3,516,740</b>	<b>123,235</b>	<b>1,302,029</b>	<b>63,631,083</b>
<b>EXPENDITURES</b>						
<b>Current</b>						
General government	9,326,426			14,567	125,498	9,466,491
Public safety	30,375,940				135,350	30,511,290
Physical environment	10,583,767	277,023	5,982,211	229,491	208,918	17,281,410
Transportation	986,011	325,445				1,311,456
Economic environment					2,369,146	2,369,146
Culture and recreation	1,633,836	3,192			5,055	1,642,083
Non-departmental	1,905,398					1,905,398
Capital outlay	343,639	1,147,784	294,739	2,181,504	694,542	4,662,208
<b>Debt service</b>						
Principal	107,838				1,265,000	1,372,838
Interest and fiscal charges	15,282			3,337	3,242,073	3,260,692
Debt issue cost					27,341	27,341
<b>Total expenditures</b>	<b>55,278,137</b>	<b>1,753,444</b>	<b>6,276,950</b>	<b>2,428,899</b>	<b>8,072,923</b>	<b>73,810,353</b>
Revenue over (under) expenditures	3,341,331	(1,683,833)	(2,760,210)	(2,305,664)	(6,770,894)	(10,179,270)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	2,039,000	500,000	3,090,000		5,680,406	11,309,406
Transfers out	(7,090,000)	(1,668,685)		(805,956)	(990,322)	(10,554,963)
<b>Total other financing sources (uses)</b>	<b>(5,051,000)</b>	<b>(1,168,685)</b>	<b>3,090,000</b>	<b>(805,956)</b>	<b>4,690,084</b>	<b>754,443</b>
<b>Net Change in Fund Balances</b>	<b>(1,709,669)</b>	<b>(2,852,518)</b>	<b>329,790</b>	<b>(3,111,620)</b>	<b>(2,080,810)</b>	<b>(9,424,827)</b>
Fund balances - beginning of year, as restated	27,432,236	8,246,442	7,560,981	40,737,530	5,464,221	89,441,410
Fund balances - end of year	\$ 25,722,567	\$ 5,393,924	\$ 7,890,771	\$ 37,625,910	\$ 3,383,411	\$ 80,016,583

See notes to the financial statements.

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2011

Net change in fund balances - total governmental funds	\$ (9,424,827)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
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	4,922,158
Less current year depreciation and amortization	(5,865,712)
Net book value of asset disposals	(238,826)
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	(39,922)
Donations of capital assets	111,395
Governmental funds report revenue when earned and available. However, the government-wide statements recognize revenue when earned, regardless of availability	
Grant revenues	401,141
Intergovernmental revenues	(387,290)
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.	
Repayment of debt principal	1,372,838
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	(23,501)
Amortization of loss on refunding	(38,854)
Amortization of bond premiums	150,799
Amortization of bond discounts	(20,556)
Change in accrued interest payable	6,066
Change in compensated absences	21,895
Change in accrued landfill closure and postclosure care costs	(63,063)
Change in termination benefits	118,771
Internal service funds are used to charge the costs of certain activities certain activities to individual governmental and enterprise funds. The net income of certain activities of internal service funds are reported with governmental activities in the Statement of Activities.	
Transfers	9,895
Consolidation of operating income (loss) related to governmental funds	(452,810)
Nonoperating revenue	1,657,920
	<hr/>
Change in net assets of governmental activities	<u>\$ (7,782,483)</u>

See notes to financial statements

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

September 30, 2011

	Business-type Activities - Recreation Enterprise Fund	Governmental Activities - Internal Service Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$      2,300	\$      49,701
Equity in pooled cash and investments	4,088,247	28,267,663
Account receivable	26,864	
Interest receivable		36,255
Due from other governments	62,516	
Prepaid expenses	12,310	6,500
	<u>4,192,237</u>	<u>28,360,119</u>
Total current assets		
Noncurrent assets		
Capital assets		
Land	5,623,777	
Buildings	3,182,585	
Improvements other than buildings	11,125,292	
Equipment	544,494	18,322,063
	<u>20,476,148</u>	<u>18,322,063</u>
Less accumulated depreciation	(3,954,554)	(9,260,692)
	<u>16,521,594</u>	<u>9,061,371</u>
	Total capital assets, net of accumulated depreciation	
	<u>16,521,594</u>	<u>9,061,371</u>
	Total assets	
	20,713,831	37,421,490
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	74,180	700,221
Accrued liabilities	41,906	4,440,022
Due to other governments	35,160	26,275
Due to other funds	2,194	144
Compensated absences payable	33,883	1,615
Customer deposits	210,311	
Deferred revenue	355,862	
	<u>753,496</u>	<u>5,168,277</u>
	Total current liabilities	
	753,496	5,168,277
Noncurrent liability		
Compensated absences payable	123,526	15,953
	<u>123,526</u>	<u>15,953</u>
	Total liabilities	
	<u>877,022</u>	<u>5,184,230</u>
<b>NET ASSETS</b>		
Invested in capital assets	16,521,594	9,061,371
Unrestricted	3,315,215	23,175,889
	<u>\$ 19,836,809</u>	<u>\$ 32,237,260</u>
	Total net assets	
	<u>\$ 19,836,809</u>	<u>\$ 32,237,260</u>

See notes to the financial statements.

TOWN OF PALM BEACH, FLORIDA

RECONCILIATION OF THE ENTERPRISE FUND  
TO THE BUSINESS-TYPE ACTIVITIES

September 30, 2011

	<u>Net Assets</u>	<u>Changes in Net Assets</u>
<b>Amounts reported for the Recreation Enterprise Fund</b>	<b>\$ 19,836,809</b>	<b>\$ (50,496)</b>
<p>risk management, group health insurance, and equipment replacement to individual governmental and enterprise funds. The operating income or loss of certain activities of internal service funds related to the enterprise fund are included with business-type activities in the government-wide statements.</p> <p>The following reflects the consolidation of internal service fund activities related to the enterprise fund.</p>		
Current year adjustment	(39,406)	(39,406)
Cumulative prior year adjustments	<u>24,687</u>	<u>                    </u>
<b>Amounts reported for the Business-Type Activities</b>	<b><u>\$ 19,822,090</u></b>	<b><u>\$ (89,902)</u></b>

See notes to the financial statements

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2011

	Business-type Activities - Recreation Enterprise Fund	Governmental Activities - Internal Service Funds
	<u>Fund</u>	<u>Funds</u>
<b>OPERATING REVENUES</b>		
Golf fees and related revenue	\$ 885,077	\$
Marina fees and related revenue	2,773,755	
Charges for services	610,535	8,352,651
Other operating revenue	39,095	13,406
Total operating revenues	<u>4,308,462</u>	<u>8,366,057</u>
<b>OPERATING EXPENSES</b>		
Personal services	1,852,280	178,755
Contractual services	434,141	56,955
Repairs and maintenance	86,618	
Equipment rental	15,361	
Materials and supplies	216,277	
Utilities	406,138	
Insurance		1,979,895
Claims		5,161,814
Depreciation	529,972	1,459,148
Other	80,944	21,706
Total operating expenses	<u>3,621,731</u>	<u>8,858,273</u>
Operating income	686,731	(492,216)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	27,311	242,295
Insurance recoveries		1,455,039
Loss on disposal of capital assets	(200)	(39,414)
Total nonoperating revenues (expenses)	<u>27,111</u>	<u>1,657,920</u>
Income (loss) before capital contributions and transfers	713,842	1,165,704
Transfers in		458,901
Transfers out	(764,338)	
Change in net assets	(50,496)	1,624,605
Net assets - beginning of year	<u>19,887,305</u>	<u>30,612,655</u>
Net assets - end of year	<u>\$ 19,836,809</u>	<u>\$ 32,237,260</u>

See notes to the financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended September 30, 2011

	Business-type Activities - Recreation Enterprise Fund	Governmental Activities - Internal Service Fund
	<u>                    </u>	<u>                    </u>
<b>OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 2,600,954	\$
Receipts from interfund services provided		8,353,243
Payments to employees	(1,877,744)	(163,621)
Payments to suppliers	(1,220,975)	(6,788,746)
Payments to other funds		(9,624)
Other receipts	39,095	13,406
Net cash provided by operating activities	<u>(458,670)</u>	<u>1,404,658</u>
<b>NONCAPITAL FINANCING ACTIVITY</b>		
Transfers to other funds	<u>(764,338)</u>	
Net cash used in noncapital financing activities	(764,338)	
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of property and equipment	(31,523)	(459,871)
Proceeds from sale of assets		105,945
Receipts from other funds		9,895
Insurance recoveries		1,455,039
Net cash used in capital and related financing activities	<u>(31,523)</u>	<u>1,111,008</u>
<b>INVESTING ACTIVITY</b>		
Investment earnings received	41,819	257,235
Net cash provided (used) by investing activities	<u>41,819</u>	<u>257,235</u>
Net decrease in cash and cash equivalents	(1,212,712)	2,772,901
Cash and cash equivalents - beginning of year	<u>5,303,259</u>	<u>25,544,463</u>
Cash and cash equivalents - end of year	<u>\$ 4,090,547</u>	<u>\$ 28,317,364</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 686,731	\$ (492,216)
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation	529,972	1,459,148
<b>Changes in operating assets and liabilities:</b>		
(Increase) decrease in accounts receivable	(11,570)	
(Increase) decrease in due from other funds	30,055	448
(Increase) decrease in prepaid expenses	(12,310)	98,569
Increase (decrease) in accounts payable	30,814	(140,043)
Increase (decrease) in accrued liabilities	1,484	478,588
Increase (decrease) in due to other funds	(1,738,650)	144
Increase (decrease) in customer deposits	16,078	
Increase (decrease) in unearned revenue	35,674	
Increase (decrease) in compensated absences payable	(26,948)	20
Net cash provided by operating activities	<u>\$ (458,670)</u>	<u>\$ 1,404,658</u>

See notes to the financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

September 30, 2011

	<u>Trust Funds</u>	<u>Kreusler Park Agency Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 10,583,332	\$
Equity in pooled cash and investments	1,497,665	
Interest and dividends receivable	96,161	
Town contributions receivable	989,641	
State contributions receivable	88,570	
Due from broker for securities sold	174,022	
Other receivables	593	9,766
Prepaid expenses and other assets	17,710	
Investments, at fair value		
U.S. government securities	1,352,291	
Corporate bonds and notes	13,909,757	
Common stock	17,717,016	
Domestic equity funds	40,893,307	
International equity funds	22,736,374	
Domestic fixed income funds	27,277,339	
Real estate funds	9,585,595	
Alternative investments	43,234,144	
Private equity funds	852,638	
Share and DROP mutual funds held outside the Plan	2,337,913	
<b>Total Assets</b>	<u>193,344,068</u>	<u>9,766</u>
<b>LIABILITIES</b>		
Accounts payable	285,220	9,766
Accrued liabilities	4,162	
Due to broker for securities purchased	116,153	
Deferred retirement option plan payable	85,324	
Prepaid town contributions	1,777,469	
Share and deferred retirement option plan payable - held outside the Plan	2,337,913	
<b>Total liabilities</b>	<u>4,606,241</u>	<u>9,766</u>
<b>NET ASSETS</b>		
Held in trust for pension and retiree health benefits	<u>\$ 188,737,827</u>	<u>\$</u>

See notes to the financial statements.

**TOWN OF PALM BEACH, FLORIDA**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**

**Year Ended September 30, 2011**

	Trust Funds
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 8,849,475
Employee	2,847,095
State	786,402
Other	178,514
Total contributions	12,661,486
Investment income (loss)	
Net appreciation in fair value of investments	(474,976)
Interest and dividends	1,464,133
Other	14,448
	1,003,605
Less investment expense	(806,127)
Allocation of investment income:	
Deferred retirement option plan	(29,253)
	(29,253)
Net investment income	168,225
Total additions	12,829,711
<b>DEDUCTIONS</b>	
Benefit payments	15,083,427
Share account distributions	76,027
Refunds of participants' contributions	150,048
Administrative expense	464,470
Other	386,895
Total deductions	16,160,867
Net increase	(3,331,156)
Net assets held in trust for pension and retiree health benefits - beginning of year	192,068,983
NET ASSETS HELD IN TRUST FOR PENSION AND RETIREE HEALTH BENEFITS - END OF YEAR	\$ 188,737,827

See notes to the financial statements.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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.

The basic financial statements of the Town have been prepared in conformity with United States generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board (the "GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Town's significant accounting policies.

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, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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 Facilities (the "ECR"):** The ECR is reported as a joint venture accounted for using the equity method as discussed in Note E.

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

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The *Accelerated Capital Fund* accounts for capital projects financed with the proceeds of the Series 2010A Bonds. The projects are part of a 20 year comprehensive capital improvement program.

The *Beach Restoration Project Fund* accounts for beach improvements, restoration and renourishment through the placement of sand and possible groin fields and environmental mitigation for beach stabilization in all or a portion of the beaches located within the Town.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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 60 days of the end of the current fiscal year. 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 non-operating 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.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Property Tax Reform:** During 2007, the Florida Legislature passed property tax reform legislation limiting the property tax levies of local governments in the State of Florida. Local governments that adopt a property tax levy in excess of the limit under State law will lose their Half-Cent Sales Tax distribution from the State for the succeeding twelve months. For the fiscal year ending September 30, 2011, 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 (2009/2010) 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 2009.

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, 2011 the Town adopted a millage rate of 3.2512. This millage rate results in a total tax levy of \$36,245,500 for 2011, representing a decrease of 12.3%, from the property tax levy of 2010. 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.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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.

**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 estimated useful life in excess of one year and the capitalization thresholds presented below. 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.

The capitalization thresholds and estimated useful lives assigned to the various categories of assets are as follows:

<u>Classification</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life In Years</u>
Buildings	\$50,000	40
Improvements other than buildings	50,000	25
Infrastructure	50,000	6-50
Computer software	25,000	10
Equipment, furniture and machinery	2,500	2-20
Computer equipment	1,500	3-10

Intangible assets consist of the right of use of the City of Lake Worth, Florida's wastewater facilities. These assets are amortized using the straight-line method over 40 years, the term of the underlying agreement.

**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 interest method or the straight-line method, which approximates the interest method.

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Net Assets:** Equity in the government-wide statement of net assets utilize a net assets 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***.

**Fund Balance:** Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balance is reported under the following classifications:

***Nonspendable fund balance*** - This component indicates amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale. However, if the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned, then they should be included in the appropriate fund balance classification (restricted, committed, or assigned), rather than the nonspendable fund balance. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

***Restricted fund balance*** - This component indicates amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. It is the Town's policy to have no restricted fund balance in the General Fund. Restricted amounts will be budgeted and reported in special revenue funds, capital projects funds, or debt service funds.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

**Committed fund balance** – This component includes amounts that can be used only for specific purposes pursuant to constraints imposed by an ordinance or resolution of the Town Council. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts.

Commitment of fund balance may be made for such purposes including, but not limited to: a) major maintenance and repair projects; b) meeting future obligations resulting from a natural disaster; c) accumulating resources pursuant to stabilization arrangements; d) establishing reserves for disasters; and or e) setting aside amounts for specific projects or purposes.

**Assigned fund balance** – This component includes amounts intended to be used by the Town for specific purposes, but are neither restricted or committed. Assignment of fund balance may be a) made for a specific purpose that is narrower than the general purposes of the government itself; and/or b) used to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues.

Assigned fund balance shall reflect management's intended use of resources as set forth in the annual budget (and any amendments thereto). Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it was assigned.

**Unassigned fund balance** – This component includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

The Town will maintain a minimum level of unassigned fund balance of 25% of general und operating expenditures. If after the annual audit, prior committed or assigned fund balance causes the unassigned fund balance to fall below 25% of general fund operating expenditures, the Town Manager will so advise the Town Council in order for necessary action to be taken to restore unassigned fund balance to 25% of General Fund operating expenditures.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Fund Balance (Continued)**

The Town Manager will prepare and submit a plan to the Town Council, that may include expenditure reductions, revenue increases, use of non-recurring revenues, budget surpluses and excess resources in other funds to restore fund balance to the minimum level. The Town shall take action necessary to restore the unassigned fund balance to acceptable levels within two years.

**Unrestricted fund balance** – The total of committed fund balance, assigned fund balance, and unassigned fund balance

The Town will use excess unassigned fund balance first before spending any of the unassigned fund balance below 25 %

**Encumbrances:** Budgets in governmental funds are encumbered upon issuance of purchase orders, contracts, or other forms of legal commitments. Appropriations expire at year end, even if encumbered, but it is the Town's policy to re-appropriate such amounts at the beginning of the next fiscal year.

**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. Governmental revenues that have been earned but do not meet the availability criteria are also considered deferred revenue.

**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.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Recent Accounting Pronouncement:** The Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. The Town implemented this standard during the fiscal year ended September 30, 2011.

**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 – DEPOSITS AND INVESTMENTS

Deposits

**Custodial Credit Risk:** Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized. 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. The Town's deposits are considered insured for custodial credit risk purposes. At September 30, 2011, the carrying amount of the Town's deposits with financial institutions was \$6,348,998 and the bank balance was \$7,326,804, excluding pension trust funds. The Town also had \$4,900 in petty cash.

**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." Investment earnings are allocated to the participating funds based on each fund's relative percentage of investments.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

At September 30, 2011, the Town’s pooled cash and investments consisted of the following:

Description	Weighted Average Maturity	Fair Value
Deposits with financial institutions		\$ 6,298,247
Commercial paper	108 days	13,622,816
Money market mutual fund	42 days	12,935,613
Money market mutual fund	51 days	2,440,759
U.S. Treasuries	389 days	11,194,951
Federal Agencies	406 days	39,712,547
Florida Municipal Investment Trust		
1-3 Year High Quality Bond Fund	1.6 years	22,834,284
Intermediate High Quality Bond Fund	3.5 years	9,180,218
 Total pooled cash and investments		 \$118,219,435

Investments

**Investment Authorization:** 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.

**Custodial Credit Risk:** Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. 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 versus payment” basis to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. Investments in open-end mutual funds and external investment pools

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Consequently, the Town's investments in mutual funds, alternative investments, and the Florida Municipal Investment Trust are not exposed to custodial credit risk.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment 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. Rating by a nationally recognized statistical rating organization ("NRSRO") is 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 or above, unless specifically approved by the Board. Securities which are unrated may be purchased, if in the judgment of the investment manager, they would carry an investment grade rating. Short-term money market instruments are restricted to those with a rating not less than A-1 or P-1.

**Concentration of Credit Risk:** Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's 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.

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

**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 general operating investments at September 30, 2011, the Town's General Employees' Retirement System, OPBB Trust Fund, the Police Officers' Retirement Trust Fund, and the Firefighters' Retirement Trust Fund held investments in international equity mutual funds.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The Town’s investments in international equity mutual funds as of September 30, 2011 are as follows:

Fund	Fair Value
General Employees’ Retirement System	\$ 5,925,980
OPEB Trust Fund	2,542,332
Police Officers’ Pension Trust Fund	7,290,548
Firefighters’ Pension Trust Fund	6,977,514
 Total international equity mutual funds	 \$22,736,374

General Operating Investments

As a means of limiting its exposure to interest rate risk, the Town diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities. Information about the sensitivity of the fair values of the Plan’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Plan’s investments by maturity at September 30, 2011:

Investment	Fair Value	Investment Maturities in Years	
		Less than 1	1 to 5
U.S. Treasuries	\$ 11,194,951	\$ 9,438,000	\$ 1,756,951
Federal agencies	39,712,547	25,185,175	14,527,372
Commercial paper	13,622,816	12,382,340	1,240,476
Money market mutual funds	15,376,372	15,376,372	
Florida Municipal Investment Trust			
1-3 Year High Quality Bond Fund	22,834,284		22,834,284
Intermediate High Quality Bond Fund	9,180,218		9,180,218
 Total general operating investments	 \$ 111,921,188	 \$ 62,381,887	 \$ 49,539,301

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

General Operating Investments (Continued)

The Town’s investment policy addresses credit risk by limiting investments to the safest types of securities and diversifying the investment portfolio. Credit rating is also an indication of credit risk. The ratings for the general operating investments at September 30, 2011 are summarized below

Investment Type	S&P Rating	Moody’s Rating	Fair Value
U.S. Treasuries*	AA+	Aaa	\$ 11,194,951
Federal Agencies	AA+	Aaa	34,717,447
Federal Agencies	A-1+	P-1	4,995,100
Commercial paper	AAA	Aaa	507,135
Commercial paper	AA+	Aa2	382,627
Commercial paper	AA-	Aa3	350,714
Commercial paper	A-1+	P-1	4,989,636
Commercial paper	A-1	P-1	7,392,704
Money market mutual funds	AAAm	Aaa	12,935,613
Money market mutual funds	AAAm	Not Rated	2,440,759
Florida Municipal Investment Trust			
1-3 Year High Quality Bond Fund	Not Rated	Not Rated	22,834,284
Intermediate High Quality Bond Fund	Not Rated	Not Rated	<u>9,180,218</u>
<b>Total investments</b>			<u><u>\$ 111,921,188</u></u>

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 and the Intermediate High Quality Bond portfolio. 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.

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

OPEB Trust Fund Investments

**Investment Authorization:** In addition to the Town’s investment policy, the OPEB Trust Fund is 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.

As of September 30, 2011, the OPEB Trust Fund had the following investments:

<u>Investment</u>	<u>Fair Value</u>
State Street Government STIF	\$ 559,923
Corporate bonds and notes	1,395,507
Domestic equity funds	5,126,736
International equity funds	2,542,332
Domestic fixed income funds	3,329,296
Alternative investments	
Forester Offshore LTD	1,601,940
Archstone Market	1,970,013
Guggenheim Plus II LP	303,964
Total OPEB investments	\$ 16,829,711

At September 30, 2011, approximately 23% of the OPEB Trust Fund 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.

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

OPEB Trust Fund Investments (Continued)

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 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.

As a means of limiting its exposure to interest rate risk, the OPEB Trust Fund diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities. Information about the sensitivity of the fair values of the Trust Fund's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the investments by maturity at September 30, 2011:

Investment	Fair Value	Investment Maturities in Years			
		Less Than 1	1 to 5	6 to 10	More Than 10
State Street Government STIF	\$ 559,923	\$ 559,923	\$	\$	\$
Corporate bonds and notes	1,395,507	125,687	575,814	186,875	507,131
Domestic fixed income funds	3,329,296		644,143	2,685,153	
<b>Total fixed income</b>	<b>\$ 5,284,726</b>	<b>\$ 685,610</b>	<b>\$ 1,219,957</b>	<b>\$ 2,872,028</b>	<b>\$ 507,131</b>

In November 2011, the OPEB Trust Fund liquidated its holdings in corporate bonds and notes and reinvested the proceeds in the Vanguard Short Term Treasury Fund.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

OPEB Trust Fund Investments (Continued)

The Trust Fund’s investment policy addresses credit risk by limiting investments to the safest types of securities and diversifying the investment portfolio. Credit rating is also an indication of credit risk. The ratings for the OPEB Trust Fund investments at September 30, 2011 are summarized below

Investment Type	S&P Rating	Fair Value
Corporate bonds and notes	AAA	\$ 22,468
Corporate bonds and notes	AA-	75,094
Corporate bonds and notes	A+	30,406
Corporate bonds and notes	A-	550,313
Corporate bonds and notes	A	103,225
Corporate bonds and notes	BBB+	158,069
Corporate bonds and notes	BBB	284,890
Corporate bonds and notes	BBB-	171,042
Domestic fixed income funds	Not Rated	3,329,296
State Street Government STIF	Not Rated	559,923
Total fixed income investments		\$ 5,284,726

General Employees’ Retirement System Investments

Investment Authorization: In addition to the Town’s investment policy, the General Employees’ Retirement System is 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 Plan’s 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, 2011

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

General Employees’ Retirement System Investments (Continued)

As of September 30, 2011, the General Employees’ Retirement System had the following investments:

Investment	Fair Value
State Street STIF	\$ 451,487
Common stock	8,699,830
Domestic equity funds	23,042,511
International equity funds	5,925,980
Domestic fixed income funds	19,826,284
Alternative investments	
Mesirow absolute return fund	6,632,992
Total investments	\$ 64,579,084

At September 30, 2011, approximately 10% of the General Employees’ Retirement System 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 perception of the issuers and changes in interest rates.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

General Employees’ Retirement System Investments (Continued)

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.

As a means of limiting its exposure to interest rate risk, the Plan diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities. Information about the sensitivity of the fair values of the Plan’s investments to market interest rate fluctuations is provided by the following tables that show the distribution of the Plan’s investments by maturity at September 30, 2011:

Investment Type	Fair Value	Investment Maturities in Years	
		Less than 1	6 to 10
State Street STIF	\$ 451,487	\$ 451,487	\$
Domestic fixed income funds	19,826,284		19,826,284
Total fixed income	\$ 20,277,771	\$ 451,487	\$ 19,826,284

The Plan’s investment policies address credit risk by limiting investments to bonds or preferred stocks rated investment grade or above, unless specifically approved by the Board. Securities which are unrated may be purchased, if in the judgment of the investment manager, they would carry an investment grade rating. No short-term money market instrument shall be purchased which has a rating less than A-1 or P-1. The ratings for the General Employees’ Pension Plan investments at September 30, 2011 are summarized below.

Investment Type	S&P Rating	Moody’s Rating	Fitch Rating	Fair Value
State Street STIF	Not Rated	Not Rated	Not Rated	\$ 451,487
Domestic fixed income funds	AA+	Not Rated	Not Rated	19,826,284
Total fixed income				\$ 20,277,771

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Police Officers' Retirement Systems Investments

**Investment Authorization:** The Plan's investment policy is determined by the Board of Trustees. The policy's objective is to obtain a reasonable total rate of return – defined as interest and dividend income plus realized and unrealized capital gains and/or losses – that meet or exceeds the actuarial interest rate assumption net of fees to ensure the Plan is actuarially sound. The investment policy of the Plan stipulates that the trustee shall, in acquiring, investing, reinvesting, exchanging, retaining, selling and maintaining property for the benefit of the Plan exercise the care, skill, prudence, and diligence that a prudent man acting in such matters would use in the conduct of an enterprise of like character and with like aim. The policy also states that investments of the Plan will be diversified so as to minimize the risk of large loss, unless under the circumstances it is clearly prudent not to do so.

The Trustees are authorized to acquire and retain every kind of property, real, personal or mixed, and every kind of investment specifically including, but not by way of limitation, bonds, debentures, and other corporate obligations, and stocks, preferred or common, which persons of prudence, discretion and intelligence acquire or retain for their own account. Investment in all equity securities shall be limited to those listed on one or more recognized national exchanges or on the National Market System and limited to no more than 60% of the Plan's total asset value with no more than 5% of the Plan's total assets, invested in the common stock of any one company. Each investment manager shall monitor assets under its jurisdiction to ensure that no purchase shall be made which would cause the holding of any one issuer to exceed 5% of the investment manager's maximum equity commitment valued at market. Investments in stocks of foreign companies shall be limited to 15% of the total Plan's assets.

Managers shall not invest in bonds or preferred stocks rates below investment grade without prior approval of the Board. In the event it is split-rated, the higher rating will apply. Securities, which are unrated, may be purchased if, in the judgment of the manager, they would carry an investment grade rating. In the event an investment grade security is downgraded to below investment grade, the manager shall sell the security within a reasonable time period.

**Type of Investments:** Florida statutes and the Plan investment policy authorize the Trustees to invest funds in various investments. The current target allocation of these investments at market as of September 30, 2011 is as follows:

<u>Authorized Investments</u>	
Domestic equities	20%
Fixed income	20%
International equities	15%
Cash equivalents	0%
Alternative investments	30%
Real estate	15%

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Police Officers' Retirement Systems Investments (Continued)

**Interest Rate Risk:** As a means of limiting its exposure to interest rate risk, the Plan diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities

Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following tables that show the distribution of the Plan's investments by maturity at September 30, 2011:

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. bonds	\$ 134,319	\$ -	\$ -	\$ -	\$ 134,319
U.S. agencies	1,217,972	-	180,233	127,922	909,817
Corporate bonds and notes	7,387,734	508,073	2,739,388	1,396,468	2,743,805
Bond funds	4,121,759	-	-	4,121,759	-
<b>Total fixed income</b>	<b>\$12,861,784</b>	<b>\$508,073</b>	<b>\$2,919,621</b>	<b>\$5,646,149</b>	<b>\$ 3,787,941</b>

**Credit Risk:** This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Plan's investment policy utilizes portfolio diversification in order to control this risk.

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Police Officers' Retirement Systems Investments (Continued)

The following table discloses credit ratings by investment type, at September 30 2011, as applicable:

<u>Rating of Debt Securities</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
U.S. Government Securities*	\$ 1,352,291	10.5%
AAA	447,726	3.5
AA+	178,389	1.4
AA	126,989	1.0
AA-	368,527	2.9
A+	721,725	5.6
A	803,061	6.2
A-	2,104,281	16.4
BBB+	802,957	6.2
BBB	913,441	7.1
BBB-	878,288	6.8
Bond funds**	4,121,759	32.1
Not rated	42,350	0.3
<b>Total fixed income securities</b>	<b><u>\$ 12,861,784</u></b>	<b><u>100.0%</u></b>

\* Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not have purchase limitations. On August 6, 2011, Standard & Poor's downgraded U.S. Government Securities to AA+.

\*\* At September 30, 2011 Bond funds are comprised of securities rated AAA (80%); AA (3%); A (10%); BBB (7%) per the Barclays Capital U.S. Aggregate Bond Index.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

**Firefighters' Retirement Systems Investments**

**Investment Authorization:** The Plan's investment policy is determined by the Board of Trustees. The policy's objective is to obtain a reasonable total rate of return – defined as interest and dividend income plus realized and unrealized capital gains and/or losses – that meet or exceeds the actuarial interest rate assumption net of fees to ensure the Plan is actuarially sound. The investment policy of the Plan stipulates that the trustee shall, in acquiring, investing, reinvesting, exchanging, retaining, selling and maintaining property for the benefit of the Plan exercise the care, skill, prudence, and diligence that a prudent man acting in such matters would use in the conduct of an enterprise of like character and with like aim. The policy also states that investments of the Plan will be diversified so as to minimize the risk of large loss, unless under the circumstances it is clearly prudent not to do so.

The Trustees are authorized to acquire and retain every kind of property, real, personal or mixed, and every kind of investment specifically including, but not by way of limitation, bonds, debentures, and other corporate obligations, and stocks, preferred or common, which persons of prudence, discretion and intelligence acquire or retain for their own account. Investment in all equity securities shall be limited to those listed on one or more recognized national exchanges or on the National Market System and limited to no more than 55% of the Plan's total asset value with no more than 5% of the Plan's total assets, invested in the common stock of any one company. Each investment manager shall monitor assets under its jurisdiction to ensure that no purchase shall be made which would cause the holding of any one issuer to exceed 5% of the investment manager's maximum equity commitment valued at market. Investments in stocks of foreign companies shall be limited to 15% of the total Plan's assets.

Managers shall not invest in bonds or preferred stocks rates below investment grade without prior approval of the Board. In the event it is split-rated, the higher rating will apply. Securities, which are unrated, may be purchased if, in the judgment of the manager, they would carry an investment grade rating. In the event an investment grade security is downgraded to below investment grade, the manager shall sell the security within a reasonable time period.

**Type of Investments:** Florida statutes and Plan investment policy authorize the Trustees to invest funds in various investments. The current target allocation of these investments at market as of September 30, 2011 is as follows:

<u>Authorized Investments</u>	
Equity (domestic)	15%
Fixed income	20%
Equity (international)	15%
Alternative investments	30%
Private equity	5%
Real estate	15%
Cash	0%

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Firefighters' Retirement Systems Investments (Continued)

**Interest Rate Risk:** As a means of limiting its exposure to interest rate risk, the Plan diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities. Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following tables that show the distribution of the Plan's investments by maturity at September 30, 2011.

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate bonds and notes	5,126,516	388,662	2,083,835	767,275	1,886,744
<b>Total fixed income</b>	<b>\$ 5,126,516</b>	<b>\$ 388,662</b>	<b>\$2,083,835</b>	<b>\$ 767,275</b>	<b>\$ 1,886,744</b>

**Credit Risk:** This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Plan's investment policy utilizes portfolio diversification in order to control this risk.

The following table disclose credit ratings by investment type, at September 30, 2011, as applicable:

Rating of Debt Securities	Fair Value	Percentage of Portfolio
U.S. Government Securities*	\$ -	0.0%
AAA	94,366	1.9
AA-	305,381	6.0
A+	432,281	8.4
A	343,875	6.7
A-	1,714,194	33.4
BBB+	588,269	11.5
BBB	765,081	14.9
BBB-	883,069	17.2
<b>Total fixed income securities</b>	<b>\$ 5,126,516</b>	<b>100.0%</b>

\* Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not have purchase limitations. On August 6, 2011, Standard & Poor's downgraded U.S. Government Securities to AA+.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Firefighters’ Retirement Systems Investments (Continued)

**Concentration of Credit Risk:** The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of plan net asset at September 30, 2011.

**Custodial Credit Risk:** Consistent with the Plan’s investment policy, most of the investments are held by Plan’s custodial bank and registered in the Plan’s name. The Plan’s contract with its custodian allows the custodian to hold securities of the Plan registered in the Custodian’s or its Agent’s nominee name, in bear form, book entry form, a clearing house corporation or a depository, so long as the Custodian’s records clearly indicates the assets held are part of the Plan’s account.

NOTE C – RECEIVABLES

Accounts receivable at September 30, 2011, are comprised of the following:

Fund	Accounts Receivable	Due From Other Government	Allowance For Doubtful Accounts	Net Receivable
<b>Governmental Funds</b>				
General Fund	\$ 1,492,700	\$ 331,622	\$ (616,247)	\$ 1,208,075
Grants Fund		23,892		23,892
Capital Improvement Fund		207,429		207,429
Beach Restoration Project Fund		582,233		582,233
<b>Enterprise Funds</b>				
Recreation Enterprise Fund	26,864	62,516		89,380
<b>Fiduciary Funds</b>				
General Employees’ Pension Trust Fund	42,850			42,850
Police Officers’ Retirement Trust Fund	608,362			608,362
Firefighters’ Retirement Trust Fund	601,614			601,614
<b>Agency Funds</b>				
Kruesler Park Fund	9,766			9,766

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE D - CAPITAL ASSETS

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

<u>Governmental Activities</u>	Balance at Beginning of Year, as Restated	Increases	Decreases	Balance at End of Year
Capital assets not being depreciated				
Land	\$ 9,946,951	\$	\$	\$ 9,946,951
Construction in progress	15,156,493	4,240,863	(13,608,125)	5,789,231
Total capital assets not being depreciated	25,103,444	4,240,863	(13,608,125)	15,736,182
Capital assets being depreciated				
Buildings	34,496,405	2,099,698	(31,052)	36,565,051
Improvements other than buildings	804,699	3,891,427		4,696,126
Equipment	18,064,373	908,877	(651,187)	18,322,063
Infrastructure	85,620,763	7,692,000	(464,000)	92,848,763
Intangible assets – facilities rights of use	1,186,607			1,186,607
Total capital assets being depreciated	140,172,847	14,592,002	(1,146,239)	153,618,610
Less accumulated depreciation and				
Buildings	(6,100,343)	(1,001,538)	22,819	(7,079,062)
Improvements other than buildings	(219,170)	(249,830)		(469,000)
Equipment	(8,307,373)	(1,459,148)	505,828	(9,260,693)
Infrastructure	(34,617,161)	(4,584,679)	233,407	(38,968,433)
Intangible assets – facilities rights of use	(956,696)	(29,665)		(986,361)
Total accumulated depreciation	(50,200,743)	(7,324,860)	762,054	(56,763,549)
Total capital assets being depreciated, net	89,972,104	7,267,142	(384,185)	96,855,061
Governmental activities capital assets, net	<u>\$115,075,548</u>	<u>\$11,508,005</u>	<u>\$(13,992,310)</u>	<u>\$112,591,243</u>

Depreciation and amortization expense was charged to functions/programs as follows:

<u>Governmental Activities</u>	
General government	\$ 279,487
Public safety	1,080,416
Physical environment	5,931,365
Transportation	33,592
Total depreciation and amortization	<u>7,324,860</u>
Expense – governmental activities	<u>\$7,324,860</u>

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE D - CAPITAL ASSETS (Continued)

<u>Business-type Activities</u>	<u>Balance at Beginning of Year, as Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at End of Year</u>
Capital assets not being depreciated				
Land	\$ 5,623,777	\$	\$	\$ 5,623,777
Construction in progress				
Total capital assets not being depreciated	<u>5,623,777</u>			<u>5,623,777</u>
Capital assets being depreciated				
Buildings	3,182,585			3,182,585
Improvements other than buildings	11,125,292			11,125,292
Equipment	536,071	31,523	(23,100)	544,494
Total capital assets being depreciated	<u>14,843,948</u>	<u>31,523</u>	<u>(23,100)</u>	<u>14,852,371</u>
Less accumulated depreciation				
Buildings	(657,086)	(64,315)		(721,401)
Improvements other than buildings	(2,527,251)	(404,903)		(2,932,154)
Equipment	(263,145)	(60,754)	22,900	(300,999)
Total accumulated depreciation	<u>(3,447,482)</u>	<u>(529,972)</u>	<u>22,900</u>	<u>(3,954,554)</u>
Total capital assets being depreciated, net	<u>11,396,466</u>	<u>(498,449)</u>	<u>(200)</u>	<u>10,897,817</u>
Business-type activities capital assets, net	<u>\$ 17,020,243</u>	<u>\$ (498,449)</u>	<u>\$ (200)</u>	<u>\$ 16,521,594</u>

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE E - INVESTMENT IN JOINT VENTURE

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 Facilities (the "ECR") in which each participating entity had a financial interest. The 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 the 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, 2011, the Town had a 7.8125% interest in the ECR. Under generally accepted accounting principles, the Town is required to account for this joint venture using the equity method. Accordingly, the Town recorded its initial investment at cost and is required to record its proportionate share of the ECR's income or loss as well as additional contributions made or distributions received. At September 30, 2011, the Town's 7.8125% equity interest in the ECR totaled \$7,557,934. This investment is reported in the Governmental Activities Statement of Net Assets as Investment in Joint Venture. The Town's investment in ECR was estimated using unaudited ECR financial information for the fiscal year ended September 30, 2011. The Town's management believes the investment in ECR, as reported, is fairly stated.

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. The ECR Board is updating an engineering report on processing and disposal of biosolids at the facility, including the possibility of generating electricity on site. The initial study was prompted by changes in regulations regarding biosolids disposal. A substantial capital investment will be necessary to update the facilities. However, anticipated savings in the operation and maintenance costs as a result of the improvements should significantly reduce the impact of the increased debt service.

Based on a "Participatory Agreement" signed by all participants in April 1993, the 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, 2011, the outstanding balance due to the State Loan Fund was \$6,507,923. The Town's share of this debt was \$540,924 and is reflected as a liability in the Governmental Activities Statement of Net Assets.

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE E - INVESTMENT IN JOINT VENTURE (Continued)

The ECR issues separate financial statements which are audited by other accountants. The latest available audited financial statements for the ECR are for the fiscal year ending September 30, 2010. Other accountants issued an unqualified opinion on those financial statements, which may be obtained from the City of West Palm Beach, Finance Department, 401 Clematis Street, West Palm Beach, Florida 33401.

Summarized financial information relating to the ECR as of and for the year ended September 30, 2010 is as follows:

Net Assets September 30, 2010	
Current and other assets	\$ 23,216,262
Capital assets, net	77,607,527
Total assets	<u>100,823,789</u>
Current liabilities	4,065,541
Non-current liabilities	6,507,895
Total liabilities	<u>10,573,436</u>
Net assets	<u><u>\$ 90,250,353</u></u>

Change in Net Assets Year Ended September 30, 2010	
Charges for services	\$ 11,661,087
Other operating revenue	1,340,942
Total operating revenue	<u>13,002,029</u>
Operating expenses	16,298,480
Operating loss	<u>(3,296,451)</u>
Non-operating revenue, net	58,710
Loss before capital contributions	<u>(3,237,741)</u>
Capital contributions	3,100,193
Decrease in net assets	<u>(137,548)</u>
Net assets - beginning of year	<u>90,387,901</u>
Net assets - end of year	<u><u>\$ 90,250,353</u></u>

TOWN OF PALM BEACH, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE E - INVESTMENT IN JOINT VENTURE (Continued)

At September 30, 2011, the ECR participants and their respective interest in the ECR were as follows:

<u>Participant</u>	<u>Reserve Capacity Percentages</u>
City of West Palm Beach	26.56250%
Palm Beach County	33.59375%
City of Lake Worth	19.53125%
City of Riviera Beach	12.50000%
Town of Palm Beach	<u>7.81250%</u>
Total	<u>\$ 100.00000%</u>

NOTE F - 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 Recreation Enterprise Fund to the General Fund were used to pay for services supporting various culture and recreation projects. Transfers within the governmental and business-type activities are eliminated in the government-wide financial statements.

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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

Interfund receivables and payables and interfund transfers at September 30, 2011 are summarized as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Recreation Enterprise Fund	\$ 2,194
	Internal Service Funds	144
Capital Improvement Fund	Underground Utility Assessments	<u>143,396</u>
		<u>\$ 145,734</u>

Interfund transfers:

	Transfers In - Reported In					Total
	General Fund	Capital Improvement Fund	Beach Restoration Project Fund	Nonmajor Funds	Internal Service Funds	
Transfers out:						
Reported in						
General Fund	\$	\$ 500,000	\$ 3,090,000	\$ 3,500,000	\$	\$ 7,090,000
Capital Improvement Fund	1,400,000			268,685		1,668,685
Accelerated Capital Fund				805,956		805,956
Recreation Enterprise Fund	639,000			125,338		764,338
Nonmajor Funds				980,427	9,895	990,322
				<u>449,006</u>		<u>449,006</u>
	<u>\$ 2,039,000</u>	<u>\$ 500,000</u>	<u>\$ 3,090,000</u>	<u>\$ 5,680,406</u>	<u>\$ 458,901</u>	<u>\$ 11,768,307</u>

Governmental activities reassigned capital assets in the amount of \$449,006 to the Equipment Replacement Fund, an internal service fund. In the Equipment Replacement Fund, this transaction is recorded as a transfer in, but there is no corresponding transfer out in the governmental funds.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE G - LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities for the year ended September 30, 2011 are summarized as follows:

<i><b>Governmental Activities</b></i>	<b>Balance at Beginning of Year</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance at End of Year</b>	<b>Amounts Due Within One Year</b>
Revenue bonds payable	\$ 71,805,000	\$	\$ (1,265,000)	\$ 70,540,000	\$ 1,290,000
Loan payable	648,762		(107,838)	540,924	110,619
Unamortized bond premiums	2,937,268		(150,799)	2,786,469	
Unamortized bond discounts	(403,479)		20,556	(382,923)	
Unamortized loss on refunding	(598,802)		38,854	(559,948)	
<b>Total bonds, notes, and loans payable</b>	<b>74,388,749</b>		<b>(1,464,227)</b>	<b>72,924,522</b>	<b>1,400,619</b>
Compensated absences	3,661,357	509,346	(531,220)	3,639,483	592,807
Landfill closure and postclosure	2,129,406	63,063		2,192,469	
Termination benefits payable	118,771		(118,771)		
<b>Total long-term liabilities</b>	<b>\$ 80,298,283</b>	<b>\$ 572,409</b>	<b>\$ (2,114,218)</b>	<b>\$ 78,756,474</b>	<b>\$ 1,993,426</b>
<i><b>Business-type Activities</b></i>					
Compensated absences	\$ 184,357	\$ 33,267	\$ (60,215)	\$ 157,409	\$ 33,883

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

Town of Palm Beach, Florida, Public Improvement Revenue and Refunding Bonds, Series 2010A

On February 25, 2010, the Town issued \$57,035,000 of the Public Improvement Revenue and Refunding Bonds, Series 2010A (Capital Improvement Program) to (i) finance or refinance (a) replacements and improvements to portions of the Town's sanitary sewer, storm water, street lighting and traffic signal infrastructure (the "Town Infrastructure Project"); (b) renovation of the Town's par 3 golf course (the "Golf Course Project"); (ii) refund the Town's Revenue Refunding Bonds, Series 2003B (Capital Improvement Project) and prepay the Town's Public Improvement Revenue Note, Series 2008; (iv) pay capitalized interest on the Bonds through July 2010; and (v) pay the costs of issuing the Bonds. The Series 2010A Bonds were issued at a net original issue premium of \$2,990,255 and bear interest at rates ranging from 2.0% to 5.0%. Principal payments are due on January 1, and interest payments are due on January 1 and July 1 until maturity on January 1, 2040. The Series 2010A bonds are payable solely from and secured by a pledge of non-ad valorem revenue.

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE G - LONG-TERM LIABILITIES (Continued)

The debt service requirement for the Series 2010A Bonds are as follows:

Year Ending September 30	Principal	Interest	Total
2012	\$ 990,000	\$ 2,631,738	\$ 3,621,738
2013	1,010,000	2,609,213	3,619,213
2014	1,040,000	2,580,988	3,620,988
2015	1,075,000	2,549,263	3,624,263
2016	1,110,000	2,510,937	3,620,937
2017-2021	6,310,000	11,807,937	18,117,937
2022-2026	8,025,000	10,084,313	18,109,313
2027-2031	10,245,000	7,868,780	18,113,780
2032-2036	13,125,000	4,989,875	18,114,875
2037-2040	13,135,000	1,354,625	14,489,625
	<u>\$ 56,065,000</u>	<u>\$ 48,987,669</u>	<u>\$ 105,052,669</u>

Town of Palm Beach, Florida, Public Improvement Revenue Bonds, Series 2010B

On February 25, 2010, the Town issued \$14,770,000 of the Public Improvement Revenue Bonds, Series 2010B (Worth Avenue Commercial District Project) to (i) finance or refinance public capital improvement in the Worth Avenue Commercial District (the "Worth Avenue Project"); (ii) prepay amounts drawn on the Town's Public Improvement Revenue Note, Series 2009; (iii) pay capitalized interest on the Bonds through July 2010; and (iv) pay the costs of issuing the Bonds. The Series 2010B Bonds were issued at a net original issue discount of \$410,712 and bear interest at rates ranging from 2.0% to 4.25%. Principal payments are due on January 1, and interest payments are due on January 1 and July 1 until maturity on January 1, 2040. The Series 2010B bonds are payable from and secured by a pledge of non-ad valorem revenue and non-ad valorem capital special assessments that the Town intends to levy on real property located in the Worth Avenue Commercial District.

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE G - LONG-TERM LIABILITIES (Continued)

The debt service requirement for the Series 2010B Bonds are as follows:

Year Ending September 30	Principal	Interest	Total
2012	\$ 300,000	\$ 562,713	\$ 862,713
2013	310,000	556,613	866,613
2014	315,000	550,363	865,363
2015	320,000	544,013	864,013
2016	330,000	536,894	866,894
2017-2021	1,785,000	2,535,881	4,320,881
2022-2026	2,130,000	2,197,511	4,327,511
2027-2031	2,590,000	1,726,850	4,316,850
2032-2036	3,230,000	1,088,550	4,318,550
2037-2040	3,165,000	292,837	3,457,837
	<u>\$ 14,475,000</u>	<u>\$ 10,592,228</u>	<u>\$ 25,067,228</u>

Joint Venture Loan Payable

In April 1993, the Town entered into a "Participatory Agreement" with the Palm Beach County Water Utilities Department and three municipalities (West Palm Beach, Riviera Beach, and Lake Worth) for certain improvement to the East Central Regional Wastewater Facilities. The improvements were completed in fiscal year 1998 at a total cost of \$38,755,000. The Town's share of the cost was \$1,776,429. Partial funding was provided by the State of Florida, Department of Environmental Protection Revolving Loan Funds approved in March and September 1994. The actual amounts borrowed were \$21,319,410 and \$648,738, respectively. The loans are payable over twenty year periods and carry effective interest rates ranging from 2.30% to 3.17%. The Town's debt service requirements for the loans are as presented on the following page.

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE G - LONG-TERM LIABILITIES (Continued)

Joint Venture Loan Payable (Continued)

Year Ending September 30	Principal	Interest	Total
2012	\$ 110,619	\$ 12,501	\$ 123,120
2013	113,472	9,648	123,120
2014	116,399	6,721	123,120
2015	119,401	3,719	123,120
2016	81,033	755	81,788
	<u>\$ 540,924</u>	<u>\$ 33,344</u>	<u>\$ 574,268</u>

**Interest Expense:** Total interest costs incurred and paid on all Town debt for the year ended September 30, 2011 totaled \$3,138,087 and \$3,235,5423, respectively. No interest was capitalized in the enterprise fund for the year ended September 30, 2011.

**Defeased Debt:** As previously discussed, the Town has defeased the Series 2003B 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. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At September 30, 2011, Series 2003B Revenue Bonds in the amount of \$5,170,000 are outstanding and considered defeased.

**Pledged Revenues:** As previously discussed, the Town has pledged future non-ad valorem revenues to pay principal and interest on the Series 2010A and Series 2010B Revenue Bonds. At September 30, 2011, principal and interest to maturity on January 1, 2040 to be paid from pledged future revenues totaled \$130,119,894. Principal and interest paid for the current fiscal year on these Bonds totaled \$4,485,000 and pledged non-ad valorem revenue totaled \$20,863,658 for the year. It is estimated that annual principal and interest payments will require approximately 23% of pledged revenues.

NOTE H - SHORT-TERM DEBT

On August 15, 2011, the Town adopted Resolution No. 96-11 authorizing a revolving line of credit with Wells Fargo Bank, N.A. in the principal amount not to exceed \$2,000,000, for the purpose of providing interim financing of burying certain utility cables within the Town, certain streetscape improvements, and related capital projects in anticipation of the issuance of bonds or other debt. The obligation of the Town to repay draws made on the line of credit shall be evidenced by the delivery by the Town of its Revolving Line of Credit Note, Series 2011 in the principal amount of \$2,000,000 (the "Note").

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE H – SHORT-TERM DEBT(Continued)

The Note shall bear interest at the variable rate equal to London Interbank Offered Rate (LIBOR) for U.S. dollar deposits of a stated maturity plus one hundred basis points (1.00%), adjusted monthly. Accrued interest on the Note is payable on December 1, 2011, March 1, 2012, June 1, 2012, and August 14, 2012. Draws on the Note may be made from the date of issuance to July 31, 2012. The Note mature on August 31, 2012. The Note does not constitute a general obligation or indebtedness of the Town and is payable from and solely secured by a covenant of the Town to budget and appropriate non-ad valorem revenues, and a lien on and pledge of the proceeds from any obligations specifically issued to refund the Note.

The following is a summary of changes in short-term debt for the year ended September 30, 2011.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Note Payable	<u>\$ 169,542</u>	<u>\$ 169,542</u>	<u>\$</u>	<u>\$ 169,542</u>

NOTE I – OBLIGATION UNDER UTILITY AGREEMENT AND INTANGIBLE ASSETS

On July 10, 1978, the Town entered into a utility agreement with the City of Lake Worth (the "City"). Under the terms of the agreement, the City will supply the Town certain wastewater facilities for a period of 40 years. At the option of the Town, the agreement may be extended for three addition periods of ten years after the otherwise normal termination of the agreement.

The City obtained Florida State Bond Loan, Series E for the purpose of constructing and improving existing water and sewer facilities. Town was obligated to pay the City a percentage of its pro rata share, based on sewer reserved capacity, of the debt service of this loan until October 1, 2006 when the loan was paid in full.

The Series E Loan was originally issued by the City on October 1, 1976, at a face value of \$7,585,000. The loan matured in varying amounts through June 30, 2006. The Town's pro rata share of the loan was 11.7625%. The present value, discounted at the same rate as the Series E Loan, of the Town obligation to the City was \$1,186,607 at issuance. Intangible wastewater usage rights were recorded at the same amount and are being amortized over the 40-year contract period that the Town is entitled to use the City's wastewater facilities. At September 30, 2011, the intangible assets had a net book value of \$200,246 and are recorded with the capital assets of the governmental activities.

Under the terms of the agreement, the Town makes annual payments to the City for operations and maintenance costs based on the Towns actual usage, for its pro rata share of the renewal and replacement costs, and for a pro rata share of the City's debt service payments to the ECR. For the year ended September 30, 2011, the Town made payments of \$411,029 to the City pursuant to the agreement.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE J – 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 Governmental Activities Statement of Activities and in the GAAP basis 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 \$802,026 for the fiscal year ended September 30, 2011.

NOTE K - RETIREMENT PLANS

Plan Descriptions: The Town administers three single employer, defined benefit pension plans. The General Employees' Retirement System 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' System and the Firefighters' System 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. The Police Officers' Retirement System and the Firefighters' Retirement System issue publicly available financial reports that includes financial statements and required supplementary information for the respective Plans. The financial reports may be obtained by writing to the Town of Palm Beach, P. O. Box 2029, Palm Beach, Florida 33480 or by calling (561) 838-5444. The General Employees' Retirement System does not issue a stand alone financial report.

General employees are eligible for retirement after 30 years of service, or age 55 with 10 ten years of service. Lifeguards are eligible for retirement at age 50 with 10 or more years of service or when the member's age plus credited service totals 65 years. General employees may elect early retirement if the member is at least 50 years old with 10 or more years of service. The retirement benefit is calculated as a normal retirement benefit, but it is reduced 6/10 of 1% for each month early retirement precedes the member's normal retirement date. If the member has 20 years or more of service, the retirement benefit is reduced 3/10 of 1% for each month early retirement precedes the normal retirement date.

General employees retirement benefits are determined by multiplying Average Final Compensation (highest two consecutive years out of the last five), times the sum of (a) 2.75% per year for service earned after September 30, 1990, to a maximum of 82.5%, plus 2.35% for service earned on or before September 30, 1990, for the first 30 years of service, plus (b) 1% for service in excess of 30 years.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE K - RETIREMENT PLANS (Continued)

Lifeguards retirement benefits are determined by multiplying Average Final Compensation (highest two consecutive years out of the last five), times the sum of (a) 2.85% per year for the first 25 years of service to a maximum of 71.25%, plus (b) 1% for service in excess of 25 years.

A member of the General Employee's Retirement System may elect to enter the Deferred Retirement Option Program ("DROP") within 7 years of the date the member first reaches normal retirement eligibility. The member receives 98% of their accrued benefit at the date of their election to participate in DROP.

For members of the General Employees' Retirement System hired on or after January 1, 1980, the sum of the employer financed portion of the pension benefit and social security benefit can not exceed 100% of average final compensation. Members who retired after September 30, 1968, and prior to October 1, 1990, receive an annual 1% increase in their retirement benefit computed on the base benefit. Members who retired after September 30, 1990, receive a 2% annual cost of living adjustment subsequent to an initial 3-year deferral period.

The General Employees' Retirement System also provides certain disability, death, and other benefits, which are considered to be retirement benefits for funding and actuarial purposes. Eligible employees become fully vested after 10 years of credited service.

All employees working in excess of 1,040 hours per year are required to participate in the Plan. At September 30, 2010, the date of the most recent actuarial valuation, the membership of the General Employees' Retirement System consisted of the following:

	General Employees	Lifeguards	Total
Retirees and beneficiaries currently receiving benefits	157	9	166
Terminated members entitled to benefits but not yet receiving them	9		9
Current employees			
Vested	83	3	86
Non-Vested	92	4	96
	341	16	357

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE J - RETIREMENT PLANS (Continued)

The financial statements of the General Employees' Retirement System are presented below.

Statement of Plan Net Assets  
September 30, 2011

<b>Assets</b>	
Cash and cash equivalents	\$ 691,596
Equity in pooled cash and investments	2,229
Interest and dividends receivable	4,543
Due from broker for securities sold	42,850
Prepaid expenses and other assets	1,475
Investment at fair value	
Common stock	8,699,830
Domestic equity funds	23,042,511
International equity funds	5,925,980
Domestic fixed income funds	19,826,284
Alternative investments	6,632,992
Total assets	<u>64,870,290</u>
<b>Liabilities</b>	
Accounts payable	71,994
Accrued liabilities	2,821
Due to broker for securities purchased	79,642
Prepaid Town contributions	614,844
Total liabilities	<u>769,301</u>
Net assets held in trust for pension benefits	<u><u>\$ 64,100,989</u></u>

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE J - RETIREMENT PLANS (Continued)

Statement of Change in Plan Net Assets  
Year Ended September 30, 2011

<b>Additions</b>	
Contributions	
Employer	\$ 2,460,540
Employee	854,352
Total contributions	<u>3,314,892</u>
<b>Investment income (Loss)</b>	
Net appreciation in fair value of investments	441,219
Interest and dividends	105,138
Other	14,448
Total investment income	<u>560,805</u>
Less investment expense	<u>(295,084)</u>
Net investment income	<u>265,721</u>
<b>Total additions</b>	<b>3,580,613</b>
<b>Deductions</b>	
Benefit payments	4,602,005
Refunds of participants' contributions	66,994
Administrative expense	52,974
Total deductions	<u>4,721,973</u>
<b>Net decrease</b>	<b>(1,141,360)</b>
Net assets held in trust for pension benefits – beginning of year	<u>65,242,349</u>
Net assets held in trust for pension benefits – end of year	<u>\$ 64,100,989</u>

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE J - RETIREMENT PLANS (Continued)

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

**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. Administrative expenses of the Plans are reimbursed on a retrospective basis by an addition to the Town's contribution rate.

The contribution rates for the fiscal year ended September 30, 2011, 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%	18.71%
Lifeguard employees	7.21%	31.42%
Police employees	6.98%	43.30%
Fire-Rescue employees	6.82%	47.50%

**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	\$2,460,540	\$2,496,264	\$2,919,314
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	2,460,540	2,496,264	2,919,314
Contributions made	<u>(2,460,540)</u>	<u>(2,496,264)</u>	<u>(2,919,314)</u>
Increase (decrease) in net pension obligation	0	0	0
Net pension obligation, beginning of year	<u>0</u>	<u>0</u>	<u>0</u>
Net pension obligation, end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE J - RETIREMENT PLANS (Continued)

**Actuarial Assumptions:** The annual pension cost, net pension obligation and required contribution for the fiscal year ended September 30, 2011 were determined as part of the actuarial valuation of the Plans as of September 30, 2010 using the entry age actuarial cost method. Significant actuarial assumptions used in the latest actuarial valuations of the Plans are summarized as follows:

	<u>General Employees</u>	<u>Police Officers</u>	<u>Firefighters</u>
Valuation date	September 30, 2010	September 30, 2010	September 20, 2010
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	1-30 years	1-30 years	1-30 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market
Investment rate of return (include inflation at 5.5%)	8.0%	8.0%	8.0%
Projected salary increases (includes inflation and other 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 9/60/68 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.

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE J - RETIREMENT PLANS (Continued)

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

<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>			
2009	\$2,420,128	100%	\$ 0
2010	2,616,484	100%	0
2011	2,460,540	100%	0
<u>Police Officers</u>			
2009	\$2,330,352	100%	\$ 0
2010	2,491,095	100%	0
2011	2,496,264	100%	0
<u>Firefighters</u>			
2009	\$2,709,281	100%	\$ 0
2010	2,997,164	100%	0
2011	2,919,314	100%	0

**Funded Status:** The funded status of the Plans as of September 30, 2010, the date of the most recent actuarial valuations, is as follows (dollar amounts in thousands):

<u>Actuarial Valuation Date</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>						
09/30/2010	\$73,089	\$93,147	\$19,338	79.2%	\$11,580	167.0%
<u>Police Officers</u>						
09/30/2010	\$64,079	\$76,694	\$12,615	83.6%	\$6,043	208.8%
<u>Firefighters</u>						
09/30/2010	\$57,219	\$81,598	\$22,379	72.6%	\$6,219	359.8%

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE J - RETIREMENT PLANS (Continued)

**Funding Progress:** The required schedule of funding progress presented following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE K - 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 208 retirees receiving benefits and a total of 337 active participants, of which 277 are not yet eligible to receive benefits. As of September 30, 2010, there are 564 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. Prior to January 1, 2010, retiree contributions were 50% of the actuarial premium. Effective January 1, 2010, the retiree contributions were changed to a sliding scale under which the retiree contribution varies depending on years of service and pension benefit. The retiree contributions vary from a minimum of 50% of the actuarial premium to the maximum amount allowed under Florida Statute 112.08

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

The Early Retiree Reinsurance Program (ERRP) was established by the Patient Protection and Affordable Care Act. Congress appropriated funding of \$5 billion for this temporary ERRP to provide financial assistance to employers, unions, and state and local governments to help them maintain coverage for early retirees age 55 and older who are not yet eligible for Medicare, including their spouses, surviving spouses, and dependents. The ERRP ceased accepting applications after May 5, 2011. The Town submitted an application for reimbursement from the ERRP in 2010 and received reimbursements of \$84,370 in 2011. Reimbursements will be used to offset increases in the Town's costs of maintaining health care coverage.

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Annual required contribution	\$1,663,000
Interest on net OPEB asset	(1,151,750)
Adjustment to annual required contribution	<u>623,620</u>
Annual OPEB cost	1,134,870
Contributions made	<u>(1,550,000)</u>
Increase in net OPEB asset	(415,130)
Net OPEB asset, October 1, 2009	<u>(14,396,870)</u>
Net OPEB asset, September 30, 2010	<u><u>\$(14,812,000)</u></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, 2010. 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.

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
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)
9-30-10	1,134,870	1,550,000	137%	(14,812,000)

**Funded Status:**

The funded status of the plan as of most recent actuarial valuation date was as follows (dollar amounts in thousands):

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
10-01-10	\$17,701	\$27,769	\$10,068	63.7%	26,281	38.3%

**Funding Progress:** Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements presents multi-year trend information that shows whether the actuarial value of plan assets in increasing or decreasing over time relative to the actuarial accrued liability for benefits.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The OPEB Trust Fund does not issue a separate financial report. The Trust Fund's financial statements are presented below.

Statement of Plan Net Assets  
September 30, 2011

<b>Assets</b>	
Cash and cash equivalents	\$ 559,923
Equity in pooled cash and investments	1,495,436
Interest and dividends receivable	3,463
<b>Investment at fair value</b>	
Corporate bonds and notes	1,395,507
Domestic equity funds	5,126,736
International equity funds	2,542,332
Domestic fixed income funds	3,329,296
Alternative investments	3,875,917
<b>Total assets</b>	<b>18,328,610</b>
<b>Liabilities</b>	
Accounts payable	154,183
Accrued liabilities	1,341
<b>Total liabilities</b>	<b>155,524</b>
<b>Net assets held in trust for retiree health benefits</b>	<b>\$ 18,173,086</b>

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Statement of Change in Plan Net Assets  
Year Ended September 30, 2011**

<b>Additions</b>	
<b>Contributions</b>	
Employer	\$ 1,533,000
Employee	1,214,833
Other	178,514
<b>Total contributions</b>	<b>2,926,347</b>
 <b>Investment income (Loss)</b>	
Net depreciation in fair value of investments	(410,115)
Interest and dividends	441,873
<b>Total investment income</b>	<b>31,758</b>
Less investment expense	(87,523)
<b>Net investment loss</b>	<b>(55,765)</b>
 <b>Total additions</b>	 <b>2,870,582</b>
 <b>Deductions</b>	
Benefit payments	2,137,021
Administrative expense	54,636
Other	30,018
<b>Total deductions</b>	<b>2,221,675</b>
 <b>Net increase</b>	 <b>648,907</b>
 Net assets held in trust for retiree health benefits – beginning of year	 <b>17,524,179</b>
 Net assets held in trust for retiree health benefits – end of year	 <b>\$ 18,173,086</b>

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE L - 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.
- 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.

The Town funds the plan on a pay-as-you-go basis. A total of 21 employees elected to participate in the ERIP, five 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. Expenditures are recognized in the governmental funds as the incentive payments and related insurance benefits are incurred.

All outstanding termination benefits payable were paid during the fiscal year ended September 30, 2011.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE M - 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 \$2,841,000 is included in accrued liabilities of the Internal Service Funds at September 30, 2011. This liability is based on the provisions of 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, 2011 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 Town's insurance program covers most risks insured by public entities. There are exposures to the Town that are either uninsured or uninsurable that pose a financial risk to the Town. The exposures consist of, but are not limited to, street lights, traffic lights, signs, roads, sidewalks, underground storm and sanitary sewers, seawalls, bulkheads, piling, docks, statues, living wall, clock tower, mold, beaches, shrubs, plants, security cameras not in buildings, acts of terrorism, and debris left from hurricanes. There is also a 5% deductible for named wind storms under the Town's property coverage which is not included in the 75% confidence level provided by the outside actuarial firm. Settled claims have exceeded commercial insurance coverage in the past three years.

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.

The insurance coverage and accrued claims liability of the Internal Service Funds at September 30, 2011 are summarized on the following page.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE M - INSURANCE PROGRAM (Continued)

	Accrued Claims Liability
<p><b>Group Accident and Health:</b> Certain employees and retirees of the Town contribute through payroll deductions or deductions from pension payments to the cost of group benefits. The remainder of the necessary funding is contributed by the Town based on an actuarially determined amount. As of September 30, 2011, these benefits covered 312 active employees, 183 retirees and 554 dependents. Net costs for the year ended September 30, 2010 were approximately \$4,959,000. 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 \$6.0 million maximum plan costs for 2010). Insurance coverage for claims in excess of these specific limits (up to the policy maximum of \$2,000,000 per person, per life-time) has been obtained from a commercial carrier. The Town makes available certain health insurance benefits for its retired employees and their dependents in accordance with State Statute. Retiree health care benefits are accounted for in the Town's OPEB plan.</p>	\$ 371,000
<p><b>General Liability, Automobile Liability, Public Official Liability, Workers' Compensation and Property:</b> The Town retains the risk of loss for most exposures and maintains excess insurance coverage above the Town's retained risk of loss of \$100,000 per occurrence 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.</p>	
<p>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 \$43,245,301 for buildings and contents with a \$5,000 deductible per occurrence plus a 5% deductible per insured location for a "named" windstorm.</p>	
<p>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.</p>	4,065,000
	\$ 4,436,000

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE M- INSURANCE PROGRAM (Continued)

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

	Year Ended September 30, 2011	Year Ended September 30, 2010
Accrued claims liability at beginning of fiscal year	\$ 3,963,000	\$ 3,229,000
Current year claims and changes in estimates	4,936,000	4,653,000
Claim payments	<u>(4,463,000)</u>	<u>(3,919,000)</u>
Accrued claims liability at end of fiscal year	<u>\$ 4,436,000</u>	<u>\$ 3,963,000</u>

NOTE N - 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, 2010 are as follows:

	Revised Contract Amount	Amount Expended at September 30, 2011	Balance at September 30, 2011
General Fund	\$ 376,102	\$ 350,362	\$ 25,740
Capital Improvement Fund	2,064,098	964,902	1,099,196
Accelerated Capital Fund	3,567,008	622,278	2,944,730
Underground Utility Assessment Fund	57,500	51,750	5,750
Worth Avenue Construction Fund	<u>13,124,561</u>	<u>11,860,569</u>	<u>1,263,992</u>
Total	<u>\$ 19,189,269</u>	<u>\$ 13,849,861</u>	<u>\$ 5,339,408</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, 2011, approximately \$533,000 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.

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE N - COMMITMENTS AND CONTINGENCIES (Continued)

**Contingencies:** In September 2010, the City of Lake Worth filed a complaint against the Town of Palm Beach and six other bulk sewer customers claiming that the Town has underpaid the City for sewage transmission service in the City of Lake Worth Subregional Sewer System. The City alleges that in underpaying for service, the Town has breached certain contracts dating back to 1978, has been unjustly enriched, and has violated the terms of the Prompt Payment Act. Currently, the lawsuit has been abated until (1) the completion of an audit of the City of Lake Worth's financial and operational records by the Florida Auditor General, and (2) the completion of the negotiation process spelled out by Chapter 164, Florida Statutes. It is unclear when both of these processes will be completed.

The Town has numerous defenses to the City's complaint, including laches, estoppel, application of the statute of limitations, and payment of all bills rendered by the City. The City's monetary claims against all seven entities have vacillated from a high of \$13 million to a low of \$5 million. It is difficult to ascertain the precise level of risk in this matter given that the City has intentionally withheld numerous public records that the Town believes will provide additional exculpatory defenses for the Town. In the opinion of the Town's legal counsel, the Town has reasonable arguments against this action, but it is difficult to determine what if any liability may be assessed against the Town. The Town, in conjunction with the other six entities, is vigorously defending this matter.

**Encumbrances:** At September 30, 2011, the following amounts were encumbered in the governmental funds:

<b>Major Funds</b>	
General Fund	\$ 1,369,068
Capital Improvement Fund	1,082,818
Beach Restoration Project Fund	987,147
Accelerated Capital Fund	<u>6,492,941</u>
<b>Total Major Funds</b>	<b>9,93,974</b>
Non-Major Governmental Funds	<u>1,784,984</u>
<b>Total Encumbrances</b>	<b><u>\$ 11,716,958</u></b>

NOTE O - POLLUTION REMEDIATION OBLIGATIONS

During the replacement of a fuel storage tank in Phipps Park, non-petroleum contamination was detected. The contaminants include arsenic and chlorinated pesticides in both soil and groundwater samples. As required by state and federal laws and regulations, this information was submitted to Palm Beach County Environmental Resources Management, the authorized regulatory agency. Representatives of the Town have also met with representatives of the Florida Department of Environmental Protection to relay the preliminary information and request guidance. The Town engaged consultants to develop a remediation plan. The removal of contaminated soil is substantially completed, and the total cost is estimated to be approximately \$575,000. Post remediation monitoring of groundwater will be required, which could result in additional remediation requirements. The cost of additional remediation can not be reasonably estimated at this time.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE P – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Town currently operates two vegetative waste landfill sites, one on Skees Road and another on Okeechobee Boulevard. State and federal laws and regulations require that the Town place a final cover on these landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at these sites for a minimum of thirty years after closure. Although the majority of closure and postclosure care costs will be paid only near or after the date that the operating landfills stop accepting waste, in accordance with GASB Statement No. 18, *Landfill Closure and Postclosure Care Costs*, the Town reports a portion of these closure and post closure care costs as an operating expense each fiscal year based on the landfill capacity used during the period.

As of September 30, 2011, the estimated liability for landfill closure and postclosure care costs were \$1,297,079 for the Skees Road site and \$895,390 for the Okeechobee Boulevard site for a total of \$2,192,469. This represents the cumulative amounts reported to date based on the use of 56.3% of the estimated capacity of the Skees Road site and 73.2% of the Okeechobee Boulevard site. The total liability is reported in the Governmental Activities in the entity-wide Statement of Net Assets. The Town will recognize the remaining estimated costs of closure and postclosure care of \$1,008,566 for the Skees Road Site and \$327,820 for the Okeechobee Boulevard site as the remaining estimated capacity is filled. The landfills have remaining estimated lives of 51 years and 17 years for the Skees Road site and Okeechobee Boulevard site, respectively.

The estimated total current cost of the landfill closure and post closure care is \$2,305,646 for the Skees Road site and \$1,223,210 for the Okeechobee Boulevard site for a total of \$3,528,856. This is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired as of September 30, 2011. However, the actual cost of closure and postclosure may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

In accordance with Rule 62-701.630, Florida Administrative Code, the Town is required to prepare and submit alternate proof of financial assurance to the Florida Department of Environmental Protection on an annual basis showing that the Town has sufficient financial resources to cover, at a minimum, the costs of complying with all state landfill closing and long-term care requirements. The Town is in compliance with this requirement.

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE Q - RESTATEMENT OF BEGINNING BALANCES

**Beach Restoration Project Fund**

The beginning fund balance of the Beach Restoration Fund has been restated on the fund basis financial statements to record prior a period adjustment to correct grant revenues recorded in prior years. A reconciliation of the prior period ending fund balance to the current year beginning fund balance for the General Fund is presented below:

Beginning fund balance	\$ 7,849,487
Adjustment to correct revenues	<u>(288,506)</u>
Beginning fund balance, as restated	<u>\$ 7,560,981</u>

The above adjustment increased the current year change in fund balance by \$288,506 and had no impact on the prior year change in fund balance.

**Capital Improvement Fund**

The beginning fund balance of the Capital Improvements Fund has been restated on the fund basis financial statements to record prior a period adjustment to correct grant revenues and capital expenditures recorded in prior years. A reconciliation of the prior period ending fund balance to the current year beginning fund balance for the General Fund is presented below:

Beginning fund balance	\$ 8,039,809
Adjustment to correct capital expenditures	268,685
Adjustment to correct grant revenues	<u>(62,052)</u>
Beginning fund balance, as restated	<u>\$ 8,246,442</u>

The above adjustment increased the current year change in fund balance by \$62,052 and increased the prior year change in fund balance by \$268,685.

TOWN OF PALM BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE Q - RESTATEMENT OF BEGINNING BALANCES (Continued)

**Governmental Activities**

The beginning net assets of the Governmental Activities in the entity-wide Statement of Net Assets have also been restated to record a prior period adjustment to correct the Town's investment in the ECR joint venture. A reconciliation of the prior period ending net assets to the current year beginning net assets for the Governmental Activities is presented below:

Beginning net assets	\$169,010,398
Adjustment to correct investment in ECR joint venture	<u>(1,105,851)</u>
Beginning net assets, as restated	<u>\$167,904,547</u>

The above adjustment increased the change in net assets \$11,130 for the prior year and had no impact on the current year change in net assets.

NOTE R - DEFICIT FUND BALANCES OF INDIVIDUAL FUNDS

As of September 30, 2011, the Grants Special Revenue Fund and the Underground Utility Assessment Special Revenue Fund had unassigned fund balance deficits in the amounts of \$25,279 and \$228,869, respectively.

NOTE S - SUBSEQUENT EVENT

On January 1, 2012, the Town prepaid \$1,485,000 in principal of the Town of Palm Beach, Florida, Public Improvement Revenue Bonds, Series 2010B.

**REQUIRED SUPPLEMENTARY INFORMATION**

TOWN OF PALM BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
<b>Taxes</b>				
Ad Valorem	\$ 36,245,500	\$ 36,245,500	\$ 36,635,343	\$ 389,843
Local Option Gas Tax	327,000	327,000	301,900	(25,100)
Franchise Fees	2,535,000	2,535,000	2,204,718	(330,282)
Utility Service	4,967,000	4,967,000	4,892,655	(74,345)
Business Tax Receipts	721,000	721,000	694,373	(26,627)
<b>Total Taxes</b>	<b>44,795,500</b>	<b>44,795,500</b>	<b>44,728,989</b>	<b>(66,511)</b>
<b>Fees and Permits</b>				
Building Permits	5,257,300	5,257,300	5,541,885	284,585
Fees and Other Permits	187,000	187,000	207,122	20,122
<b>Total Fees and Permits</b>	<b>5,444,300</b>	<b>5,444,300</b>	<b>5,749,007</b>	<b>304,707</b>
<b>Intergovernmental</b>				
State Shared Revenue	1,071,000	1,071,000	1,068,767	(2,233)
Shared Revenue-local	40,000	40,000	29,536	(10,464)
<b>Total Intergovernmental</b>	<b>1,111,000</b>	<b>1,111,000</b>	<b>1,098,303</b>	<b>(12,697)</b>
<b>Charges for Services</b>				
General Government	36,303	36,303	42,628	6,325
Public Safety	1,417,600	1,417,600	1,419,660	2,060
Physical Environment	1,123,400	1,123,400	1,219,036	95,636
Transportation	774,500	774,500	780,444	5,944
<b>Total Charges for Services</b>	<b>3,351,803</b>	<b>3,351,803</b>	<b>3,461,768</b>	<b>109,965</b>
<b>Fines and Forfeitures</b>	<b>841,000</b>	<b>841,000</b>	<b>1,297,225</b>	<b>456,225</b>
<b>Investment Earnings</b>	<b>1,366,000</b>	<b>1,366,000</b>	<b>495,650</b>	<b>(870,350)</b>
<b>Grant Revenue</b>	<b>18,000</b>	<b>18,000</b>	<b>220,815</b>	<b>202,815</b>
<b>Contributions</b>				
<b>Miscellaneous</b>				
Rents and Royalties	90,500	90,500	88,202	(2,298)
Other Miscellaneous	136,000	136,000	677,483	541,483
<b>Total Miscellaneous</b>	<b>226,500</b>	<b>226,500</b>	<b>765,685</b>	<b>539,185</b>
<b>Total Revenues</b>	<b>57,154,103</b>	<b>57,154,103</b>	<b>57,817,442</b>	<b>663,339</b>

See notes to the budgetary comparison schedule.

TOWN OF PALM BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2011

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>General Government</b>				
Town Manager	\$ 1,955,707	\$ 2,409,509	\$ 2,182,525	\$ 226,984
Human Resources	639,549	648,124	609,670	38,454
Information Systems	1,714,463	1,753,278	1,689,048	64,230
Town Clerk	326,532	326,532	263,463	63,069
Finance	1,558,858	1,581,358	1,535,398	45,960
Planning, Zoning and Building	565,504	609,206	598,910	10,296
Permit Issuance	1,043,751	1,017,740	921,960	95,780
Contingency				
Employee benefits	1,533,000	1,533,000	1,533,000	
<b>Total General Government</b>	<b>9,337,364</b>	<b>9,878,747</b>	<b>9,333,974</b>	<b>544,773</b>
<b>Public Safety</b>				
Inspection and Compliance	1,102,723	1,112,654	1,060,549	52,105
Fire-Rescue	14,024,819	14,256,395	13,989,442	266,953
Police	14,939,738	14,999,899	14,797,456	202,443
Emergency/Disaster Response	978,368	557,066	18,696	538,370
<b>Total Public Safety</b>	<b>31,045,648</b>	<b>30,926,014</b>	<b>29,866,143</b>	<b>1,059,871</b>
<b>Physical Environment</b>				
Administration	907,624	932,522	868,725	63,797
Sewer and Sanitation	7,734,281	8,458,847	7,114,119	1,344,728
Public Works	2,898,373	3,189,844	2,767,905	421,939
<b>Total Physical Environment</b>	<b>11,540,278</b>	<b>12,581,213</b>	<b>10,750,749</b>	<b>1,830,464</b>
<b>Transportation</b>				
Streets and Repairs	389,499	428,534	355,298	73,236
Traffic Control	688,096	691,014	630,713	60,301
<b>Total Transportation</b>	<b>1,077,595</b>	<b>1,119,548</b>	<b>986,011</b>	<b>133,537</b>
<b>Culture and Recreation</b>				
Recreation	140,120	180,851	175,405	5,446
Library	272,400	272,400	272,400	
Parks and Beaches	1,335,217	1,322,204	1,186,031	136,173
<b>Total Culture and Recreation</b>	<b>1,747,737</b>	<b>1,775,455</b>	<b>1,633,836</b>	<b>141,619</b>
<b>Non-departmental</b>	<b>1,896,226</b>	<b>1,906,226</b>	<b>1,905,398</b>	<b>828</b>
<b>Total Expenditures</b>	<b>56,644,848</b>	<b>58,187,203</b>	<b>54,476,111</b>	<b>3,711,092</b>

See notes to the budgetary comparison schedule.

TOWN OF PALM BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds sale of capital assets	\$	\$	\$	\$
Transfers In	2,039,000	2,039,000	2,039,000	
Transfers Out	(7,090,000)	(7,090,000)	(7,090,000)	
	<u>(5,051,000)</u>	<u>(5,051,000)</u>	<u>(5,051,000)</u>	
Revenue and Other Sources Under Expenditures and Other Uses	<u>\$ (4,541,745)</u>	<u>\$ (6,084,100)</u>	(1,709,669)	<u>\$ 4,374,431</u>
Fund balances - beginning of year, as restated			<u>27,432,236</u>	
Fund balance - end of year			<u>\$ 25,722,567</u>	

See notes to the budgetary comparison schedule.

TOWN OF PALM BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2011

NOTE A - BUDGETARY ACCOUNTING

**Budgets:** Budgets are legally adopted for the General Fund, all Debt Service Funds, and all Capital Projects Funds. Special Revenue Funds are not budgeted. 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.

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, 2011, the Town had commitments related to unperformed contracts, which have been re-appropriated in the 2011-2012 annual budget. These amounts are not included in the current year's expenditures as reported in these financial statements. The amended budget at September 30, 2011, includes \$1,542,355 of prior year encumbrances that were re-appropriated.

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

REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO BUDGETARY COMPARISON SCHEDULE (CONTINUED)

September 30, 2011

NOTE B - BUDGET AND ACTUAL COMPARISONS (Continued)

	<u>Revenue</u>	<u>Expenditures</u>
Budgetary basis	\$ 57,817,442	\$ 54,476,111
State on-behalf payments for Police and Fire-Rescue pension contributions not included in budgetary basis	<u>802,026</u>	<u>802,026</u>
GAAP basis	<u>\$ 58,619,468</u>	<u>\$ 55,278,137</u>

TOWN OF PALM BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS - PENSION PLANS

(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded Actuarial Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
<b><u>General Employees' Retirement System</u></b>						
09/30/05	\$ 59,589	\$ 67,882	\$ 8,293	87.8%	\$ 11,552	71.8%
09/30/06	64,608	73,054	8,446	88.4%	12,422	68.0%
09/30/07	72,161	77,632	5,471	93.0%	12,697	43.1%
09/30/08	73,732	83,758	10,026	88.0%	12,687	79.0%
09/30/09	72,370	89,658	17,288	80.7%	13,304	129.9%
09/30/10	73,809	93,147	19,338	79.2%	11,580	167.0%
<b><u>Police Officers' Retirement System</u></b>						
09/30/05	\$ 48,656	\$ 56,996	\$ 8,340	85.4%	\$ 5,348	155.9%
09/30/06	52,614	60,835	8,221	86.5%	5,769	142.5%
09/30/07	58,486	63,742	5,256	91.8%	5,334	98.5%
09/30/08	61,668	68,525	6,857	90.0%	5,309	129.2%
09/30/09	63,000	74,257	11,257	84.8%	6,187	181.9%
09/30/10	64,079	76,694	12,615	83.6%	6,043	208.8%
<b><u>Firefighters' Retirement System</u></b>						
09/30/05	\$ 45,765	\$ 59,314	\$ 13,549	77.2%	\$ 5,237	258.7%
09/30/06	49,236	64,220	14,984	76.7%	5,710	262.4%
09/30/07	54,723	67,027	12,304	81.6%	5,573	220.8%
09/30/08	57,652	71,813	14,161	80.3%	5,823	243.2%
09/30/09	57,852	78,139	20,287	74.0%	6,398	317.1%
09/30/10	59,219	81,598	22,379	72.6%	6,219	359.8%

TOWN OF PALM BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER  
 GENERAL EMPLOYEES' RETIREMENT SYSTEM

Year Ended September 30, 2011

<u>Year Ended September 30</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2006	\$ 2,105,000	\$ 2,008,000 (a)	100%
2007	2,415,000	2,417,000	100%
2008	2,614,902	2,614,902	100%
2009	2,420,128	2,420,128	100%
2010	2,616,484	2,616,484	100%
2011	2,460,540	2,460,540	100%

(a) In years where the computed contribution exceeds the actual contribution, the difference was funded by the Reserve for Employer Contributions.

**TOWN OF PALM BEACH, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**  
**OTHER POSTEMPLOYMENT BENEFITS**

Year Ended September 30, 2011

(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
10/01/06	N/A	N/A	N/A	N/A	N/A	N/A
10/01/08	\$ 15,786	\$ 26,720	\$ 10,934	59.1%	\$ 30,878	35.4%
10/01/10	17,701	27,769	10,068	63.7%	26,281	38.3%

The schedule of funding progress presented above presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Since the plan was initially funded subsequent to October 1, 2006, there was no funding information available as of that date.

**OTHER SUPPLEMENTARY INFORMATION**

**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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUE</b>				
Investment earnings	\$ 60,000	\$ 60,000	\$ 49,585	\$ (10,415)
Grant revenue			3,372	3,372
Miscellaneous	800,000	800,000	16,654	(783,346)
<b>Total revenue</b>	<b>\$ 860,000</b>	<b>\$ 860,000</b>	<b>\$ 69,611</b>	<b>\$ (790,389)</b>
<b>EXPENDITURES</b>				
Current				
General government	\$	\$	\$	\$
Physical environment	210,000	1,770,330	277,023	1,493,307
Transportation	250,000	770,228	325,445	444,783
Culture and recreation		9,718	3,192	6,526
Non-departmental	1,086,000	1,041,000		1,041,000
Capital outlay		5,271,041	1,147,784	4,123,257
<b>Total expenditures</b>	<b>\$ 1,546,000</b>	<b>\$ 8,862,317</b>	<b>\$ 1,753,444</b>	<b>\$ 7,108,873</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	\$ 500,000	\$ 500,000	\$ 500,000	\$
Transfers out	(310,000)	(1,710,000)	(1,668,685)	41,315
<b>Total other financing sources</b>	<b>\$ 190,000</b>	<b>\$ (1,210,000)</b>	<b>\$ (1,168,685)</b>	<b>\$ 41,315</b>

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - BEACH RESTORATION PROJECT FUND

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment earnings	\$ 78,000	\$ 78,000	\$ 62,682	\$ (15,318)
Grant revenue	4,027,100	4,027,100	3,454,058	(573,042)
Total revenue	<u>\$ 4,105,100</u>	<u>\$ 4,105,100</u>	<u>\$ 3,516,740</u>	<u>\$ (588,360)</u>
<b>EXPENDITURES</b>				
Current				
General government	\$	\$	\$	\$
Physical environment	2,300,000	3,103,121	5,982,211	(2,879,090)
Non-departmental				
Capital outlay	4,890,000	6,703,170	294,739	6,408,431
Total expenditures	<u>\$ 7,190,000</u>	<u>\$ 9,806,291</u>	<u>\$ 6,276,950</u>	<u>\$ 3,529,341</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 3,090,000	\$ 3,090,000	\$ 3,090,000	\$
Transfers out				
Total other financing sources (uses)	<u>\$ 3,090,000</u>	<u>\$ 3,090,000</u>	<u>\$ 3,090,000</u>	<u>\$</u>

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - ACCELERATED CAPITAL FUND

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Investment earnings	\$ 400,000	\$ 400,000	\$ 123,235	\$ (276,765)
<b>EXPENDITURES</b>				
General government	\$	\$ 30,500	\$ 14,567	\$ 15,933
Physical environment		839,160	229,491	609,669
Non-departmental	21,660,800	13,496,788		13,496,788
Capital outlay		8,905,568	2,181,504	6,724,064
Debt service				
Interest and fiscal charges		3,337	3,337	
Total expenditures	\$ 21,660,800	\$ 23,275,353	\$ 2,428,899	\$ 20,846,454
<b>OTHER FINANCING SOURCES</b>				
Transfers out	\$ (950,000)	\$ (950,000)	\$ (805,956)	\$ 144,044
Total other financing sources	\$ (950,000)	\$ (950,000)	\$ (805,956)	\$ 144,044

## NONMAJOR GOVERNMENTAL FUNDS

### ***SPECIAL REVENUE FUNDS***

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The Town reports the following nonmajor special revenue funds.

**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.

**Grants Fund** - To account for revenue from ARRA Grant.

**Underground Utility Assessment Fund** - To account for revenue levied for Underground Utility.

### ***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 reports the following nonmajor debt service funds

**Series 2003 Debt Service Fund**

**Series 2008 Debt Service Fund**

**Series 2010A Debt Service Fund**

**Series 2010B Debt Service Fund**

### ***CAPITAL PROJECTS FUNDS***

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Town reports the following nonmajor capital projects funds.

**Town Facilities Fund**

**Worth Avenue Assessment Fund**

**Worth Avenue Construction Fund**

TOWN OF PALM BEACH, FLORIDA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

September 30, 2011

	Special Revenue				Underground Utility Assessment Fund
	State Forfeiture Fund	Federal Forfeiture Fund	Donation Fund	Grants Fund	
<b>ASSETS</b>					
Equity in pooled cash and investments	\$ 159,098	\$ 48,343	\$ 353,798	\$	\$ 142,201
Interest receivable					
Due from other governments				23,892	
<b>Total Assets</b>	<b>\$ 159,098</b>	<b>\$ 48,343</b>	<b>\$ 353,798</b>	<b>\$ 23,892</b>	<b>\$ 142,201</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 1,859	\$	\$ 9,149	\$ 18,439	\$ 58,132
Due to other funds				6,840	143,396
Deferred revenue				23,892	
Note payable - short term					169,542
<b>Total liabilities</b>	<b>1,859</b>		<b>9,149</b>	<b>49,171</b>	<b>371,070</b>
<b>FUND BALANCES</b>					
Restricted for:					
Public safety	157,239	48,343			
Special projects			344,649		
Debt service					
Worth avenue					
Assigned to:					
Town facilities				(25,279)	(228,869)
Unassigned				(25,279)	(228,869)
<b>Total fund balances</b>	<b>157,239</b>	<b>48,343</b>	<b>344,649</b>	<b>(25,279)</b>	<b>(228,869)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 159,098</b>	<b>\$ 48,343</b>	<b>\$ 353,798</b>	<b>\$ 23,892</b>	<b>\$ 142,201</b>

Debt Service				Capital Projects			Total Nonmajor Governmental Funds
Series 2003 Debt Service Fund	Series 2008 Debt Service Fund	2010A Debt Service Fund	2010B Debt Service Fund	Town Facilities Fund	Worth Avenue Assessment Fund	Worth Avenue Construction Fund	
\$	\$	\$ 263,862	\$ 1,156	\$ 967,258 5,897	\$ 103,920	\$ 1,848,920	\$ 3,888,556 5,897 23,892
<u>\$</u>	<u>\$</u>	<u>\$ 263,862</u>	<u>\$ 1,156</u>	<u>\$ 973,155</u>	<u>\$ 103,920</u>	<u>\$ 1,848,920</u>	<u>\$ 3,918,345</u>
\$	\$	\$ 5,201	\$	\$ 21	\$ 9,343	\$ 89,120	\$ 191,264 150,236 23,892 169,542
		<u>5,201</u>		<u>21</u>	<u>9,343</u>	<u>89,120</u>	<u>534,934</u>
							205,582 344,649 259,817 1,854,377
		258,661	1,156		94,577	1,759,800	
				973,134			973,134 (254,148)
		<u>258,661</u>	<u>1,156</u>	<u>973,134</u>	<u>94,577</u>	<u>1,759,800</u>	<u>3,383,411</u>
<u>\$</u>	<u>\$</u>	<u>\$ 263,862</u>	<u>\$ 1,156</u>	<u>\$ 973,155</u>	<u>\$ 103,920</u>	<u>\$ 1,848,920</u>	<u>\$ 3,918,345</u>

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2011

	Special Revenue				Underground Utility Assessment Fund
	State Forfeiture Fund	Federal Forfeiture Fund	Donation Fund	Grants Fund	
<b>REVENUES</b>					
Seizure deposits	\$ 12,500	\$	\$	\$	\$
Investment earnings	29	11			
Contributions			219,446		
Special assessments					
Miscellaneous					
<b>Total revenues</b>	<u>12,529</u>	<u>11</u>	<u>219,446</u>		
<b>EXPENDITURES</b>					
Current					
General government			125,498		
Public safety	16,187	17,530	101,633		
Physical environment				8,227	200,691
Economic Environment					
Culture and recreation			5,055		
Capital outlay		4,719		17,052	
Debt service					
Principal retirement					837
Interest and fiscal charges					27,341
Debt issue cost					
<b>Total expenditures</b>	<u>16,187</u>	<u>22,249</u>	<u>232,186</u>	<u>25,279</u>	<u>228,869</u>
Revenue over (under) expenditures	(3,658)	(22,238)	(12,740)	(25,279)	(228,869)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in					
Transfers out		(9,895)			
Total other financing sources (uses)		<u>(9,895)</u>			
Net change in fund balances	(3,658)	(32,133)	(12,740)	(25,279)	(228,869)
Fund balances - beginning of year	160,897	80,476	357,389		
Fund balances - end of year	<u>\$ 157,239</u>	<u>\$ 48,343</u>	<u>\$ 344,649</u>	<u>\$ (25,279)</u>	<u>\$ (228,869)</u>

Debt Service				Capital Projects			Total Nonmajor Governmental Funds
Series 2003 Debt Service Fund	Series 2008 Debt Service Fund	2010A Debt Service Fund	2010B Debt Service Fund	Town Facilities Fund	Worth Avenue Assessment Fund	Worth Avenue Construction Fund	
\$	\$	\$	\$	\$	\$	\$	\$
2	3	68		1,420	2,907	2,104	12,500
						3,200	6,544
					989,814		222,646
				3,764	3,546	63,215	989,814
2	3	68		5,184	996,267	68,519	70,525
							1,302,029
							125,498
							135,350
							208,918
					89,121	2,280,025	2,369,146
				49,689			5,055
						623,082	694,542
		970,000	295,000				1,265,000
	600	2,659,239	569,013			12,384	3,242,073
							27,341
	600	3,629,239	864,013	49,689	89,121	2,915,491	8,072,923
2	(597)	(3,629,171)	(864,013)	(44,505)	907,146	(2,846,972)	(6,770,894)
		3,740,602	865,163			1,074,641	5,680,406
(46,096)	(69,168)				(865,163)		(990,322)
(46,096)	(69,168)	3,740,602	865,163		(865,163)	1,074,641	4,690,084
(46,094)	(69,765)	111,431	1,150	(44,505)	41,983	(1,772,331)	(2,080,810)
46,094	69,765	147,230	6	1,017,639	52,594	3,532,131	5,464,221
\$	\$	\$	\$	\$	\$	\$	\$
		258,661	1,156	973,134	94,577	1,759,800	3,383,411

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - SERIES 2003 DEBT SERVICE FUND

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment earnings	\$	\$	\$ 2	\$ 2
<b>EXPENDITURES</b>				
Debt service				
Principal retirement				
Interest and fiscal charges				
Total expenditures	\$	\$	\$	\$
<b>OTHER FINANCING SOURCES</b>				
Transfers out	\$ (46,373)	\$ (46,373)	\$ (46,096)	\$ 277

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - SERIES 2008 DEBT SERVICE FUND

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment earnings	\$	\$	\$ 3	\$ 3
<b>EXPENDITURES</b>				
Debt service				
Interest and fiscal charges	\$	\$ 600	\$ 600	\$
<b>OTHER FINANCING SOURCES</b>				
Transfers out	\$ (70,192)	\$ (70,192)	\$ (69,168)	\$ 1,024

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - SERIES 2010A DEBT SERVICE FUND

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment earnings	\$ 1,000	\$ 1,000	\$ 68	\$ (932)
<b>EXPENDITURES</b>				
Debt service				
Principal retirement	915,000	915,000	970,000	(55,000)
Interest and fiscal charges	2,591,000	2,591,000	2,659,239	(68,239)
Total expenditures	\$ 3,506,000	\$ 3,506,000	\$ 3,629,239	\$ (123,239)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	\$ 3,616,565	\$ 3,616,565	\$ 3,740,602	\$ 124,037

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - SERIES 2010B DEBT SERVICE FUND

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment earnings	\$ 500	\$ 500	\$	\$ (500)
<b>EXPENDITURES</b>				
Debt service				
Principal retirement	295,000	295,000	295,000	
Interest and fiscal charges	570,163	570,163	569,013	1,150
Total expenditures	\$ 865,163	\$ 865,163	\$ 864,013	\$ 1,150
<b>OTHER FINANCING SOURCES</b>				
Transfers in	\$ 865,163	\$ 865,163	\$ 865,163	\$

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - TOWN FACILITIES FUND

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment earnings	\$ 2,000	\$ 2,000	\$ 1,420	\$ (580)
Miscellaneous			3,764	3,764
<b>Total revenues</b>	<b>\$ 2,000</b>	<b>\$ 2,000</b>	<b>\$ 5,184</b>	<b>\$ 3,184</b>
<b>EXPENDITURES</b>				
Capital outlay	\$	\$ 1,017,638	\$ 49,689	\$ 967,949
<b>Total expenditures</b>	<b>\$</b>	<b>\$ 1,017,638</b>	<b>\$ 49,689</b>	<b>\$ 967,949</b>

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - WORTH AVENUE ASSESSMENT FUND

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Investment earnings	\$ 1,000	\$ 1,000	\$ 2,907	\$ 1,907
Special assessments	944,000	944,000	989,814	45,814
Miscellaneous			3,546	3,546
<b>Total revenues</b>	<b>\$ 945,000</b>	<b>\$ 945,000</b>	<b>\$ 996,267</b>	<b>\$ 51,267</b>
<b>EXPENDITURES</b>				
Economic environment	\$ 75,000	\$ 150,000	\$ 89,121	\$ 60,879
<b>Total expenditures</b>	<b>\$ 75,000</b>	<b>\$ 150,000</b>	<b>\$ 89,121</b>	<b>\$ 60,879</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers out	\$ (865,163)	\$ (865,163)	\$ (865,163)	\$
<b>Total other financing sources</b>	<b>\$ (865,163)</b>	<b>\$ (865,163)</b>	<b>\$ (865,163)</b>	<b>\$</b>

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - WORTH AVENUE CONSTRUCTION FUND

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Investment earnings	\$ 10,000	\$ 10,000	\$ 2,104	\$ (7,896)
Contributions			3,200	3,200
Miscellaneous			63,215	63,215
<b>Total revenue</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 68,519</b>	<b>\$ 58,519</b>
<b>EXPENDITURES</b>				
Economic environment	\$	\$	\$ 2,280,025	\$ (2,280,025)
Capital outlay	12,499,000	4,590,620	623,082	3,967,538
Debt service				
Interest and fiscal charges		12,385	12,384	1
<b>Total expenditures</b>	<b>\$ 12,499,000</b>	<b>\$ 4,603,005</b>	<b>\$ 2,915,491</b>	<b>\$ 1,687,514</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	\$ 1,260,000	\$ 1,260,000	\$ 1,074,641	\$ (185,359)

## 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. The Town reports the following internal service funds.

**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, 2011

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Equipment Replacement Fund	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 20,000	\$ 29,701	\$	\$ 49,701
Equity in pooled cash and investments	10,961,956	3,492,559	13,813,148	28,267,663
Interest receivable	17,892	489	17,874	36,255
Prepaid expenses	100	6,400		6,500
Total current assets	<u>10,999,948</u>	<u>3,529,149</u>	<u>13,831,022</u>	<u>28,360,119</u>
Noncurrent assets				
Capital assets				
Equipment	63,600		18,258,463	18,322,063
Accumulated depreciation	(19,696)		(9,240,996)	(9,260,692)
Total capital assets, net of accumulated depreciation	<u>43,904</u>		<u>9,017,467</u>	<u>9,061,371</u>
Total assets	<u>11,043,852</u>	<u>3,529,149</u>	<u>22,848,489</u>	<u>37,421,490</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	69,602	471,819	158,800	700,221
Accrued liabilities	4,068,203	371,819		4,440,022
Due to other governments	26,275			26,275
Due to other funds	144			144
Compensated absences payable		1,615		1,615
Total current liabilities	<u>4,164,224</u>	<u>845,253</u>	<u>158,800</u>	<u>5,168,277</u>
Noncurrent liability				
Compensated absences payable	15,953			15,953
Total liabilities	<u>4,180,177</u>	<u>845,253</u>	<u>158,800</u>	<u>5,184,230</u>
<b>NET ASSETS</b>				
Invested in capital assets	43,904		9,017,467	9,061,371
Unrestricted	6,819,771	2,683,896	13,672,222	23,175,889
Total net assets	<u>\$ 6,863,675</u>	<u>\$ 2,683,896</u>	<u>\$ 22,689,689</u>	<u>\$ 32,237,260</u>

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2011

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Equipment Replacement Fund	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,896,226	\$ 4,252,386	\$ 2,204,039	\$ 8,352,651
Other	13,346	60		13,406
Total operating revenues	<u>1,909,572</u>	<u>4,252,446</u>	<u>2,204,039</u>	<u>8,366,057</u>
<b>OPERATING EXPENSES</b>				
Personal services	120,004	58,751		178,755
Contractual services	17,751	39,204		56,955
Insurance	1,001,389	978,506		1,979,895
Claims	1,283,199	3,878,615		5,161,814
Depreciation	2,758		1,456,390	1,459,148
Other	6,664	4,104	10,938	21,706
Total operating expenses	<u>2,431,765</u>	<u>4,959,180</u>	<u>1,467,328</u>	<u>8,858,273</u>
Operating Income (Loss)	(522,193)	(706,734)	736,711	(492,216)
<b>NONOPERATING REVENUE (EXPENSE)</b>				
Investment earnings	82,288	4,378	155,629	242,295
Insurance recoveries	633,984	821,055		1,455,039
Loss on disposal of assets			(39,414)	(39,414)
Total nonoperating revenue (expense)	<u>716,272</u>	<u>825,433</u>	<u>116,215</u>	<u>1,657,920</u>
Income before capital contributions and transfers	194,079	118,699	852,926	1,165,704
Transfers in			458,901	458,901
Change in Net Assets	194,079	118,699	1,311,827	1,624,605
Net assets - beginning of year	6,669,596	2,565,197	21,377,862	30,612,655
Net assets - end of year	<u>\$ 6,863,675</u>	<u>\$ 2,683,896</u>	<u>\$ 22,689,689</u>	<u>\$ 32,237,260</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF CASH FLOWS -  
INTERNAL SERVICE FUNDS

Year Ended September 30, 2011

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Equipment Replacement Fund	Total
<b>OPERATING ACTIVITIES</b>				
Receipts from interfund services provided	\$ 1,896,574	\$ 4,252,630	\$ 2,204,039	\$ 8,353,243
Payments to employees	(110,022)	(53,599)		(163,621)
Payments to suppliers	(1,756,176)	(4,950,082)	(82,488)	(6,788,746)
Payments to other funds	(9,624)			(9,624)
Other receipts	13,346	60		13,406
Net cash provided by (used in) operating activities	<u>34,098</u>	<u>(750,991)</u>	<u>2,121,551</u>	<u>1,404,658</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of property and equipment			(459,871)	(459,871)
Proceeds from sale of assets			105,945	105,945
Receipts from other funds			9,895	9,895
Insurance recoveries	633,984	821,055		1,455,039
Net cash provided by (used in) capital and related financing activities	<u>633,984</u>	<u>821,055</u>	<u>(344,031)</u>	<u>1,111,008</u>
<b>INVESTING ACTIVITY</b>				
Investment earnings received	84,489	19,068	153,678	257,235
Net cash provided by (used in) investing activity	<u>84,489</u>	<u>19,068</u>	<u>153,678</u>	<u>257,235</u>
Net increase (decrease) in cash and cash equivalents	752,571	89,132	1,931,198	2,772,901
Cash and cash equivalents - beginning of year	<u>10,229,385</u>	<u>3,433,128</u>	<u>11,881,950</u>	<u>25,544,463</u>
Cash and cash equivalents - end of year	<u>\$ 10,981,956</u>	<u>\$ 3,522,260</u>	<u>\$ 13,813,148</u>	<u>\$ 28,317,364</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	\$ (522,193)	\$ (706,734)	\$ 736,711	\$ (492,216)
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>				
Depreciation	2,758		1,456,390	1,459,148
<b>Changes in operating assets and liabilities:</b>				
(Increase) decrease in due from other funds	204	244		448
Increase (decrease) in prepaid expenses	(100)	98,669		98,569
Increase (decrease) in accounts payable	50,544	(119,037)	(71,550)	(140,043)
Increase (decrease) in accrued liabilities	502,136	(23,548)		478,588
Increase (decrease) in due to other funds	144			144
Increase (decrease) in compensated absences payable	605	(585)		20
Net cash provided by (used in) operating activities	<u>\$ 34,098</u>	<u>\$ (750,991)</u>	<u>\$ 2,121,551</u>	<u>\$ 1,404,658</u>

## **FIDUCIARY FUNDS**

### ***TRUST FUNDS***

Trust funds are used to account for resources that are required to be held in trust for others. The Town reports the following employee benefit trust funds.

**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 health care benefits.

### ***AGENCY FUNDS***

Agency funds are similar to trust funds as they are used to account for resources that are required to be held in trust for others. The key distinction between trust funds and agency funds is that trust funds normally are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The Town reports the following agency fund.

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

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF PLAN NET ASSETS -  
TRUST FUNDS

September 30, 2011

	General Employees' Pension Trust Fund	Police Officers' Retirement Trust Fund	Firefighters' Retirement Trust Fund	OPEB Trust Fund	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 691,596	\$ 1,941,532	\$ 7,390,281	\$ 559,923	\$ 10,583,332
Equity in pooled cash and investments	2,229			1,495,436	1,497,665
Interest and dividends receivable	4,543	60,937	27,218	3,463	96,161
Town contributions receivable		477,190	512,451		989,641
State contributions receivable			88,570		88,570
Due from broker for securities sold	42,850	131,172			174,022
Other receivables			593		593
Prepaid expenses and other assets	1,475	8,096	8,139		17,710
Investments, at fair value					
U.S. government securities		1,352,291			1,352,291
Corporate bonds and notes		7,387,734	5,126,516	1,395,507	13,909,757
Common stock	8,699,830	4,820,728	4,196,458		17,717,016
Domestic equity funds	23,042,511	6,168,241	6,555,819	5,126,736	40,893,307
International equity funds	5,925,980	7,290,548	6,977,514	2,542,332	22,736,374
Domestic fixed income funds	19,826,284	4,121,759		3,329,296	27,277,339
Real estate funds		4,491,822	5,093,773		9,585,595
Alternative investments	6,632,992	16,511,923	16,213,312	3,875,917	43,234,144
Private equity funds			852,638		852,638
Share and DROP mutual funds held outside the Plan			2,337,913		2,337,913
Total assets	<u>64,870,290</u>	<u>54,763,973</u>	<u>55,381,195</u>	<u>18,328,610</u>	<u>193,344,068</u>
<b>LIABILITIES</b>					
Accounts payable	71,994	30,850	28,193	154,183	285,220
Accrued liabilities	2,821			1,341	4,162
Due to broker for securities purchased	79,642	36,511			116,153
Deferred retirement option plan payable			85,324		85,324
Prepaid town contributions	614,844	542,513	620,112		1,777,469
Share and DROP retirement option plan payable held outside the Plan			2,337,913		2,337,913
Total liabilities	<u>769,301</u>	<u>609,874</u>	<u>3,071,542</u>	<u>155,524</u>	<u>4,606,241</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION AND RETIREE HEALTH BENEFITS</b>					
	<u>\$ 64,100,989</u>	<u>\$ 54,154,099</u>	<u>\$ 52,309,653</u>	<u>\$ 18,173,086</u>	<u>\$ 188,737,827</u>

## TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS  
TRUST FUNDS

Year Ended September 30, 2011

	General Employees' Pension Trust Fund	Police Officers' Retirement Trust Fund	Firefighters' Retirement Trust Fund	OPEB Trust Fund	Total
<b>ADDITIONS</b>					
Contributions					
Employer	\$ 2,460,540	\$ 2,286,245	\$ 2,569,690	\$ 1,533,000	\$ 8,849,475
Employee	854,352	387,938	389,972	1,214,833	2,847,095
State		210,019	576,383		786,402
Other				178,514	178,514
Total contributions	<u>3,314,892</u>	<u>2,884,202</u>	<u>3,536,045</u>	<u>2,926,347</u>	<u>12,661,486</u>
Investment income (loss)					
Net appreciation (depreciation) in fair value of investments	441,219	(105,932)	(400,148)	(410,115)	(474,976)
Interest and dividends	105,138	557,619	359,503	441,873	1,464,133
Other	14,448				14,448
Total investment income	<u>560,805</u>	<u>451,687</u>	<u>(40,645)</u>	<u>31,758</u>	<u>1,003,605</u>
Less investment expense	(295,084)	(238,709)	(184,811)	(87,523)	(806,127)
Allocation of investment income: Deferred retirement option plan			(29,253)		(29,253)
Net investment income	<u>265,721</u>	<u>212,978</u>	<u>(254,709)</u>	<u>(55,765)</u>	<u>168,225</u>
Total additions	<u>3,580,613</u>	<u>3,097,180</u>	<u>3,281,336</u>	<u>2,870,582</u>	<u>12,829,711</u>
<b>DEDUCTIONS</b>					
Benefit payments	4,602,005	4,138,445	4,205,956	2,137,021	15,083,427
Share account distributions			76,027		76,027
Refunds of participants' contributions	66,994	83,054			150,048
Administrative expense	52,974	183,102	173,758	54,636	464,470
Other			356,877	30,018	386,895
Total deductions	<u>4,721,973</u>	<u>4,404,601</u>	<u>4,812,618</u>	<u>2,221,675</u>	<u>16,160,867</u>
Net increase (decrease)	<u>(1,141,360)</u>	<u>(1,307,421)</u>	<u>(1,531,282)</u>	<u>648,907</u>	<u>(3,331,156)</u>
Net assets held in trust for pension and retiree health benefits - beginning of year	<u>65,242,349</u>	<u>55,461,520</u>	<u>53,840,935</u>	<u>17,524,179</u>	<u>192,068,983</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION AND RETIREE HEALTH BENEFITS - END OF YEAR</b>	<u>\$ 64,100,989</u>	<u>\$ 54,154,099</u>	<u>\$ 52,309,653</u>	<u>\$ 18,173,086</u>	<u>\$ 188,737,827</u>

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
AGENCY FUND

Year Ended September 30, 2011

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<b>KREUSLER PARK FUND</b>				
<b>ASSETS</b>				
Equity in pooled cash and investments	\$	\$	\$	\$
Accounts receivable	13,652		(3,886)	9,766
Total assets	<u>\$ 13,652</u>	<u>\$</u>	<u>\$ (3,886)</u>	<u>\$ 9,766</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 13,297	\$	\$ (3,531)	\$ 9,766
Due to other governments	355		(355)	
Total liabilities	<u>\$ 13,652</u>	<u>\$</u>	<u>\$ (3,886)</u>	<u>\$ 9,766</u>

## **DEBT SERVICE REQUIREMENTS**

TOWN OF PALM BEACH

SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS  
PRINCIPAL AND INTEREST TO MATURITY

September 30, 2011

<u>Fiscal Year Ending September 30</u>	<u>Revenue and Refunding Bonds Series 2010A</u>	<u>Revenue Bonds Series 2010B</u>	<u>Joint Venture Loan Payable</u>	<u>Total</u>
2012	\$ 3,621,738	\$ 862,713	\$ 123,120	\$ 4,607,571
2013	3,619,213	866,613	123,120	4,608,946
2014	3,620,988	865,363	123,120	4,609,471
2015	3,624,263	864,013	123,120	4,611,396
2016	3,620,937	866,894	81,788	4,569,619
2017	3,625,538	863,369		4,488,907
2018	3,623,238	863,587		4,486,825
2019	3,624,037	863,087		4,487,124
2020	3,621,187	866,750		4,487,937
2021	3,623,937	864,088		4,488,025
2022	3,623,188	865,525		4,488,713
2023	3,618,937	866,181		4,485,118
2024	3,620,938	865,781		4,486,719
2025	3,623,812	864,012		4,487,824
2026	3,622,438	866,012		4,488,450
2027	3,621,687	862,312		4,483,999
2028	3,624,968	862,603		4,487,571
2029	3,623,750	861,772		4,485,522
2030	3,624,125	864,675		4,488,800
2031	3,619,250	865,488		4,484,738
2032	3,623,750	864,500		4,488,250
2033	3,622,250	862,388		4,484,638
2034	3,624,500	864,037		4,488,537
2035	3,620,250	864,337		4,484,587
2036	3,624,125	863,288		4,487,413
2037	3,620,750	865,775		4,486,525
2038	3,624,750	861,800		4,486,550
2039	3,620,750	866,250		4,487,000
2040	3,623,375	864,012		4,487,387
	<u>\$ 105,052,669</u>	<u>\$ 25,067,225</u>	<u>\$ 574,268</u>	<u>\$ 130,694,162</u>

TOWN OF PALM BEACH

DEBT SERVICE REQUIREMENTS  
PUBLIC IMPROVEMENT REVENUE AND REFUNDING BONDS, SERIES 2010A

September 30, 2011

<b>Fiscal Year Ending September 30</b>	<b>Rate</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal Balance Outstanding End of Year</b>
2012	2.000%	\$ 990,000	\$ 2,631,738	\$ 3,621,738	\$ 55,075,000
2013	2.500%	1,010,000	2,609,213	3,619,213	54,065,000
2014	3.000%	1,040,000	2,580,988	3,620,988	53,025,000
2015	3.000%	1,075,000	2,549,263	3,624,263	51,950,000
2016	4.000%	1,110,000	2,510,937	3,620,937	50,840,000
2017	4.000%	1,160,000	2,465,538	3,625,538	49,680,000
2018	4.000%	1,205,000	2,418,238	3,623,238	48,475,000
2019	4.000%	1,255,000	2,369,037	3,624,037	47,220,000
2020	5.000%	1,310,000	2,311,187	3,621,187	45,910,000
2021	5.000%	1,380,000	2,243,937	3,623,937	44,530,000
2022	5.000%	1,450,000	2,173,188	3,623,188	43,080,000
2023	5.000%	1,520,000	2,098,937	3,618,937	41,560,000
2024	5.000%	1,600,000	2,020,938	3,620,938	39,960,000
2025	5.000%	1,685,000	1,938,812	3,623,812	38,275,000
2026	5.000%	1,770,000	1,852,438	3,622,438	36,505,000
2027	5.000%	1,860,000	1,761,687	3,621,687	34,645,000
2028	4.125%	1,950,000	1,674,968	3,624,968	32,695,000
2029	5.000%	2,040,000	1,583,750	3,623,750	30,655,000
2030	5.000%	2,145,000	1,479,125	3,624,125	28,510,000
2031	5.000%	2,250,000	1,369,250	3,619,250	26,260,000
2032	5.000%	2,370,000	1,253,750	3,623,750	23,890,000
2033	5.000%	2,490,000	1,132,250	3,622,250	21,400,000
2034	5.000%	2,620,000	1,004,500	3,624,500	18,780,000
2035	5.000%	2,750,000	870,250	3,620,250	16,030,000
2036	5.000%	2,895,000	729,125	3,624,125	13,135,000
2037	5.000%	3,040,000	580,750	3,620,750	10,095,000
2038	5.000%	3,200,000	424,750	3,624,750	6,895,000
2039	5.000%	3,360,000	260,750	3,620,750	3,535,000
2040	5.000%	3,535,000	88,375	3,623,375	
		<u>\$ 56,065,000</u>	<u>\$ 48,987,669</u>	<u>\$ 105,052,669</u>	

TOWN OF PALM BEACH  
DEBT SERVICE REQUIREMENTS  
PUBLIC IMPROVEMENT REVENUE BONDS, SERIES 2010B

September 30, 2011

Fiscal Year Ending September 30	Rate	Principal	Interest	Total	Principal Balance Outstanding End of Year
2012	2.000%	\$ 300,000	\$ 562,713	\$ 862,713	\$ 14,175,000
2013	2.000%	310,000	556,613	866,613	13,865,000
2014	2.000%	315,000	550,363	865,363	13,550,000
2015	2.000%	320,000	544,013	864,013	13,230,000
2016	2.375%	330,000	536,894	866,894	12,900,000
2017	2.750%	335,000	528,369	863,369	12,565,000
2018	3.000%	345,000	518,587	863,587	12,220,000
2019	3.000%	355,000	508,087	863,087	11,865,000
2020	3.250%	370,000	496,750	866,750	11,495,000
2021	3.500%	380,000	484,088	864,088	11,115,000
2022	3.500%	395,000	470,525	865,525	10,720,000
2023	3.625%	410,000	456,181	866,181	10,310,000
2024	3.750%	425,000	440,781	865,781	9,885,000
2025	4.000%	440,000	424,012	864,012	9,445,000
2026	4.000%	460,000	406,012	866,012	8,985,000
2027	4.000%	475,000	387,312	862,312	8,510,000
2028	4.125%	495,000	367,603	862,603	8,015,000
2029	4.125%	515,000	346,772	861,772	7,500,000
2030	4.250%	540,000	324,675	864,675	6,960,000
2031	4.500%	565,000	300,488	865,488	6,395,000
2032	4.500%	590,000	274,500	864,500	5,805,000
2033	4.500%	615,000	247,388	862,388	5,190,000
2034	4.500%	645,000	219,037	864,037	4,545,000
2035	4.500%	675,000	189,337	864,337	3,870,000
2036	4.500%	705,000	158,288	863,288	3,165,000
2037	4.500%	740,000	125,775	865,775	2,425,000
2038	4.500%	770,000	91,800	861,800	1,655,000
2039	4.500%	810,000	56,250	866,250	845,000
2040	4.500%	845,000	19,012	864,012	
		\$ 14,475,000	\$ 10,592,225	\$ 25,067,225	

TOWN OF PALM BEACH

DEBT SERVICE REQUIREMENTS  
JOINT VENTURE LOAN PAYABLE

September 30, 2011

<b>Fiscal Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal Balance Outstanding End of Year</b>
2012	\$ 110,619	\$ 12,501	\$ 123,120	\$ 430,305
2013	113,472	9,648	123,120	316,833
2014	116,399	6,721	123,120	200,434
2015	119,401	3,719	123,120	81,033
2016	81,033	755	81,788	
	<u>\$ 540,924</u>	<u>\$ 33,344</u>	<u>\$ 574,268</u>	

## 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 <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>	119
Revenue Capacity <i>These schedules contain information to help the reader assess the Town's most significant local source, the property tax.</i>	125
Debt Capacity <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>	132
Demographic and Economic Information <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>	137
Operating Information <i>These schedules contain information about the Town's operations and resources to help the reader understand how the information in the Town's report relates to the services the Town provides and the activities it performs.</i>	139

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 Nine Fiscal Years*

*Accrual Basis of Accounting*

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental activities</b>									
Invested in capital assets, net of related debt	\$ 51,595,063	\$ 50,906,153	\$ 52,423,983	\$ 70,412,738	\$ 71,453,781	\$ 75,658,381	\$ 80,983,936	\$ 89,404,386	\$ 80,099,513
Restricted	0	250,907	199,674	234,245	276,523	1,184,132	611,489	45,184,112	40,290,335
Unrestricted	75,213,296	80,397,271	86,813,836	83,756,838	94,548,246	90,855,890	91,088,326	36,551,306	39,732,216
<b>Total governmental activities net assets</b>	<b>\$ 126,808,359</b>	<b>\$ 131,554,331</b>	<b>\$ 139,437,493</b>	<b>\$ 154,403,821</b>	<b>\$ 166,278,550</b>	<b>\$ 167,698,403</b>	<b>\$ 172,683,751</b>	<b>\$ 171,139,804</b>	<b>\$ 160,122,064</b>
<b>Business-type activities</b>									
Invested in capital assets, net of related debt	\$ 8,946,928	\$ 10,515,063	\$ 10,679,781	\$ 10,965,117	\$ 10,971,879	\$ 12,635,374	\$ 17,120,652	\$ 17,020,243	\$ 16,521,594
Restricted	0	0	0	0	0	800,000	0	0	0
Unrestricted	2,781,185	3,129,161	4,091,466	4,117,835	4,715,002	4,798,209	2,955,244	2,891,749	3,300,496
<b>Total business-type activities net assets</b>	<b>\$ 11,728,113</b>	<b>\$ 13,644,224</b>	<b>\$ 14,771,247</b>	<b>\$ 15,082,952</b>	<b>\$ 15,686,881</b>	<b>\$ 18,233,583</b>	<b>\$ 20,075,896</b>	<b>\$ 19,911,992</b>	<b>\$ 19,822,090</b>
<b>Primary government</b>									
Invested in capital assets, net of related debt	\$ 60,541,991	\$ 61,421,216	\$ 63,103,764	\$ 81,377,855	\$ 82,425,660	\$ 88,293,755	\$ 98,104,588	\$ 106,424,629	\$ 96,621,107
Restricted	0	250,907	199,674	234,245	276,523	1,984,132	611,489	45,184,112	40,290,335
Unrestricted	77,994,481	83,526,432	90,905,302	87,874,673	99,263,248	95,654,099	94,043,570	39,443,055	43,032,712
<b>Total primary government net assets</b>	<b>\$ 138,536,472</b>	<b>\$ 145,198,555</b>	<b>\$ 154,208,740</b>	<b>\$ 169,486,773</b>	<b>\$ 181,965,431</b>	<b>\$ 185,931,986</b>	<b>\$ 192,759,647</b>	<b>\$ 191,051,796</b>	<b>\$ 179,944,154</b>

**Town of Palm Beach, Florida**

*Changes in Net Assets*

*Last Nine Fiscal Years*

*Accrual Basis of Accounting*

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>									
<b>Governmental activities:</b>									
General government	\$ 8,402,847	\$ 12,881,165	\$ 10,541,925	\$ 10,770,654	\$ 11,620,148	\$ 14,194,382	\$ 11,687,399	\$ 13,535,702	\$ 11,580,425
Public safety	19,803,167	22,872,573	27,865,411	27,115,822	30,526,540	29,688,750	30,755,445	29,321,521	29,833,142
Physical environment	9,307,102	11,851,242	12,267,718	19,746,156	15,169,120	19,802,683	17,536,687	16,553,051	23,071,088
Transportation	582,376	773,122	1,042,556	1,179,979	864,359	1,131,044	1,206,068	898,456	1,459,738
Economic Environment	0	0	0	0	0	0	0	0	2,369,146
Culture and recreation	2,489,073	1,561,430	1,677,604	1,919,405	1,854,023	1,814,544	1,796,409	3,293,395	1,642,346
Interest on long-term debt	1,277,118	1,590,795	1,138,344	1,030,985	913,297	825,899	741,244	2,081,998	3,163,237
<b>Total governmental activities expenses</b>	<b>41,861,683</b>	<b>51,530,327</b>	<b>54,533,558</b>	<b>61,763,001</b>	<b>60,947,487</b>	<b>67,457,302</b>	<b>63,723,252</b>	<b>65,684,123</b>	<b>73,119,122</b>
<b>Business-type activities:</b>									
Leisure services	1,528,543	2,935,651	3,099,168	3,474,250	3,546,363	3,450,003	3,666,342	3,774,682	3,661,337
<b>Total business-type activities expenses</b>	<b>1,528,543</b>	<b>2,935,651</b>	<b>3,099,168</b>	<b>3,474,250</b>	<b>3,546,363</b>	<b>3,450,003</b>	<b>3,666,342</b>	<b>3,774,682</b>	<b>3,661,337</b>
<b>Total primary government expenses</b>	<b>\$ 43,390,226</b>	<b>\$ 54,465,978</b>	<b>\$ 57,632,726</b>	<b>\$ 65,237,251</b>	<b>\$ 64,493,850</b>	<b>\$ 70,907,305</b>	<b>\$ 67,389,594</b>	<b>\$ 69,458,805</b>	<b>\$ 76,780,459</b>
<b>Program Revenues</b>									
<b>Governmental activities:</b>									
<b>Charges for services:</b>									
General government	\$ 5,859,442	\$ 6,317,510	\$ 7,094,336	\$ 6,745,625	\$ 7,308,586	\$ 8,016,246	\$ 5,035,126	\$ 4,239,229	\$ 5,879,837
Public safety	2,233,350	1,827,503	1,551,196	1,913,437	2,449,825	2,330,239	2,464,558	2,023,808	2,716,885
Physical environment	2,707,891	869,451	925,645	1,354,292	1,022,063	1,041,072	1,131,884	1,098,951	1,219,036
Transportation	398,614	433,041	393,012	410,584	540,123	657,135	650,537	1,268,087	1,841,501
Culture and recreation	354,790	0	0	0	54,004	84,663	61,388	37,381	55,017
<b>Operating grants and contributions:</b>									
General government	0	2,378,073	3,892,522	2,995,182	28,427	847,910	39,649	576,737	68,200
Public safety	713,611	182,917	1,394,472	963,866	1,214,891	1,253,809	842,282	322,706	145,364
Physical environment	722,869	60,470	1,612,048	9,672,675	163,213	158,231	319,781	0	5,000
Transportation	0	0	0	78,013	71,204	694,700	42,347	9	0
Culture and recreation	0	177,157	32,932	49,728	74,614	15,831	39,894	3,526	5,865
<b>Capital grants and contributions:</b>									
General government	0	0	0	0	0	0	0	4,421	120,895
Public safety	52,768	478,202	68,524	179,952	30,837	10,957	1,885,000	103,102	379,170
Physical environment	2,567,523	607,209	0	0	3,154,725	672,290	2,490	396,979	3,512,898
Transportation	0	0	0	0	0	0	0	0	7,192
Culture and recreation	0	21,791	0	0	0	0	445,251	10,962	0
<b>Total governmental activities program revenues</b>	<b>15,610,858</b>	<b>13,353,324</b>	<b>16,964,687</b>	<b>24,363,354</b>	<b>16,112,512</b>	<b>15,783,083</b>	<b>12,960,187</b>	<b>10,085,898</b>	<b>15,956,860</b>
<b>Business-type activities:</b>									
<b>Charges for services:</b>									
Leisure Services Fund	3,137,471	3,543,090	3,786,711	3,984,307	4,291,969	4,523,039	4,160,010	4,350,130	4,308,462
Operating grants and contributions	0	0	0	67,183	0	0	0	0	0
Capital grants and contributions	0	0	0	0	0	1,884,649	1,830,934	6,500	0
<b>Total business-type activities program revenues</b>	<b>3,137,471</b>	<b>3,543,090</b>	<b>3,786,711</b>	<b>4,051,490</b>	<b>4,291,969</b>	<b>6,407,688</b>	<b>5,990,944</b>	<b>4,356,630</b>	<b>4,308,462</b>
<b>Total primary government program revenues</b>	<b>\$ 18,748,329</b>	<b>\$ 16,896,414</b>	<b>\$ 20,751,398</b>	<b>\$ 28,414,844</b>	<b>\$ 20,404,481</b>	<b>\$ 22,190,771</b>	<b>\$ 18,951,131</b>	<b>\$ 14,442,528</b>	<b>\$ 20,265,322</b>
<b>Net (expense)/revenue</b>									
Governmental activities	\$ (26,250,825)	\$ (38,177,003)	\$ (37,568,871)	\$ (37,399,647)	\$ (44,834,975)	\$ (51,674,219)	\$ (50,763,065)	\$ (55,598,225)	\$ (57,162,262)
Business-type activities	1,608,928	607,439	687,543	577,240	745,606	2,957,685	2,324,602	581,948	647,125
<b>Total primary government net expense</b>	<b>\$ (24,641,897)</b>	<b>\$ (37,569,564)</b>	<b>\$ (36,881,328)</b>	<b>\$ (36,822,407)</b>	<b>\$ (44,089,369)</b>	<b>\$ (48,716,534)</b>	<b>\$ (48,438,463)</b>	<b>\$ (55,016,277)</b>	<b>\$ (56,515,137)</b>

# Town of Palm Beach, Florida

Changes in Net Assets (continued)

Last Nine Fiscal Years

Accrual Basis of Accounting

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General Revenues and Other Changes in</b>									
<b>Net Assets</b>									
<b>Governmental activities:</b>									
<b>Taxes:</b>									
Property taxes	\$ 29,815,341	\$ 32,778,331	\$ 35,539,136	\$ 39,008,774	\$ 43,096,605	\$ 41,457,249	\$ 42,887,217	\$ 41,508,570	\$ 36,635,343
Local option gas tax	224,517	219,755	222,226	360,210	360,853	337,785	324,077	321,246	301,900
Franchise fees	1,726,221	1,881,195	1,989,980	2,433,811	2,478,487	2,447,544	2,454,232	2,152,817	2,204,718
Utility service taxes	4,156,003	3,983,261	4,160,185	4,167,844	4,105,957	4,496,507	4,608,088	4,885,696	4,847,146
Business Tax Receipts	0	0	0	0	0	0	726,239	716,018	694,373
Intergovernmental, unrestricted	958,145	1,730,628	1,192,382	1,158,415	1,249,609	1,108,340	1,190,409	905,276	937,865
Investment earnings	2,285,717	1,676,047	2,661,913	4,709,493	4,891,708	2,666,647	2,728,147	2,061,399	940,069
Miscellaneous	850,582	1,905,491	0	0	51,565	0	280,004	232,309	2,054,027
Transfers	675,000	(1,251,733)	(313,789)	527,428	474,920	580,000	550,000	550,000	764,338
<b>Total governmental activities</b>	<b>40,691,526</b>	<b>42,922,975</b>	<b>45,452,033</b>	<b>52,365,975</b>	<b>56,709,704</b>	<b>53,094,072</b>	<b>55,748,413</b>	<b>53,333,331</b>	<b>49,379,779</b>
<b>Business-type activities</b>									
Investment earnings	55,287	56,939	125,691	261,893	333,243	169,017	67,711	26,142	27,311
Transfers	(675,000)	1,251,733	313,789	(527,428)	(474,920)	(580,000)	(550,000)	(550,000)	(764,338)
<b>Total business-type activities</b>	<b>(619,713)</b>	<b>1,308,672</b>	<b>439,480</b>	<b>(265,535)</b>	<b>(141,677)</b>	<b>(410,983)</b>	<b>(482,289)</b>	<b>(523,858)</b>	<b>(737,027)</b>
<b>Total primary government</b>	<b>\$ 40,071,813</b>	<b>\$ 44,231,647</b>	<b>\$ 45,891,513</b>	<b>\$ 52,100,440</b>	<b>\$ 56,568,027</b>	<b>\$ 52,683,089</b>	<b>\$ 55,266,124</b>	<b>\$ 52,809,473</b>	<b>\$ 48,642,752</b>
<b>Changes in Net Assets</b>									
Governmental activities	\$ 14,440,701	\$ 4,745,972	\$ 7,883,162	\$ 14,966,328	\$ 11,874,729	\$ 1,419,853	\$ 4,985,348	\$ (2,264,894)	\$ (7,782,483)
Business-type activities	989,215	1,916,111	1,127,023	311,705	603,929	2,546,702	1,842,313	58,090	(89,902)
<b>Total primary government</b>	<b>\$ 15,429,916</b>	<b>\$ 6,662,083</b>	<b>\$ 9,010,185</b>	<b>\$ 15,278,033</b>	<b>\$ 12,478,658</b>	<b>\$ 3,966,555</b>	<b>\$ 6,827,661</b>	<b>\$ (2,206,804)</b>	<b>\$ (7,872,385)</b>

**Town of Palm Beach, Florida**

*Fund Balances of Governmental Funds*

*Last Nine Fiscal Years*

*Modified Accrual Basis of Accounting*

	Fiscal Year Pre-GASB 54							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>General Fund</b>								
Reserved	\$ 918,224	\$ 2,881,233	\$ 1,213,317	\$ 1,379,142	\$ 2,188,726	\$ 515,591	\$ 478,285	\$ 512,860
Unreserved	20,511,244	23,413,449	24,761,271	23,010,110	28,447,330	31,858,624	30,304,216	26,919,376
<b>Total General Fund</b>	<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>	<u>\$ 27,432,236</u>
<b>All other governmental funds</b>								
Reserved	\$ 8,988,509	\$ 8,233,283	\$ 9,932,425	\$ 4,569,597	\$ 3,879,869	\$ 1,184,132	\$ 3,645,534	\$ 18,579,324
Unreserved, reported in:								
Special Revenue Funds	0	0	0	0	0	0	0	598,762
Capital Projects funds	47,027,447	42,062,662	35,813,734	34,579,119	22,254,563	29,111,356	18,107,668	42,765,725
Debt Service Funds	0	0	0	0	0	0	291,518	147,236
<b>Total all other governmental funds</b>	<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>	<u>\$ 62,091,047</u>

**Fiscal Year Post-GASB 54**  
**2011**

<b>General Fund</b>	
<b>Non Spendable:</b>	
Non Spendable	567,775
<b>Spendable:</b>	
Restricted	0
Committed	4,196,183
Assigned	2,802,668
Unassigned	18,155,941
<b>Total General Fund</b>	<u>\$ 25,722,567</u>

<b>All other governmental funds</b>	
<b>Non Spendable:</b>	
Non Spendable	0
<b>Spendable:</b>	
Restricted	40,902,673
Committed	0
Assigned	13,645,491
Unassigned	(254,148)
<b>Total All Other Governmental Funds</b>	<u>\$ 54,294,016</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
2002	\$ 27,281,634	\$ 351,349	\$ 1,716,214	\$ 4,022,212	\$ 0	\$ 33,371,409
2003	29,815,341	224,517	1,726,221	4,156,003	0	35,922,082
2004	32,778,331	219,755	1,881,195	3,983,261	0	38,862,542
2005	35,539,136	222,226	1,989,980	4,160,185	0	41,911,527
2006	39,008,774	360,210	2,433,811	4,167,844	0	45,970,639
2007	43,096,605	360,853	2,478,487	4,105,957	0	50,041,902
2008	41,457,249	337,785	2,447,544	4,496,507	0	48,739,085
2009	42,887,217	324,077	2,454,232	4,608,088	726,239	50,999,853
2010	41,508,570	321,246	2,152,817	4,931,205	716,018	49,629,856
2011	36,635,343	301,900	2,204,718	4,892,655	694,373	44,728,989

Change:

2002-2011	34.3%	-14.1%	28.5%	21.6%	N/A	34.0%
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\*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*

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>										
Taxes	\$ 33,371,408	\$ 35,323,171	\$ 38,862,542	\$ 41,911,527	\$ 45,970,639	\$ 50,041,902	\$ 48,739,085	\$ 50,999,853	\$ 49,629,856	\$ 44,728,989
Fees and permits	5,503,582	5,654,137	6,116,488	6,913,397	6,473,831	7,147,383	7,835,468	4,865,780	4,102,878	5,749,007
Intergovernmental	1,874,958	3,671,884	1,927,469	2,072,960	2,153,286	2,312,236	2,107,927	1,937,338	1,852,267	1,900,329
Charges for services	2,227,358	2,560,809	2,054,178	2,097,306	2,487,444	2,448,829	2,808,298	3,277,981	3,194,361	3,461,768
Fines and forfeitures	566,084	1,477,456	1,079,973	822,112	874,351	1,572,285	1,194,275	927,863	620,978	1,309,725
Contributions	944,886	0	0	0	0	0	0	0	795,161	222,646
Investment earnings	2,365,768	2,055,825	1,282,245	2,119,210	3,663,648	3,618,646	2,036,192	2,389,974	1,814,395	737,696
Grant revenue	492,853	2,620,291	2,720,018	5,106,760	12,674,928	3,313,649	2,331,850	792,662	83,306	3,678,245
Special Assessments	0	0	0	0	0	0	0	0	564,419	989,814
Miscellaneous	223,421	1,034,628	1,185,826	781,153	495,349	567,739	613,605	568,455	302,124	852,864
<b>Total revenues</b>	<b>47,570,318</b>	<b>54,398,201</b>	<b>55,228,739</b>	<b>61,824,425</b>	<b>74,793,476</b>	<b>71,022,669</b>	<b>67,666,700</b>	<b>65,759,906</b>	<b>62,959,745</b>	<b>63,631,083</b>
<b>Expenditures</b>										
General government	5,975,712	5,610,928	6,647,556	7,817,780	8,315,398	8,932,304	9,986,924	10,923,177	10,716,676	9,466,491
Public safety	17,919,096	18,716,632	21,444,642	27,088,862	26,417,211	28,458,944	29,464,707	31,367,667	30,556,992	30,511,290
Physical environment	7,001,958	7,879,102	10,350,736	10,928,714	18,557,179	12,773,809	15,175,670	13,252,050	11,576,185	17,281,410
Transportation	993,183	582,376	769,745	1,043,893	1,185,987	838,808	1,160,600	1,248,445	909,308	1,311,456
Economic Environment	0	0	0	0	0	0	0	0	0	2,369,146
Culture and recreation	1,953,697	2,448,947	1,561,430	1,678,681	1,938,137	1,748,780	1,829,385	1,858,634	1,640,889	1,642,083
Non-departmental	2,292,624	2,746,915	4,822,927	2,510,033	2,390,000	2,220,201	2,414,968	1,918,051	1,902,388	1,905,398
Capital outlay	8,760,344	12,360,305	7,627,971	8,062,746	20,270,287	8,089,774	7,859,165	11,429,915	23,045,739	4,662,208
Debt service										
Principal	766,832	765,063	3,825,289	4,135,584	3,564,637	3,672,904	3,811,297	3,875,000	4,020,000	1,372,838
Interest and other fiscal ch:	1,346,513	1,158,641	1,372,527	1,014,223	864,847	763,674	614,269	650,150	1,336,179	3,260,692
Bond issue costs	0	0	0	0	0	0	30,500	24,303	701,133	27,341
<b>Total expenditures</b>	<b>47,009,959</b>	<b>52,268,909</b>	<b>58,422,823</b>	<b>64,280,516</b>	<b>83,503,683</b>	<b>67,499,198</b>	<b>72,347,485</b>	<b>76,547,392</b>	<b>86,405,489</b>	<b>73,810,353</b>
Revenues over (under) expenditures	560,359	2,129,292	(3,194,084)	(2,456,091)	(8,710,207)	3,523,471	(4,680,785)	(10,787,486)	(23,445,744)	(10,179,270)
<b>Other financing sources (uses)</b>										
Transfers in	10,451,455	10,333,656	9,761,263	11,392,115	14,210,192	8,602,057	7,039,939	10,606,800	10,758,475	11,309,406
Transfers out	(9,776,455)	(9,658,656)	(9,386,855)	(13,805,904)	(13,682,764)	(8,127,137)	(6,459,939)	(10,056,800)	(10,208,475)	(10,554,963)
Proceeds from sale of capital :	0	0	1,964,879	0	0	0	0	0	1,047,156	0
Capital lease issued	140,795	0	0	0	0	0	0	0	0	0
Bonds/Notes proceeds	0	6,108,358	0	0	0	0	10,000,000	395,004	68,742,596	0
Redemption of bonds	0	(18,936,555)	0	0	0	0	0	0	(10,589,028)	0
Proceeds of refunding note	0	19,016,765	0	0	0	0	0	0	0	0
<b>Total other financing sources (uses)</b>	<b>815,795</b>	<b>6,863,568</b>	<b>2,339,287</b>	<b>(2,413,789)</b>	<b>527,428</b>	<b>474,920</b>	<b>10,580,000</b>	<b>945,004</b>	<b>59,750,724</b>	<b>754,443</b>
<b>Net change in fund balances</b>	<b>\$ 1,376,154</b>	<b>\$ 8,992,860</b>	<b>\$ (854,797)</b>	<b>\$ (4,869,880)</b>	<b>\$ (8,182,779)</b>	<b>\$ 3,998,391</b>	<b>\$ 5,899,215</b>	<b>\$ (9,842,482)</b>	<b>\$ 36,304,980</b>	<b>\$ (9,424,827)</b>
<b>Debt service as a percentage of non-capital expenditures</b>	<b>5.53%</b>	<b>4.82%</b>	<b>10.23%</b>	<b>9.16%</b>	<b>7.00%</b>	<b>7.47%</b>	<b>6.91%</b>	<b>6.99%</b>	<b>9.39%</b>	<b>6.77%</b>

## Town of Palm Beach, Florida

### Historic and Projected General Fund Non-Ad Valorem Revenues

#### Last Seven Fiscal Years Actual and Next Year Budgeted

	Actual FY2005	Actual FY2006	Actual FY2007	Actual FY2008	Actual FY2009	Actual FY2010	Actual FY2011	Budget FY2012
Franchise Fees (2)	\$ 1,989,980	\$ 2,433,811	\$ 2,478,487	\$ 2,447,544	\$ 2,454,232	\$ 2,169,801	\$ 2,204,718	\$ 2,360,000
Utility Service Tax	4,160,185	4,167,844	4,105,957	4,496,507	4,608,088	4,879,860	4,892,655	4,982,000
Business Tax Receipts	695,544	721,659	740,875	741,535	726,238	716,018	694,373	745,000
Building Permits	6,073,756	5,628,019	6,201,211	6,844,875	4,701,645	3,934,213	5,535,510	4,809,300
Other License Fees & Permits	144,097	124,153	205,297	249,058	164,135	168,665	213,497	243,500
State Shared Revenue (1)	954,356	1,029,461	1,142,553	1,072,734	1,081,727	980,556	1,058,101	998,500
Grants	165,216	162,824	135,131	71,745	353,590	9,753	220,815	5,500
Local Shared Revenue	207,581	204,636	40,077	24,700	39,997	46,223	29,536	38,000
General Government	49,565	46,062	41,094	34,413	27,618	33,650	42,628	42,000
Public Safety	729,084	1,065,595	908,376	1,146,921	1,539,385	1,450,893	1,419,660	1,542,600
Physical Environment	925,645	991,712	1,022,063	1,041,072	1,131,884	1,098,950	1,219,035	1,178,000
Transportation	393,012	410,584	477,295	585,892	579,292	632,425	780,444	908,136
Fines & Forfeitures	811,038	770,067	1,541,448	1,183,318	1,152,807	594,473	1,297,226	843,000
Contributions	4,035	900	0	10,000	0	0	0	0
Investment Earnings	905,025	1,902,793	2,287,127	1,368,751	1,923,224	1,168,997	495,649	1,110,000
Rents & Royalties	50,460	39,634	80,961	111,320	44,291	102,702	88,202	93,200
Sale of Capital Assets (3)	0	0	0	0	0	1,047,156	0	0
Miscellaneous Other	140,317	243,602	147,348	190,761	158,625	188,989	671,609	94,000
<b>Total Non-Ad Valorem Revenues</b>	<b>\$ 18,398,896</b>	<b>\$ 19,943,356</b>	<b>\$ 21,555,300</b>	<b>\$ 21,621,146</b>	<b>\$ 20,686,778</b>	<b>\$ 19,223,325</b>	<b>\$ 20,863,658</b>	<b>\$ 19,992,736</b>

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

(2) 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.

(3) Proceeds from the sale of capital assets are deposited in the Equipment Replacement Fund.  
Proceeds in FY10 represent the sale of Town owned property.

## 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.

### Business Tax Receipts

Any person engaging in or managing any business, occupation or profession within the limits of the Town of Palm Beach must obtain a business 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 in 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 FY2010 is the receipt of funds from the Florida Department of Law Enforcement 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.

### 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. Revenue in FY10 represents proceeds from the sale of Town owned property.

### 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, 2010. In February, 2010, the Town issued Public Improvement Revenue and Refunding Bonds in the principal amount of \$57,035,000, which refunded with the Series 2003B bonds, and the 2008 Revenue Note and financed a portion of the Town's 20 year capital improvement program. The 2010A bonds 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 Town also issued 2010B Worth Avenue Commercial District Project bonds in the principal amount of \$14,770,000. The Town imposed a capital special assessment against real property in the Worth Avenue Commercial District to pay the cost of the Worth Avenue projects. The assessments will be security for the 2010B bonds.

## 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
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%
2010	15,424,701,553	1,055,167,871	1,995,000	411,729,501	(3,796,459,546)	13,097,134,379	3.2512	16,893,593,925	78%
2011	12,548,944,226	926,346,754	1,995,000	365,999,807	(2,312,807,898)	11,530,477,889	3.2512	12,043,094,460	96%

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	
2002	3.9757	0.0884	4.0641	8.9480	4.9351	2.4558	20.4030
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	2.5042	19.2374
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
2010	3.2512	0	3.2512	7.9830	4.5614	2.4934	18.2890
2011	3.2512	0	3.2512	8.1540	4.9960	2.5549	18.9561

- 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, 2011 and Ten Years Ago

	2011				2002			
	Taxable Assessed Value	Taxes Paid	Rank	Percentage of Town Taxable Assessed Value	Taxable Assessed Value	Taxes Paid	Rank	Percentage of Town Taxable Assessed Value
Breakers	\$ 174,737,943	\$ 568,108	1	1.52%	\$ 172,783,088	\$ 742,967	1	2.52%
Nelson Peltz	81,308,531	264,350	2	0.71%	46,138,199	198,394	3	0.67%
County Road Property LLC	57,844,385	188,064	3	0.50%				
Sydell Miller	50,245,110	163,357	4	0.44%				
JV Associates	49,500,000	160,934	5	0.43%	52,000,000	223,600	2	0.76%
Breakers	49,234,363	160,071	6	0.43%				
Dwight Schar	47,777,842	155,335	7	0.41%				
John Thorton	41,861,152	136,099	8	0.36%				
White Sea Holdings	35,801,913	116,399	9	0.31%	31,170,769	134,034	5	0.46%
Worth Avenue Associates LTD	33,935,475	110,331	10	0.29%				
Worth Avenue Associates LTD					32,900,000	141,470	4	0.48%
Thirty Eight East Corporation					28,111,719	120,880	7	0.41%
Abraham Gosman					26,799,779	115,239	8	0.39%
Sydney Spiegel Trust					25,057,600	107,748	10	0.37%
Mar-a-Lago Club					25,670,002	110,381	9	0.38%
Sidney Kimmel					31,176,946	134,061	6	0.46%
<b>Totals</b>	<b>\$ 622,246,714</b>	<b>\$ 2,023,049</b>		<b>5.40%</b>	<b>\$ 471,808,102</b>	<b>\$ 2,028,775</b>		<b>6.89%</b>

Source: Palm Beach County Property Appraiser

## 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
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%
2010	43,506,736	41,076,426	94.41%	432,144	41,508,570	95.41%
2011	38,073,972	36,634,834	96.22%	509	36,635,343	96.22%

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	Loan Payable ECR	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
2002	\$ 1,935,000	\$ -	\$ 23,530,000	\$ 1,419,396	\$ 639,774	\$ 27,524,170	2.60%	\$ 2,845
2003	1,325,000	18,385,000	6,130,000	1,331,427	484,711	27,656,138	2.62%	2,856
2004	680,000	18,275,000	6,065,000	1,241,191	349,422	26,610,613	2.52%	2,754
2005	-	18,045,000	5,945,000	1,148,628	263,838	25,402,466	2.41%	2,629
2006	-	14,685,000	5,825,000	1,053,679	179,201	21,742,880	1.94%	2,233
2007	-	11,225,000	5,700,000	956,282	91,297	17,972,579	1.41%	1,844
2008	-	7,630,000	15,575,000	856,374	-	24,061,374	1.88%	2,456
2009	-	3,885,000	15,445,000	753,889	-	20,083,889	1.59%	2,081
2010	-	-	71,805,000	648,762	-	72,453,762	6.63%	8,679
2011	-	-	70,540,000	540,924	-	71,080,924	6.51%	8,515

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

**Town of Palm Beach, Florida**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

Fiscal Year	General Obligation Bonds	Less:		Total	Percentage of Assessed Value of Taxable Property	Per Capita
		Amounts Available in Debt Service Fund				
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
2010	0	0		0	N/A	0
2011	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, 2011*

	Total Outstanding	Percentage Applicable to Town of Palm Beach <sup>(1)</sup>	Amount Applicable to Town of Palm Beach
<b>Direct:</b>			
Town of Palm Beach	\$ 0	100.00%	\$ 0
<b>Overlapping:</b>			
Palm Beach County	\$ 226,545,000	9.10%	20,618,674
Palm Beach County School District	37,215,000	9.10%	3,387,071
<b>Total overlapping debt</b>	<b>263,760,000</b>		<b>24,005,745</b>
<b>Total direct and overlapping debt payable from ad valorem taxes</b>	<b>\$ 263,760,000</b>		<b>\$ 24,005,745</b>
<b>Estimated population</b>			<b>8,348</b>
<b>Total direct and overlapping debt per capita</b>			<b>\$ 2,876</b>

<sup>(1)</sup> Based on 2011 ratio of assessed taxable values.

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

Note: The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the Town's taxable assessed value that is within the County's boundaries and multiplying it by the County and School Board General Obligation Debt outstanding.

**Town of Palm Beach, Florida**

*Legal Debt Margin Information*

*Last Ten Fiscal Years*

	Fiscal Year					Fiscal Year				
	2002	2003	2004	2005	2006	2007	2008	2008	2010	2011
Debt limit	\$ 342,257,861	\$ 375,349,791	\$ 413,646,646	\$ 450,671,835	\$ 512,678,925	\$ 595,548,163	\$ 630,950,772	\$ 630,950,772	\$ 654,867,189	\$ 576,523,894
Total net debt applicable to limit	1,656,079	1,125,981	568,576	0	0	0	0	0	0	0
Legal debt margin	<u>\$ 340,601,782</u>	<u>\$ 374,223,810</u>	<u>\$ 413,078,070</u>	<u>\$ 450,671,835</u>	<u>\$ 512,678,925</u>	<u>\$ 595,548,163</u>	<u>\$ 630,950,772</u>	<u>\$ 630,950,772</u>	<u>\$ 654,867,189</u>	<u>\$ 576,523,894</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>0.48%</u>	<u>0.30%</u>	<u>0.14%</u>	<u>0.00%</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.

## Town of Palm Beach, Florida

### *Pledged Revenue Coverage*

#### *Last Ten 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	21,555,300	3,585,000	750,354	4,335,354	4.97
2008	21,621,146	3,720,000	612,163	4,332,163	4.99
2009	20,686,778	3,875,000	648,649	4,523,649	4.57
2010	19,278,424	4,020,000	1,331,915	5,351,915	3.60
2011	20,863,658	1,265,000	3,149,663	4,414,663	4.73

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. Footnote G describes the Town's current bond status.

## Town of Palm Beach, Florida

### Demographic and Economic Statistics

#### Last Ten Fiscal Years

Fiscal Year	Population <sup>(1)</sup>	Estimated Total Personal Income	Per Capita Personal Income <sup>(2)</sup>	Median Age <sup>(2)</sup>	Education Level in Years of Schooling	School Enrollment <sup>(2)</sup>	Unemployment Rate <sup>(3)</sup>
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	382	6.4%
2004	9,662	1,055,273,978	109,219	66.6	N/A	382	5.8%
2005	9,662	1,055,273,978	109,219	66.6	N/A	382	5.8%
2006	9,735	1,274,223,885	130,891	66.6	N/A	318	4.7%
2007	9,744	1,275,401,904	130,891	66.6	N/A	468	4.8%
2008	9,797	1,282,339,127	130,891	66.6	N/A	468	7.5%
2009	9,650	1,263,098,150	130,891	66.6	N/A	455	9.5%
2010	8,348	1,092,678,068	130,891	66.6	N/A	477	10.8%
2011	8,348	1,092,678,068	130,891	66.6	N/A	415	9.7%

#### Data Sources:

- (1) The population for 2003 through 2009 was obtained from the University of Florida, Bureau of Economic Business Administration. The population for 2002, 2010 and 2011 was obtained from the U.S. Census Bureau count.
- (2) Source: U.S. Census Bureau/Palm Beach County School District
- (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, 2011 and Ten Years Ago

Employer	2011			2000		
	Employees <sup>(1)</sup>	Rank	Percentage of Total Town Employment <sup>(2)</sup>	Employees	Rank	Percentage of Total Town Employment
Breakers Hotel	2,300	1	14.84%	N/A		N/A
Four Seasons Resort	420	2	2.71%	N/A		N/A
Ocean Grand	400	3	2.58%	N/A		N/A
Town of Palm Beach	367	4	2.37%	N/A		N/A
Everglades Club	360	5	2.32%	N/A		N/A
Gunster, Yoakley & Stewart	250	6	1.61%	N/A		N/A
Testa's Restaurant	221	7	1.43%	N/A		N/A
Bath and Tennis	150	8	0.97%	N/A		N/A
Coldwell Banker/Century 21	144	9	0.93%	N/A		N/A
Brazilian Court	120	10	0.77%	N/A		N/A
<b>Totals</b>	<b>4,732</b>		<b>30.54%</b>	<b>N/A</b>		<b>N/A</b>

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

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

N/A - Not Available

## Town of Palm Beach, Florida

### Full-time Equivalent Town Government Employees by Function / Program

Last Nine Fiscal Years

	Full-time Equivalent Employees as of September 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
General government	83.52	82.02	86.84	86.98	86.45	85.5	84.5	82.43
Public Safety								
Building official	1.00	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	12.35
Police officers	78.00	78.00	78.00	78.00	78.00	78.00	78.00	77.00
Firefighters	74.00	77.00	77.00	79.00	80.00	80.00	80.00	79.00
Civilian Police/Fire	58.25	58.20	59.20	59.20	59.20	59.20	59.70	54.45
Physical Environment								
Sanitation	44.26	44.26	44.27	44.27	44.24	44.24	44.24	41.51
Storm Sewer Maintenance	15.43	15.43	15.32	17.32	17.60	17.66	17.66	17.51
Transportation								
Roads and Streets	6.03	6.03	5.91	5.91	5.61	5.61	5.61	5.70
Culture and Recreation								
Leisure services	29.24	30.13	29.83	30.28	32.23	29.17	28.78	29.03
<b>Total</b>	<b>398.13</b>	<b>400.97</b>	<b>406.27</b>	<b>412.36</b>	<b>415.23</b>	<b>411.28</b>	<b>410.39</b>	<b>399.98</b>

## Town of Palm Beach, Florida

### Operating Indicators by Function / Program

#### Last Eight Fiscal Years

Function	Fiscal Year					Fiscal Year		
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Public Safety</b>								
<b>Police</b>								
Physical arrests	1,791	1,617	2,151	2,134	1,889	1,715	2,120	2,033
Parking violations	23,948	23,591	23,060	23,328	21,835	16,832	13,514	12,178
Traffic violations	4,070	4,050	6,859	4,904	4,210	4,658	4,989	4,799
<b>Fire</b>								
Number of fire calls	1,101	1,471	1,853	1,220	1,364	1,373	1,175	1,092
Number of EMS Calls	1,499	1,383	1,429	1,074	1,644	1,598	1,319	1,372
<b>Physical Environment</b>								
<b>Sanitation</b>								
Refuse collected (tons)	10,131	10,407	10,891	10,744	10,534	10,976	9,877	9,341
Recyclables collected (tons)	1,730	1,736	1,758	1,751	1,780	1,844	1,579	1,642
<b>Transportation</b>								
<b>Roads and Streets</b>								
Street resurfacing (miles)	2	2	2	8	7	8	6	5
Pot holes repaired	50	50	50	50	46	61	72	67
<b>Culture and Recreation</b>								
<b>Leisure Services</b>								
Youth athletic participants	N/A	N/A	3,729	4,600	7,628	4,942	3,278	2,395
Camp program participants	N/A	N/A	4,567	6,339	10,089	10,243	10,626	10,031
Youth enrichment participants	N/A	N/A	5,262	5,469	6,263	9,365	6,759	4,475
Adult Enrichment/Fitness participants	N/A	N/A	4,188	4,051	9,202	9,201	3,447	2,250
Special Events Offered	5	5	5	6	7	6	5	4
Special Events participants	N/A	1,175	1,233	1,450	1,461	1,438	1,950	1,515
Tennis Participants	N/A	28,338	30,827	35,091	35,136	29,109	29,766	27,074
Rounds of Golf	35,426	35,468	33,875	31,118	28,952	25,275	14,226	19,660
Range buckets sold	20,717	20,258	20,456	21,080	19,180	14,746	8,313	7,303
Annual Marina Leases	81	81	82	82	82	81	78	72
Seasonal Marina Leases	3	3	2	2	2	2	5	5
Total transient vessels	655	701	785	785	681	626	649	466

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					Fiscal Year				
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Public Safety</b>										
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	22	22	22	22	22	21	21	21	21	21
<b>Fire</b>										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Fire Trucks	7	7	7	7	7	7	7	7	7	7
ALS Rescue Vehicles	4	4	4	5	5	5	5	5	5	5
<b>Physical Environment</b>										
<b>Sanitation</b>										
Garbage Trucks	17	17	17	17	17	17	17	17	17	17
Trash Trucks	12	12	12	12	12	12	12	12	12	12
<b>Transportation</b>										
<b>Roads and Streets</b>										
Street lights	825	826	826	826	826	826	878	922	972	972
Lane miles	103	103	103	103	103	102.6	103	103	103	103
<b>Culture and Recreation</b>										
<b>Leisure Services</b>										
Ballfields - lighted	0	0	0	0	0	0	0	0	0	0
Basketball courts	1	1	1	1	1	1	1	1	1	1
Multi-purpose fields	1	1	1	1	1	1	1	1	1	1
Tennis courts	8	11	11	12	12	14	14	14	13	13
Dock slips	88	88	88	88	88	88	88	88	88	88
Golf courses	1	1	1	1	1	1	1	1	1	1
Playgrounds	1	1	1	1	1	1	1	1	1	1
Recreation centers	1	1	1	1	1	1	1	1	1	1
Tennis pro-shops	1	2	2	2	2	2	2	2	2	2
Parks	9	9	10	10	10	10	10	10	11	11

Sources: Town departments

Note: Data is not available for general government.

N/A: Not available.



# NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE  
215 FIFTH STREET, SUITE 200  
POST OFFICE BOX 347  
WEST PALM BEACH, FLORIDA 33402-0347  
TELEPHONE (561) 659-3060  
FAX (561) 835-0628  
WWW.NHMCPA.COM

EVERETT B. NOWLEN (1830-1884), CPA  
EDWARD T. HOLT, CPA  
WILLIAM B. MINER, CPA  
ROBERT W. HENDRIX, JR., CPA  
JANET R. BARICEVICH, CPA

KATHLEEN A. MINER, CPA  
TERRY L. MORTON, JR., CPA  
N. RONALD BENNETT, CPA  
J. MICHAEL STEVENS, CPA  
ALEXIA G. VARGA, CPA  
BRIAN J. BRESCIA, CFP®, CPA  
KARA D. PETERSON, CPA  
EDWARD T. HOLT, JR., CPA

## 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

BELLE GLADE OFFICE  
333 S.E. 2nd STREET  
POST OFFICE BOX 338  
BELLE GLADE, FLORIDA 33430-0338  
TELEPHONE (561) 898-5612  
FAX (561) 898-8248

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Palm Beach, Florida, as of and for the year ended September 30, 2011, which collectively comprise Town of Palm Beach, Florida's basic financial statements and have issued our report thereon dated March 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Town of Palm Beach Police Officers' Retirement System and the Town of Palm Beach Firefighters' Retirement System. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matter that are reported on separately by those auditors. The financial statements of the Town of Palm Beach Police Officers' Retirement System and the Town of Palm Beach Firefighters' Retirement System were not audited in accordance with *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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 a 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.

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

## Compliance and Other Matters

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

We noted certain other matters that we reported to management of the Town of Palm Beach, Florida in the accompanying Management Letter dated March 8, 2012.

This report is intended solely for the information and use of management, the Town Council, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Nowlen, Holt & Mimer, P.A.*

West Palm Beach, Florida  
March 8, 2012



# NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE  
215 FIFTH STREET, SUITE 200  
POST OFFICE BOX 347  
WEST PALM BEACH, FLORIDA 33402-0347  
TELEPHONE (561) 659-3060  
FAX (561) 835-0628  
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ALEXIA G. VARGA, CPA  
BRIAN J. BRESCIA, CFP®, CPA  
KARA D. PETERSON, CPA  
EDWARD T. HOLT, JR., CPA

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

BELLE GLADE OFFICE  
333 S.E. 2nd STREET  
POST OFFICE BOX 338  
BELLE GLADE, FLORIDA 33430-0338  
TELEPHONE (561) 898-5612  
FAX (561) 898-8248

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

### Compliance

We have audited the Town of Palm Beach, Florida's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Town of Palm Beach, Florida's major federal program for the year ended September 30, 2011. The Town of Palm Beach, Florida's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the Town of Palm Beach, Florida's management. Our responsibility is to express an opinion on the Town of Palm Beach, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of the Town of Palm Beach, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Palm Beach, Florida's compliance with those requirements.

In our opinion, the Town of Palm Beach, Florida complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2011.

## Internal Control over Compliance

Management of the Town of Palm Beach, Florida is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Palm Beach, Florida's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Palm Beach, Florida's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

*Nowlen, Holt & Mimer, P.A.*

West Palm Beach, Florida  
March 8, 2012

TOWN OF PALM BEACH, FLORIDA

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency or Pass-Through Number	Federal Expenditures	Transfers to Subrecipients
<u>U.S. Department of Justice</u>				
Bulletproof Vest Partnership Program	16.607	N/A	\$ 13,239	\$
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-JAGD-PALM-5-B3-071	1,426	
Total U.S. Department of Justice			<u>14,665</u>	
<u>U.S. Department of Energy</u>				
Passed through Florida Energy & Climate Commission ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	ARE046	<u>25,279</u>	
<u>U.S. Department of Homeland Security</u>				
Assistance to Firefighters Grant	97.044	EMW-2009-FO-03426	206,150	
Passed through Florida Division of Emergency Management Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	08-FA-B9-10-60-00-554	2,850,091	
Total U.S. Department of Homeland Security			<u>2,850,091</u>	
Total Federal Awards			<u>\$ 2,890,035</u>	<u>\$</u>

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards summarizes the federal grant activity of the Town of Palm Beach, Florida for the fiscal year ended September 30, 2011, and is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Expenditures are recognized on the modified accrual basis of accounting.

NOTE 2 - CONTINGENCY

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

TOWN OF PALM BEACH, FLORIDA

Schedule of Findings and Questioned Costs

September 30, 2011

Section I—Summary of Auditors' Results

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? yes no
- Reportable condition identified that is not considered to be a material weakness? yes none reported

Noncompliance material to financial statements noted? yes no

**Federal Awards**

Internal control over major programs/projects:

- Material weakness identified? yes no
- Reportable condition identified that is not considered to be a material weakness? yes none reported

Type of auditor's report issued on compliance for major programs/project: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 yes no

**Identification of Major Programs**

CFDA Number

Name of Federal Program

97.036

U.S. Department of Homeland Security  
• Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

**TOWN OF PALM BEACH, FLORIDA**

**Schedule of Findings and Questioned Costs**

**September 30, 2011**

**Section II—Financial Statement Findings**

No material weaknesses were identified during the audit of the financial statements nor were any instances of noncompliance material to the financial statements of the Town of Palm Beach, Florida disclosed during the audit.

**Section III—Federal Award Findings and Questioned Costs**

**Major Federal Program**

**U.S. Department of Homeland Security**

**Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

No material weaknesses in internal control were disclosed by the audit of the major federal award program, nor were any audit findings relative to the major federal award program identified that are required to be reported under OMB circular A-133.

**TOWN OF PALM BEACH, FLORIDA**  
**Summary Schedule of Prior Audit Findings**  
**September 30, 2011**

**Federal Summary Schedule of Prior Audit Findings**

The Town was not required to have and did not have a single audit in the prior year.



# NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE  
215 FIFTH STREET, SUITE 200  
POST OFFICE BOX 347  
WEST PALM BEACH, FLORIDA 33402-0347  
TELEPHONE (561) 659-3060  
FAX (561) 835-0628  
WWW.NHMCPA.COM

EVERETT B. NOWLEN (1830-1884), CPA  
EDWARD T. HOLT, CPA  
WILLIAM B. MINER, CPA  
ROBERT W. HENDRIX, JR., CPA  
JANET R. BARICEVICH, CPA

KATHLEEN A. MINER, CPA  
TERRY L. MORTON, JR., CPA  
N. RONALD BENNETT, CPA  
J. MICHAEL STEVENS, CPA  
ALEXIA G. VARGA, CPA  
BRIAN J. BRESCIA, CFP®, CPA  
KARA D. PETERSON, CPA  
EDWARD T. HOLT, JR., CPA

## MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

BELLE GLADE OFFICE  
333 S.E. 2nd STREET  
POST OFFICE BOX 338  
BELLE GLADE, FLORIDA 33430-0338  
TELEPHONE (561) 898-5612  
FAX (561) 898-8248

The Honorable Mayor and Members of the Town Council  
Town of 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, 2011, and have issued our report thereon dated March 8, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our 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*; Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 8, 2012, should be considered in conjunction with this Management Letter.

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 in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports.

### PRIOR YEAR COMMENTS

Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. We noted that the following comments made in the prior year were adequately addressed or no longer apply:

- 2009-7 Construction Projects and Kickback Scheme
- 2010-1 Construction Project Bidding and Contract Administration
- 2010-2 Construction in Process Accounting
- 2010-3 Internal Control Over Financial Reporting
- 2010-4 Human Resources
- 2010-5 Procurement and Accounts Payable
- 2010-6 Grant Compliance Monitoring
- 2010-7 Cash Management Operations
- 2010-8 Investment in Joint Venture

## CURRENT YEAR COMMENTS

### Investment of Public Funds

Rules of the Auditor General, require our audit to include a review of the Town's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, the results of our procedures did not disclose any instances of noncompliance with Section 218.415, Florida Statutes.

### Recommendations to Improve Financial Management

Rules of the Auditor General, require that we address in the Management Letter any recommendations to improve financial management. In connection with our audit, we had the following finding.

#### **Finding 2011-1 Grant Management**

**Condition:** We noted that information about grants is not always communicated to all relevant departments on a timely basis.

**Criteria:** Effective grant management requires timely communication of grant requirements.

**Effect:** Failure to communicate grant information in a timely manner could result in noncompliance with grant requirements.

**Recommendation:** We recommend that the Town review its grant management policies and implement procedures to facilitate timely communication of grant requirements to all affected parties.

**Management Response:** During the past year we issued a new Grant Policy and conducted multi-department training on the new procedures and on grant reporting requirements. We will be vigilant and work with the departments to ensure that they inform the grant coordinator and purchasing whenever they are applying for a grant to ensure that everyone is aware of the process and requirements associated with each grant.

### Violations of Provisions of Contracts or Grant Agreements, or Abuse

Rules of the Auditor General, require that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, 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.

### Matters Inconsequential to the Financial Statements

Rules of the Auditor General, provide 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) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we had the following finding

## **Finding 2011-2 Project Reports**

**Condition:** The Town has not provided the City of West Palm Beach monthly reports on quantities installed for the 2010 Town of Palm Beach Water Main Improvements.

**Criteria:** Paragraph 8 of the agreement regarding the 2010 Town of Palm Beach Water Main Improvements entered into between the Town and the City of West Palm Beach on April 13, 2010, requires the Town to provide the City monthly reports on quantities installed.

**Effect:** Noncompliance with contract requirement.

**Recommendation:** We recommend that the Town provide monthly status reports to the City that include data on quantities installed.

**Management Response:** The Town has not submitted a monthly report to West Palm Beach. The City of West Palm Beach oversees the construction projects on site and receives copies of the consultants inspection reports on a weekly basis. They are also involved in the weekly progress meetings. In addition, they receive copies of all of the invoices for the project. Because of their direct involvement in the project, they have not requested the monthly reports. If a future contract is negotiated, the Town will request that this requirement be removed from the contract.

### Oversight Unit and Component Units

Rules of the Auditor General, require 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 1 to the financial statements, but has been repeated here. The Town of Palm Beach, Florida 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 7863. Pursuant to authority granted by the Florida Constitution and Florida Statutes Chapter 165, the Town enacted its current charter by Town Ordinance No. 18-99, and approved by referendum held February 9, 2000. Based upon the application of criteria defined in publications cited in Chapter 10.553, Rules of the Auditor General, the Town has determined that there are no component units to include within the Town's financial reporting entity.

### Consideration of Financial Emergency Criteria

Rules of the Auditor General, require a statement be included as to whether or not the local government 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 of Palm Beach, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

### Annual Financial Report

Rules of the Auditor General requires that we determine whether the annual financial report for the Town of Palm Beach, Florida 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, 2011. As of the date of this report, the annual financial report has not been filed.

### Financial Condition Assessment Procedures

Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. Our assessment was done as of the fiscal year end. It is management's responsibility to monitor the Town of Palm Beach, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provide by management. The results of our procedures did not disclose any matters that are required to be reported.

### Excess of Expenditures Over Appropriations

There were no departments that had expenditures in excess of appropriations for the fiscal year ended September 30, 2011.

### Single Audits

The Town expended more than \$500,000 of federal awards and less than \$500,000 of state financial assistance for the year ended September 30, 2011 and was required to have a federal single audit.

### Response to Management Letter

We did not audit management's response to the Management Letter and express no opinion on it

Pursuant to Chapter 119, Florida Statutes, this Management Letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this Management Letter is intended solely for the information of the management of the Town of Palm Beach, members of the Town Commission, the Florida Auditor General, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Nowlen, Holt & Miner, P.A.*

West Palm Beach, Florida  
March 8, 2012