

**Town of Palm Beach Firefighters'
Retirement System**

**Financial Statements
Years Ended September 30, 2010 and 2009**



Goldstein Schechter Koch
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Town of Palm Beach Firefighters' Retirement System

Table of Contents

Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information - Unaudited)	2 - 5
Financial Statements:	
Statements of Plan Net Assets	6 - 7
Statements of Changes in Plan Net Assets	8 - 9
Notes to Financial Statements	10 - 19
Required Supplementary Information - Unaudited:	
Schedule 1 - Schedule of Funding Progress	20
Schedule 2 - Schedule of Contributions by Employer and other Contributing Entity	20
Other Supplementary Schedules	
Schedule 1 - Schedules of Investment Expenses.....	21
Schedule 2 - Schedules of Administrative Expenses.....	21



Independent Auditors' Report

Board of Trustees
Town of Palm Beach Firefighters' Retirement System
Palm Beach, Florida

We have audited the accompanying statements of plan net assets of the Town of Palm Beach Firefighters' Retirement System (the "Plan") as of September 30, 2010 and 2009, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Town of Palm Beach Firefighters' Retirement System as of September 30, 2010 and 2009, and the changes in its plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and the required supplementary information as listed in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiring of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it. The required supplementary information for the years ended September 30, 2005 through 2007 was reported on by Koch Reiss & Co., P.A., whose report states that they did not audit this information and did not express an opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Plan. The accompanying other supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary schedules have been subjected to auditing procedures applied in the audits of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Goldstein Schechter Koch, P.A.

Hollywood, Florida
February 18, 2011

**Town of Palm Beach
Firefighters' Retirement System
249 Royal Palm Way #301
Palm Beach, FL 33480
Tel: 561-227-6449
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Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)

Our discussion and analysis of the Town of Palm Beach Firefighters' Retirement System and Share Account (the "Plan") financial performance provides an overview of the Plan's financial activities and funding conditions for the fiscal years ended September 30, 2010 and 2009. Please read it in conjunction with the Plan's financial statements, which follows this discussion.

Financial Highlights

- Plan assets exceeded liabilities at the close of the fiscal years ended September 30, 2010 and 2009 by \$53,840,935 and \$50,255,595 (reported as net assets held in trust for pension benefits). Net assets are held in trust to meet future benefit payments. The increase of \$3,585,340 and the decrease of \$(1,523,142) of the respective years have resulted primarily from the changes in the fair value of the Plan's investments due to volatile financial markets.
- The Plan's funded ratio, a comparison of the actuarial value of assets to the actuarial accrued pension benefit liability, changed from 81.6% as of September 30, 2007 actuarial valuation to 80.3% as of September 30, 2008 valuation and 74.0% as of September 30, 2009 valuation.
- For the fiscal year ended September 30, 2010, liabilities increased by \$298,787 (or 30.3%) due primarily to an increase in deferred option plan payable held outside the Plan at fiscal year end.

For the fiscal year ended September 30, 2009, liabilities increased by \$300,025 (or 43.8%) due primarily to an increase in deferred option plan payable at fiscal year end.

- For the fiscal year ended September 30, 2010, Town contributions to the Plan increased \$287,883 (or 12.2%) based on the actuarial valuation. Actual Town contributions were \$2,647,210 and \$2,359,327 for 2010 and 2009, respectively.

For the fiscal year ended September 30, 2009, Town contributions to the Plan decreased \$165,888 (or 6.6%) based on the actuarial valuation. Actual Town contributions were \$2,359,327 and \$2,525,215 for 2009 and 2008, respectively.

- For the fiscal year ended September 30, 2010, member contributions including buybacks increased by \$47,590 or 10.7%. Actual member contributions were \$490,483 and \$442,893 for 2010 and 2009, respectively. Member contributions have fluctuated based on the number of active members.

For the fiscal year ended September 30, 2009, member contributions increased by \$39,058 or 9.67%. Actual member contributions, excluding buybacks were \$442,893 and \$403,835 for 2009 and 2008, respectively. Member contributions have fluctuated based on the number of active members.

Town of Palm Beach Firefighters' Retirement System

Notes to Financial Statements

September 30, 2010 and 2009

Financial Highlights - continued

- For the fiscal year ended September 30, 2010, net investment income was \$3,888,262 compared to a loss of \$918,799 for the fiscal year ended September 30, 2009. Actual results were \$3,711,807 and \$(1,104,238) in net appreciation (depreciation) in fair value of investments for 2010 and 2009, respectively and \$394,358 and \$382,003 in income from interest and dividends. Investment earnings allocated to Deferred Retirement Option Plan were \$44,664 for 2010 and \$12,880 for 2009. Investment expenses decreased by \$10,445 (or 5.7%).

For the fiscal year ended September 30, 2009, net investment loss was (\$918,799) compared with an investment loss of (\$8,503,932) for fiscal year ended September 30, 2009. Actual results were \$(1,104,238) and \$(9,648,972) in net depreciation in fair value of investments for 2009 and 2008, respectively and \$382,003 and \$1,317,788 in income from interest and dividends. Investment losses (earnings) allocated to Deferred Retirement Option Plan \$(12,880) for 2009 and \$111,305 for 2008. Investment expenses decreased by \$103,369 (or 36.0%).

- For the fiscal year ended September 30, 2010, benefit payments and refund of contributions increased by \$14,893 (or 0.4%) due primarily to increase in number of retirees from year to year and distributions from the Share account.

For the fiscal year ended September 30, 2009, benefit payments increased by \$596,679 (or 19.3%) due primarily to increase in number of retirees from year to year and distributions from the Share account.

- For the fiscal year ended September 30, 2010, administrative expenses decreased \$31,465 from 2009 (or 13.9%), due primarily to the decrease in professional service fees.

For the fiscal year ended September 30, 2009, administrative expenses decreased \$3,268 from 2008 (or 2.2%), due primarily to the decrease in professional service fees.

Plan Highlights

For the fiscal year ended September 30, 2010, the return of the portfolio was 8.6% for the year, 0.6% above the Plan's assumed rate of return of 8.0%. Actual investment income in 2010 was 3,888,262 compared with losses of \$918,799 in 2009.

For the fiscal year ended September 30, 2009, the return of the portfolio was -1.0% for the year, 9.0% below the Plan's assumed rate of return of 8.0%. Actual investment losses in 2009 were \$920,329 compared with losses of \$8,506,932 in 2008.

Using the Audited Financial Statements

The financial statements reflect the activities of the Town of Palm Beach Firefighters Retirement System and are reported in the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets. These statements are presented on a full accrual basis, reflect all Plan activities as incurred and are based on a snapshot in time of account balances of investments at fiscal year end.

Town of Palm Beach Firefighters' Retirement System

Notes to Financial Statements

September 30, 2010 and 2009

Statement of Plan Net Assets

The following condensed comparative Statement of Plan Net Assets demonstrates the investment position of the Plan.

	2010	2009	2008
Cash and cash equivalents	\$ 2,228,868	\$ 2,010,134	\$ 5,432,780
Receivables	185,067	2,077,035	448,558
Investments	52,703,087	47,143,069	46,582,702
Other assets	8,118	10,775	-
Total assets	55,125,140	51,241,013	52,464,130
Liabilities	1,284,205	985,418	685,393
Net assets held in trust for pension benefits	\$ 53,840,935	\$ 50,255,595	\$ 51,778,737

Statement of Changes in Plan Net Assets

The Statement of Changes in Plan Net Assets, displays the effect of pension fund transactions that occurred during the fiscal year, where Additions - Deductions = Net Increase (or decrease) in Net Assets. The table below reflects a condensed comparative summary of the changes in net assets and reflects the activities of the Plan.

	2010	2009	2008
Additions:			
Contributions			
Town	\$ 2,647,210	\$ 2,359,327	\$ 2,525,215
Member	490,483	442,893	403,835
State	607,484	521,301	770,044
Total contributions	3,745,177	3,323,521	6,999,094
Net investment income (loss)	3,888,262	(918,799)	(8,506,932)
Total additions (reductions)	7,633,439	2,404,722	(4,807,838)
Deductions:			
Benefits paid	3,676,949	3,557,684	3,026,573
Share distributions	90,432	125,972	60,404
Transfers out	74,138	27,763	-
Refund of contributions	21,600	-	4,270
Administrative expenses	184,980	216,445	219,713
Total deductions	4,048,099	3,927,864	3,310,960
Net increase (decrease)	3,585,340	(1,523,142)	(8,118,798)
Net assets held in trust for pension benefits at beginning of year	50,255,595	51,778,737	59,897,535
Net assets held in trust for pension benefits at end of year	\$ 53,840,935	\$ 50,255,595	\$ 51,778,737

Town of Palm Beach Firefighters' Retirement System
Notes to Financial Statements
September 30, 2010 and 2009

Statement of Changes in Plan Net Assets - continued

The Plan's investment activity, measured as of the end of any month, quarter or year, is a function of the underlying marketplace for the period measured and the investment policy's asset allocation. Actual returns for the fiscal year ended 2010 increased from those of fiscal year ended 2009. Actual returns for the fiscal year ended 2009 increased from those of fiscal year ended 2008.

The benefit payments are a function of changing payments to retirees, their beneficiary (if the retiree is deceased) and new retirements during the period.

Asset Allocation

At the end of the fiscal year ended September 30, 2010, the domestic equity portion comprised 18.5% (\$10,032,304) of the total portfolio. The allocation to fixed income securities was 24.1% (\$13,065,232), while cash and cash equivalents was 4.1% (\$2,228,868). The portion of investments allocated to international equity was \$9,403,686 or 17.3% of the total portfolio while real estate assets were 7.5% (\$4,066,839). Alternative investments were 27.9% or (\$15,111,643) of the total portfolio while 0.6% or (\$328,935) was private equity.

At the end of the fiscal year ended September 30, 2009, the domestic equity portion comprised 25.9% (\$12,670,337) of the total portfolio. The allocation to fixed income securities was 23.8% (\$11,631,416), while cash and cash equivalents was 4.1% (\$2,010,134). The portion of investments allocated to international equity was \$2,188,514 or 4.5% of the total portfolio while real estate assets were 6.9% (\$3,383,986) and 34.8% (\$17,051,858) were alternative investments.

The target asset allocation was as follows as of September 30:

	2010	2009
Equity (domestic)	15%	15%
Fixed income	20%	20%
Equity (international)	15%	15%
Alternative investments	30%	30%
Private equity	5%	5%
Real assets	15%	15%
Cash	0%	0%

Contacting the Plan's Financial Management

This financial report is designed to provide the Retirement Board, our membership, taxpayers, investors, and creditors with a general overview of the Plan's finances and to demonstrate the Plan's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Town of Palm Beach Firefighters' Retirement System, 249 Royal Palm Way #301 Palm Beach, FL 33480.

Town of Palm Beach Firefighters' Retirement System

Statement of Plan Net Assets

September 30, 2010

	Membership and Benefit Account	Share Account	Total
Assets			
Cash and cash equivalents	\$ 2,228,868	\$ -	\$ 2,228,868
Receivables:			
State contributions	-	104,195	104,195
Interest and dividends	68,810	-	68,810
Note receivable	12,062	-	12,062
Total receivables	80,872	104,195	185,067
Investments, at fair value:			
U.S. government securities	7,285,500	-	7,285,500
Corporate bonds and notes	5,779,732	-	5,779,732
Common stock	4,257,105	-	4,257,105
Domestic equity funds	5,775,199	-	5,775,199
International equity funds	9,403,686	-	9,403,686
Real estate funds	4,066,839	-	4,066,839
Alternative investments	15,111,643	-	15,111,643
Private equity funds	328,935	-	328,935
Share and DROP mutual funds - held outside the Plan	587,858	106,590	694,448
Share account investments	(2,202,858)	2,202,858	-
Total investments	50,393,639	2,309,448	52,703,087
Other assets	8,118	-	8,118
Total assets	52,711,497	2,413,643	55,125,140
Liabilities			
Accounts payable	29,925	-	29,925
Deferred retirement option plan payable	559,832	-	559,832
Share and Deferred retirement option plan payable - held outside the Plan	587,858	106,590	694,448
Total liabilities	1,177,615	106,590	1,284,205
Net assets held in trust for pension benefits	\$ 51,533,882	\$ 2,307,053	\$ 53,840,935

(a schedule of funding progress is presented on page 20)

The accompanying notes are an integral part of these financial statements.

Town of Palm Beach Firefighters' Retirement System

Statement of Plan Net Assets

September 30, 2009

	Membership and Benefit Account	Share Account	Total
Assets			
Cash and cash equivalents	\$ 2,010,134	\$ -	\$ 2,010,134
Receivables:			
Receivable for securities sold	1,905,438	-	1,905,438
State contributions	-	103,396	103,396
Interest and dividends	44,327	-	44,327
Note receivable	23,874	-	23,874
Total receivables	1,973,639	103,396	2,077,035
Investments, at fair value:			
U.S. government securities	2,318,261	-	2,318,261
Corporate bonds and notes	5,359,680	-	5,359,680
Domestic fixed income funds	3,953,475	-	3,953,475
Common stock	4,978,552	-	4,978,552
Domestic equity funds	7,691,785	-	7,691,785
International equity funds	2,188,514	-	2,188,514
Real estate funds	3,383,986	-	3,383,986
Alternative investments	17,051,858	-	17,051,858
Share and DROP mutual funds - held outside the Plan	189,254	27,704	216,958
Share account investments	(1,942,397)	1,942,397	-
Total investments	45,172,968	1,970,101	47,143,069
Other assets	10,775	-	10,775
Total assets	49,167,516	2,073,497	51,241,013
Liabilities			
Accounts payable	35,411	-	35,411
Deferred retirement option plan payable	733,049	-	733,049
Share and Deferred retirement option plan payable - held outside the Plan	189,254	27,704	216,958
Total liabilities	957,714	27,704	985,418
Net assets held in trust for pension benefits	\$ 48,209,802	\$ 2,045,793	\$ 50,255,595

(a schedule of funding progress is presented on page 20)

The accompanying notes are an integral part of these financial statements.

Town of Palm Beach Firefighters' Retirement System

Statement of Changes in Plan Net Assets

Year Ended September 30, 2010

	Membership and Benefit Account	Share Account	Total
Additions			
Contributions:			
Town	\$ 2,647,210	\$ -	\$ 2,647,210
Member	490,483	-	490,483
State	349,954	257,530	607,484
Total contributions	3,487,647	257,530	3,745,177
Investment income:			
Net appreciation in fair value of investments	3,538,601	173,206	3,711,807
Interest and dividends	394,358	-	394,358
Total investment income	3,932,959	173,206	4,106,165
Less:			
Investment expenses	(173,239)	-	(173,239)
Allocation of investment income:			
Deferred retirement option plan	(44,664)	-	(44,664)
Net investment income	3,715,056	173,206	3,888,262
Total additions	7,202,703	430,736	7,633,439
Deductions			
Benefits paid	3,676,949	-	3,676,949
Refund of contributions	21,600	-	21,600
Share distributions	-	90,432	90,432
Transfers out	-	74,138	74,138
Administrative expenses	180,074	4,906	184,980
Total deductions	3,878,623	169,476	4,048,099
Net increase	3,324,080	261,260	3,585,340
Net assets held in trust for pension benefits			
Beginning of year	48,209,802	2,045,793	50,255,595
End of year	\$ 51,533,882	\$ 2,307,053	\$ 53,840,935

The accompanying notes are an integral part of these financial statements.

Town of Palm Beach Firefighters' Retirement System

Statement of Changes in Plan Net Assets

Year Ended September 30, 2009

	Membership and Benefit Account	Share Account	Total
Additions			
Contributions:			
Town	\$ 2,359,327	\$ -	\$ 2,359,327
Member	442,893	-	442,893
State	349,954	171,347	521,301
Total contributions	3,152,174	171,347	3,323,521
Investment loss			
Net depreciation in fair value of investments	(1,087,228)	(17,010)	(1,104,238)
Interest and dividends	382,003	-	382,003
Total investment loss	(705,225)	(17,010)	(722,235)
Less:			
Investment expenses	(183,684)	-	(183,684)
Allocation of investment loss (income):			
Deferred retirement option plan	(12,880)	-	(12,880)
Net investment loss	(901,789)	(17,010)	(918,799)
Total additions	2,250,385	154,337	2,404,722
Deductions			
Benefits paid	3,557,684	-	3,557,684
Share distributions	-	125,972	125,972
Transfers out	-	27,763	27,763
Administrative expenses	212,212	4,233	216,445
Total deductions	3,769,896	157,968	3,927,864
Net decrease	(1,519,511)	(3,631)	(1,523,142)
Net assets held in trust for pension benefits			
Beginning of year	49,729,313	2,049,424	51,778,737
End of year	\$ 48,209,802	\$ 2,045,793	\$ 50,255,595

The accompanying notes are an integral part of these financial statements.

Town of Palm Beach Firefighters' Retirement System

Notes to Financial Statements

September 30, 2010 and 2009

Note 1 - Description of the Plan

Organization

The Town of Palm Beach, Florida (the "Town") contributed to one single-employer defined benefit pension plan, the Town of Palm Beach Public Safety Retirement System, which covered substantially all eligible Police Officer and Fire-Rescue personnel of the Town for the period from January 1, 2000 through September 30, 2004. Effective October 1, 2004 a separate plan was established for the Fire-Rescue employees pursuant to the Town Ordinance 21-04, Town of Palm Beach Firefighters' Retirement System (the "Benefit Plan") and the corresponding assets and liabilities related to the Fire-Rescue members were transferred to the new Plan. Since the Town of Palm Beach Firefighters' Retirement System and Share Account, collectively (the "Plan") are sponsored by the Town, the Plan is included as a pension trust fund in the Town's comprehensive annual financial report as part of the Town's financial reporting entity.

The Plan is governed by a five member Board of Trustees (the "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 department.

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the plan agreement for more detailed and comprehensive information.

Participants

Each full time sworn firefighter employed by the Town of Palm Beach, Florida.

Membership

At September 30, membership in the Plan consisted of:

	2009	2008
Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits, but not yet receiving them.	86	82
Active plan participants:		
Vested	29	31
Nonvested	44	42
<u>Total participants</u>	<u>159</u>	<u>155</u>

Funding Requirements

Member Contributions:

Member contributions are equal to 6.82% of covered compensation and each member's actual contributions are individually accumulated.

If a member terminates their employment before accumulating aggregate time of 10 years toward retirement, the accumulated contributions will be returned to the members, without interest.

Town of Palm Beach Firefighters' Retirement System

Notes to Financial Statements

September 30, 2010 and 2009

Note 1 - Description of the Plan - continued

Funding Requirements - continued

Member Contributions - continued:

If a member terminates their employment and has been in the service of the City for at least 10 years and elects to leave their accrued contribution in the Plan, the member, upon attaining what would have been normal retirement had they not terminated their employment, may receive the accrued normal retirement benefit.

Town and State Contributions:

The Town is to contribute such amounts as are necessary to maintain the actuarial soundness of the Plan and to provide the Plan with assets sufficient to meet the benefits to be paid to the participants. This amount is reduced by any allowable State contributions.

Pension Benefits

Normal Retirement:

Any member who has completed 20 years of creditable service, regardless of age; or has attained 50 years of age and completed 10 or more years of creditable service is eligible for normal retirement. Members with at least 10 years of service who retire after September 30, 1990 are eligible for normal retirement benefit when the individual's age plus credited service totals 65 years or more.

The normal retirement benefit is determined by multiplying the Average Final Compensation times the greater of (a) 3.5% per year of credited service rendered to a maximum of 25 years, or (b) 2.0% per year of credited service rendered to a maximum of 50 years.

Early retirement, disability, death and other benefits are also provided.

Cost-of-living adjustment:

Members who retire after September 30, 1968 and prior to October 1, 1990 receive an annual 1.0% cost-of-living adjustment computed on the base benefit. Other adjustments have been made periodically. Members who retire after September 30, 1990 will receive 2.0% annual cost-of-living adjustment subsequent to an initial 3 years from date of retirement.

Supplemental Retirement Benefit:

The Board of Trustees may annually authorize a supplemental pension distribution to eligible persons if the Plan assets have earned more than 8% as of September 30th and the Plan has positive actuarial experience. The total distribution is based on the actuarially determined return of the Plan, net of expenses and subject to accumulated gains/(losses) limitations, that exceeds 8.0% of assets but does not exceed 10.0% of such assets.

Share account

Effective October 1, 2003 the Town Council authorized the establishment of individual member share accounts for firefighters actively employed by the Town. These accounts are funded annually using Chapter 175 monies that have not been otherwise committed for benefits for firefighter members. The amount of funding is determined annually and transferred to member's share accounts.

On July 22, 2009 the Board passed and adopted a resolution that permits the plan participants to self direct their DROP and share accounts. The Board approved that the self directed DROP and share accounts be administered by ICMA Retirement Corporation.

Town of Palm Beach Firefighters' Retirement System
Notes to Financial Statements
September 30, 2010 and 2009

Note 1 - Description of the Plan - continued

Share account- continued

As of September 30, 2010 and 2009, \$106,590 and \$27,704, respectively, reflect the amounts of self-directed investments held outside the Plan.

Members are eligible to take distributions after separation from service.

Deferred Retirement Option Plan

Members who continue employment with the Town past normal retirement date may freeze their accrued benefit and enter the Deferred Retirement Option Plan (DROP). Maximum participation in the DROP shall be 60 months.

For members electing participation in the DROP, an individual DROP account shall be created. Payment shall be made by the Plan into the employee's DROP account in an amount equal to the regular monthly retirement benefit which the participant would have received had the participant separated from service and commenced receipt of pension benefits plus interest. Interest shall be based on the actual rate of return for the Plan.

Upon termination of employment, but not more than five years after entry into the DROP, the balance in the member's DROP account, including interest, is payable to them and they also begin to receive their (frozen) monthly retirement benefit.

The value of the DROP account at September 30, 2010 and 2009 was \$1,147,690 and \$922,303, respectively of which \$587,858 and \$189,254, respectively, represents the amount of self-directed investments held outside the Plan.

Investments

The Plan has contracts with investment managers who supervise and direct the investment of equity and fixed income securities. In addition, the Plan utilizes an investment consultant who monitors the investing activity. The investments owned are held by a custodian in the name of the Plan. The Plan provides for investment in U.S. Government securities, money market funds, bonds, notes, real assets, alternative, domestic and international equity securities.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Member contributions are recognized as revenues in the period in which the contributions are due. Town contributions are recognized as revenues when due pursuant to actuarial valuations. State contributions are recognized as revenue in the period in which they are approved by the State. Interest and dividend income are recorded as earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Town of Palm Beach Firefighters' Retirement System

Notes to Financial Statements

September 30, 2010 and 2009

Note 2 - Summary of Significant Accounting Policies - continued

Cash Equivalents

The Plan considers all highly liquid investment with an original maturity of one year or less when purchased, to be cash equivalents.

Investments

Plan investments are reported at fair value. Quoted market prices, when available, have been used to value investments. The fair value of quoted investments is based on the closing sales price or bid price as reported by recognized security exchanges. The market values for securities that have no quoted market price represent estimated fair value. Many factors are considered in arriving at that value. International equities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at September 30, 2010 and 2009. In general, corporate debt securities have been valued at quoted market prices or, if not available, values are based on yields currently available on comparable securities of issuers with similar credit ratings. The fair value of real estate investment securities is based on appraisals plus fiscal year-to-date capital expenditures. Publicly traded alternative investments are valued based on quoted market prices. In the absence of readily determinable public market values, alternative investments are valued using current estimates of fair value obtained from the general partner or investment manager. Such valuations generally reflect discounts for liquidity and consider variables such as financial performance of investments, discounted cash flow analysis, recent sales prices of comparable investments, and other pertinent information.

Unrealized gains and losses are presented as net appreciation (depreciation) in fair value of investments on the statement of changes in plan net assets along with gains and losses realized on sales of investments. Dividends and interest income are recognized as earned. Purchases and sales of investments are recorded on a trade-date basis.

Given the inherent nature of investments, it is reasonably possible that changes in the value of those investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of plan net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through February 18, 2011, the date which the financial statements were available for issue.

Income Tax Status

The Plan is tax exempt from Federal income taxes under the Internal Revenue Code, and therefore has recorded no income tax liability or expense.

Town of Palm Beach Firefighters' Retirement System

Notes to Financial Statements

September 30, 2010 and 2009

Note 2 - Summary of Significant Accounting Policies - continued

Risks and Uncertainties

Contributions to the Plan and the actuarial information included in the required supplementary information (RSI) are reported based on certain assumptions pertaining to the interest rates, inflation rates and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in settling assumptions, that the effect of such changes could be material to the financial statements.

Reclassifications

Certain reclassifications have been made to the 2009 financial statement presentation to correspond to the current year's format. Total net assets held in trust for pension benefits and net increase in net assets are unchanged due to these reclassifications.

Note 3 - Funded Status and Funding Progress

The funded status of the Plan as of September 30, 2009, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
09/30/09	\$ 57,852	\$ 78,139	\$ 20,287	74.0%	\$ 6,398	317.1%

The schedule of funding progress, presented as required supplementary information (RSI) 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 AAL for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation date	09/30/09
Actuarial cost method	Entry age
Amortization method	Level percent-of-payroll
Remaining amortization period	2 - 30 years
Asset valuation method	5 - Year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	6.2% - 9.8%
Included inflation and other general increases at	5.5%
Cost of living adjustments	Members who retire after 9-30-68 and prior to 10-1-90 receive an annual 1.0% increase computed on the base benefit. Members after 9-30-90 will be increased 2.0% annually based on total pension after a 3 year deferred period. Other adjustments have been made periodically.

Town of Palm Beach Firefighters' Retirement System

Notes to Financial Statements

September 30, 2010 and 2009

Note 4 - Contributions

Actual Contributions

The actual Town contribution for active employees and State contributions for the years ended September 30, 2010 and 2009 were \$3,254,694 and \$2,880,628, respectively and the actual amount of covered payroll was approximately \$6,949,000 and \$6,494,000 for fiscal years ended September 30, 2010 and 2009, respectively.

Town and State contributions consisted of the following:

2010		
	Amount	Percent of Actual Covered Annual Payroll
Town contribution	\$ 2,647,210	38.1%
State contribution	607,484	8.7%
Total	\$ 3,254,694	46.8%

2009		
	Amount	Percent of Actual Covered Annual Payroll
Town contribution	\$ 2,359,327	36.3%
State contribution	521,301	8.0%
Total	\$ 2,880,628	44.3%

Member contributions were \$490,483 and \$442,893 for the years ended September 30, 2010 and 2009, respectively.

Actuarially Determined Contributions

The contributions required from the Town and the State of Florida for the fiscal years ended September 30, 2010 and 2009, were actuarially determined using valuation dates of September 30, 2008 and 2007, respectively. The actuarially computed annual covered payroll used in the September 30, 2008 and 2007 valuation was \$5,823,000 and \$5,573,000, respectively. The amount covers the following:

2010		
	Amount	Percent of Actuarially Computed Annual Covered Payroll
Normal cost	\$ 2,340,064	40.2%
Payment to amortize unfunded liability	657,100	11.3%
Total	\$ 2,997,164	51.5%

2009		
	Amount	Percent of Actuarially Computed Annual Covered Payroll
Normal cost	\$ 2,138,336	38.4%
Payment to amortize unfunded liability	570,945	10.2%
Total	\$ 2,709,281	48.6%

Town of Palm Beach Firefighters' Retirement System

Notes to Financial Statements

September 30, 2010 and 2009

Note 5 - Note Receivable

The Plan has a note receivable from one of its members totaling \$12,062 and \$23,874 as of September 30, 2010 and 2009, respectively. The note is unsecured and requires bi-weekly payments of \$492.87, which includes interest at 8.0% through September 16, 2011.

Note 6 - Deposit and Investment Risk Disclosures

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 meets 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 trustees 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 rated below investment grade without prior approval of the Board. In the event a security 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.

Types 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 is as follows:

Authorized investments	2010	2009
Equity (domestic)	15%	15%
Fixed income	20%	20%
Equity (international)	15%	15%
Alternative investments	30%	30%
Private equity	5%	5%
Real assets	15%	15%
Cash	0%	0%

Town of Palm Beach Firefighters' Retirement System

Notes to Financial Statements

September 30, 2010 and 2009

Note 6- Deposit and Investment Risk Disclosures - continued

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. 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:

2010 Investment Maturities (in years)					
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	\$ 7,285,500	\$ 584,606	\$ 2,907,449	\$ 2,201,333	\$ 1,592,112
Corporate bonds and notes	5,779,732	1,003,944	1,513,071	403,988	2,858,729
Total fixed income	\$ 13,065,232	\$ 1,588,550	\$ 4,420,520	\$ 2,605,321	\$ 4,450,841

2009 Investment Maturities (in years)					
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	\$ 2,318,261	\$ 54,584	\$ 979,295	\$ 494,206	\$ 790,176
Corporate bonds and notes	5,359,680	1,383,784	2,141,450	220,025	1,614,421
Bond funds	3,953,475	2,372	1,797,645	2,153,458	-
Total fixed income	\$ 11,631,416	\$ 1,440,740	\$ 4,918,390	\$ 2,867,689	\$ 2,404,597

Credit Risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. 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 Firefighters' Retirement System

Notes to Financial Statements

September 30, 2010 and 2009

Note 6- Deposit and Investment Risk Disclosures - continued

Credit Risk - continued

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

	2010		2009	
	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
U.S. government guaranteed*	\$ 7,285,500	55.8%	\$ 2,318,261	19.9%
Quality rating of credit risk debt securities				
AAA	94,631	0.7	4,046,400 ^(a)	34.8
AA-	279,988	2.1	268,650	2.3
A+	890,795	6.8	775,952	6.7
A	611,125	4.7	683,039	5.9
A-	1,392,743	10.7	1,180,180	10.1
BBB+	903,367	6.9	1,568,221	13.5
BBB	1,030,731	7.9	256,838	2.2
BBB-	576,352	4.4	533,875	4.6
Total credit risk debt Securities	5,779,732	44.2	9,313,155	80.1
Total fixed income securities	\$ 13,065,232	100.0%	\$11,631,416	100.0%

*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.

^(a)Includes domestic fixed income fund of \$3,953,475 which is comprised primarily of U.S. government securities

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 assets at September 30, 2010 and 2009.

Custodial Credit Risk

Deposits are exposed to custodial risk if they are uninsured and uncollateralized. Custodial risk is the risk that, in the event of a failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Plan and are held by either the counterparty or the counterparty's trust department or agent but not in the Plan's name.

Town of Palm Beach Firefighters' Retirement System

Notes to Financial Statements

September 30, 2010 and 2009

Note 6 - Deposit and Investment Risk Disclosures - continued

Custodial Credit Risk - continued

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 bearer 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 7 - Commitments

Operating Leases

The Plan and Palm Beach Police Officers' Retirement System is obligated under a joint rental operating lease for office space which expired on April 30, 2010 and was subsequently renewed until April 30, 2011. The base rent of the lease is \$1,350 per month plus applicable sales taxes and is prorated 50/50 for each plan respectively. Total rental expense for the fiscal years ended September 30, 2010 and 2009 was \$8,334 and \$4,657, respectively.

Required Supplementary Information

Town of Palm Beach Firefighters' Retirement System
Required Supplementary Information
Schedule of Funding Progress and Schedule of Contributions - Unaudited
September 30, 2010

Schedule "1"
Schedule of Funding Progress
(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
09/30/04*	\$ 44,080	\$ 51,703	\$ 7,623	85.3%	\$ 4,444	171.5%
09/30/05*	45,765	59,314	13,548	77.2	5,237	258.7
09/30/06	49,220	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

* After changes in benefit provision and/or actuarial assumptions and/or actuarial cost methods.

Schedule "2"
Schedule of Contributions by
Employer and Other Contributing Entity

Year Ended September 30,	Annual Required Contribution	Percentage Contributed
2005	\$ 1,690,457	100%
2006	1,796,000	100
2007	2,411,101	100
2008	2,875,169	100
2009	2,709,281	100
2010	2,997,164	100

Other Supplementary Schedules

Town of Palm Beach Firefighters' Retirement System

Other Supplementary Schedules of Investment Expenses and Administrative Expenses

For the Years Ended September 30, 2010 and 2009

	2010	2009
Schedule "1" - Schedule of Investment Expenses		
Financial management expenses:		
Richmond Capital Management, Inc.	\$ -	\$ 2,384
Stralem & Co., Inc.	17,745	24,273
Geneva Capital Management Ltd.	10,350	11,556
Income Research & Management	31,924	25,202
State Street Global Advisors	19,828	24,998
Total financial management expenses	79,847	88,413
Investment consultant fees:		
Prime Buchholz & Associates, Inc.	60,000	60,000
Investment custodial fees:		
State Street Bank and Trust Company	33,392	35,271
Total investment expenses	\$ 173,239	\$ 183,684

Schedule "2" - Schedule of Administrative Expenses		
Professional services:		
Accounting	\$ 57,507	\$ 65,770
Actuarial	14,175	20,940
Administrator	39,264	37,095
Audit	18,000	12,875
Legal	23,535	29,874
Total professional services	152,481	166,554
Other:		
Bank charges	563	2,478
Computer expense	1,600	17,715
Insurance	20,592	18,172
Miscellaneous expense	536	2,344
Postage and office expense	799	1,131
Rent	8,334	4,675
Travel	75	3,376
Total other	32,499	49,891
Total administrative expenses	\$ 184,980	\$ 216,445



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