

PALM BEACH COUNTY, FLORIDA
ANNUAL FINANCIAL AUDIT REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2008

Prepared By
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Clerk & Comptroller
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Palm Beach County, Florida
Annual Financial Audit Report
September 30, 2008
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Section I

INDEPENDENT AUDITOR'S REPORT

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

Honorable Chair and Members of
the Board of County Commissioners
Palm Beach County, Florida

Honorable Ric L. Bradshaw
Sheriff

Honorable Sharon R. Bock
Clerk and Comptroller

Honorable Susan Bucher
Supervisor of Elections

Honorable Gary R. Nikolits
Property Appraiser

Honorable Anne Gannon
Tax Collector

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Palm Beach County, Florida (the "County"), as of and for the year ended September 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County'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 Solid Waste Authority, a major enterprise fund, which represents 31% of the total assets and 47% of total revenues of the business-type activities. We did not audit the financial statements of the Westgate Belvedere Homes Community Redevelopment Agency, a discretely presented component unit, which represents 48% of the total assets and 60% of total revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the Housing Finance Authority, a discretely presented component unit, which represents 50% of the total assets and 13% of the total revenues of the aggregate discretely presented component units. 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 Solid Waste Authority, Westgate Belvedere Homes Community Redevelopment Agency, and Housing Finance Authority, is based on the reports of the 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 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, the discretely presented component units, each major fund, and the aggregate remaining fund information of Palm Beach County, Florida, as of September 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 9 to the financial statements, the County changed its accounting policy for computing certain self insurance risk liabilities and expenses to the discounted method effective October 1, 2007. The County also adopted the provisions of Governmental Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is disclosed in Note 10 to the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2009 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, the Budgetary Comparison Schedules – General Fund, Fire Rescue Special Revenue Fund and Sheriff Special Fund, and the schedules of funding progress as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

McGladrey & Pullen, LLP

West Palm Beach, Florida
March 16, 2009

Management's Discussion and Analysis

Our discussion and analysis provides an overview of the financial activities of Palm Beach County, Florida (the "County") for the fiscal year ended September 30, 2008. We encourage reading this narrative in conjunction with the additional information provided in the transmittal letter (beginning on page i) and the accompanying financial statements (beginning on page I-2).

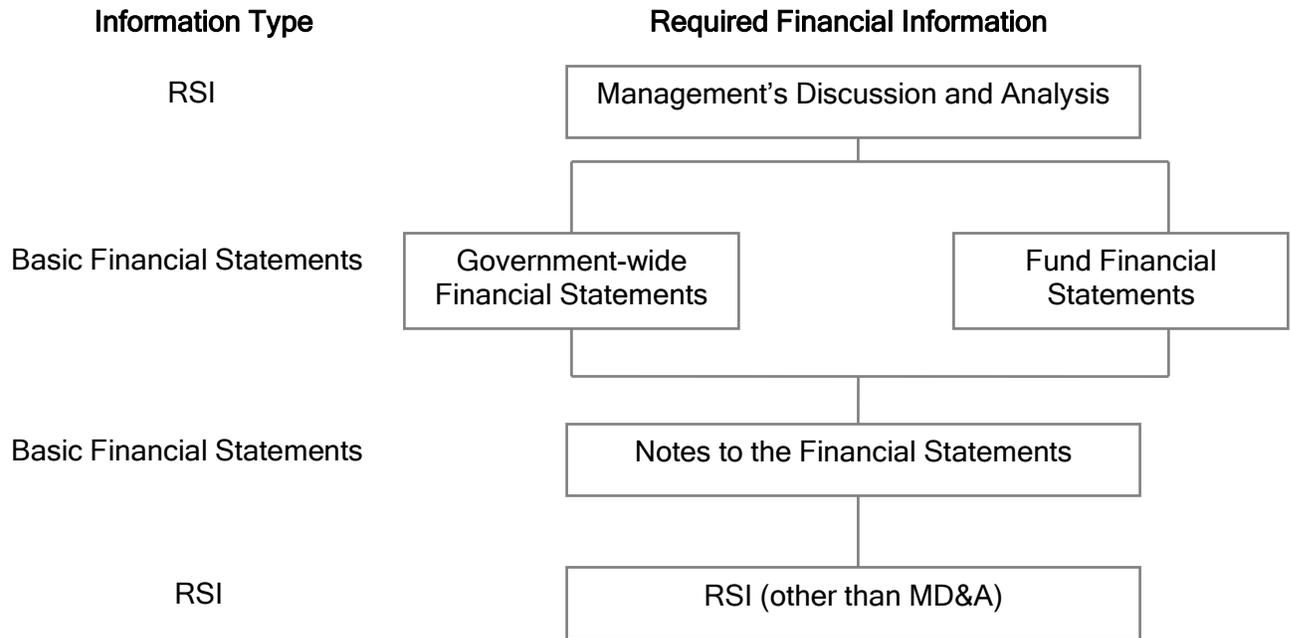
Financial Highlights

- The County's assets exceeded its liabilities (net assets) by approximately \$3.946 billion and \$3.838 billion at the close of fiscal years 2008 and 2007, respectively. Of these amounts, \$2.482 billion and \$2.346 billion were invested in capital assets, net of related debt. In addition, \$803.0 million and \$788.2 million were restricted by law, grant agreements, debt covenants, or for capital projects. As a result, \$661.2 million and \$704.3 million were available at year-end to meet the County's ongoing obligations to residents, creditors, and enterprise fund customers.
- During the year, the County's net assets increased \$100.9 million, compared to an increase of \$277.5 during the previous fiscal year. This fiscal year, approximately \$97.3 million of the increase was from business-type activities, and approximately \$3.6 million of the increase was from governmental activities.
- At September 30, 2008, the County's governmental funds reported a combined ending fund balance of \$1.517 billion, an increase of \$106.7 million or 7.6% from the previous year.
- At September 30, 2008, the unreserved fund balance for the General Fund was \$218.6 million and the total fund balance was \$220.6 million which is a decrease of \$22.2 million or 9.2% from the previous year.
- The County's three enterprise funds, the Department of Airports, the Water Utilities Department, and the Solid Waste Authority had increases in net assets of \$6.4 million, \$33.5 million and \$56.3 million, respectively, over the previous year.
- The County's total liabilities at September 30, 2008 and 2007 were \$2.435 billion and \$2.195 billion, respectively.
- The County implemented the requirements of Governmental Accounting Standards Board Statement No. 45 in 2008 to account for Other Postemployment Benefits.

Overview of the Financial Statements

This CAFR consists of the Basic Financial Statements and other statements. The County’s basic financial statements contain three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

Minimum Financial Reporting Requirements



Government-wide Financial Statements

The government-wide financial statements provide an overview of the County’s financial position using the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. The statement of net assets presents information on the assets and liabilities of the County as a whole. The difference between assets and liabilities is reported as net assets. Changes in net assets may serve as an indicator of whether the financial position of the County is improving or deteriorating. The statement of activities presents information showing how the County’s net assets changed during the fiscal year. Changes in net assets are reported as soon as the underlying economic transactions occur, regardless of when cash is received or paid. Therefore, some of the revenues or expenses reported in the statement of activities will have cash flows in future fiscal periods. For example, certain sales taxes are shown as revenues although cash receipts will occur early in the following fiscal year. An increase in unused vacation leave is recorded as an expense although related cash outflows will occur in the future.

The government-wide financial statements show a distinction between activities that are supported primarily by taxes and intergovernmental revenues (governmental activities) and

activities that are supported by the recovery of all or most of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public safety, physical environment, transportation, economic environment, human services, and culture and recreation functions. The business-type activities of the County are the Department of Airports, the Water Utilities Department, and the Solid Waste Authority.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also the legally separate entities for which the County is financially accountable (known as *component units*). The discretely presented component units of the County are the Metropolitan Planning Organization, the Housing Finance Authority of Palm Beach County, and the Westgate/Belvedere Homes Community Redevelopment Agency. The financial activity of these component units is reported separately from the financial information of the primary government.

To obtain the separately issued financial statements of the discretely presented component units, see *Note 1 – Summary of Significant Accounting Policies*, in the Notes to the Financial Statements for contact information.

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 County uses fund accounting to ensure and demonstrate compliance with legal, legislative, contractual, and other finance-related provisions. All of the County's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Most of the County's basic services are reported in governmental funds, which focus on how money or other spendable resources flow into and out of those funds and on the level of balances remaining at year-end that are available for expenditure. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general governmental operations to help control current financial resources and demonstrate fiscal accountability. Governmental fund information helps determine the extent of financial resources that are available for expenditure on County programs. Reconciliations of the differences between the government-wide and fund financial statements are provided immediately after the *Balance Sheet-Governmental Funds* and *Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds*, respectively, in the *Basic Financial Statements*.

Funds that are significant in terms of revenues, expenditures, assets or liabilities are identified as *major* funds in the *Basic Financial Statements* and reported separately. Budget and actual comparison schedules are also presented as Required Supplementary Information for the General Fund and each major special revenue fund with an annually adopted budget. The County's nonmajor funds, and budget and actual comparisons schedules for any nonmajor funds with

annually appropriated budgets, are presented in the *Combining and Individual Fund Statements and Schedules* section of this report.

Proprietary funds

The County uses both types of proprietary funds, Enterprise and Internal Service Funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Airports, Water Utilities, and Solid Waste operations. All three of these operations are considered to be major proprietary funds of the County. *Internal Service funds* are used to accumulate and allocate costs internally among the County's other functions. The County uses internal service funds to account for its Fleet Management, Graphic, Risk Management and Information System Services programs. These programs are included within governmental activities in the government-wide financial statements because they predominantly benefit governmental rather than business-type functions. The five internal service funds are combined into a single presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the *Combining and Individual Fund Statements and Schedules* section of this report. The proprietary fund financial statements can be found in the *Basic Financial Statements*.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Agency funds are the only type of fiduciary fund used by the County. The amounts in these agency funds are not included in the government-wide financial statements because the resources of these funds are not available to support the County's own programs. However, the *Statement of Fiduciary Net Assets – Agency Funds* in the *Basic Financial Statements* is provided for information on the agency funds. In addition, the individual agency funds are presented in the *Combining and Individual Fund Statements and Schedules* section of this report.

Notes to the financial statements

The notes provide additional information that is essential for a more complete understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information containing budget to actual comparisons for the general fund and major special revenue funds. The combining statements for the nonmajor funds, internal service funds, agency funds, as well as individual fund budget and actual comparison schedules are found in the *Combining and Individual Fund Statements and Schedules* section of this report.

Government-wide Financial Analysis

Over time, net assets may serve as the most useful indicator of a government's financial position. At September 30, 2008 and 2007, the County's total net assets, or total assets less liabilities, were \$3.946 billion and \$3.838 billion, respectively. A significant portion of the County's net assets, \$2.482 billion or 62.9%, is identified as an investment in capital assets (such as land, buildings, equipment, infrastructure), less related debt outstanding that was used to acquire those assets. Since the County uses capital assets to provide services to its residents, the net assets represented by "invested in capital assets, net of related debt" are not available for future spending. In fact, the payment of maintenance and debt service costs on those capital assets will themselves require governmental resources.

Another portion of the County's net assets is restricted net assets which represent assets that are subject to constraints such as by debt covenants, grantors, laws or regulations. Unrestricted net assets are net assets that are available to meet the County's ongoing obligations to residents, creditors, and enterprise fund customers.

As shown on the following chart, the County reported positive balances at September 30, 2008 and 2007, in all three categories of net assets, for governmental activities, business-type activities, as well as the County as a whole.

Palm Beach County, Florida						
Net Assets at Year-End (in thousands)						
	Governmental Activities		Business-type Activities		TOTAL PRIMARY GOVERNMENT	
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	\$ 1,836,507	\$ 1,745,922	\$ 576,324	\$ 575,790	\$ 2,412,831	\$ 2,321,712
Capital assets	2,224,082	2,096,057	1,744,052	1,615,468	3,968,134	3,711,525
Total assets	<u>4,060,589</u>	<u>3,841,979</u>	<u>2,320,376</u>	<u>2,191,258</u>	<u>6,380,965</u>	<u>6,033,237</u>
Liabilities						
Current	305,005	369,961	128,026	127,777	433,031	497,738
Long-term debt due in more than one year	1,369,953	1,097,067	631,923	600,357	2,001,876	1,697,424
Total liabilities	<u>1,674,958</u>	<u>1,467,028</u>	<u>759,949</u>	<u>728,134</u>	<u>2,434,907</u>	<u>2,195,162</u>
Net Assets						
Invested in capital assets, net of related debt	1,259,901	1,258,859	1,221,939	1,086,676	2,481,840	2,345,535
Restricted	721,137	691,922	81,854	96,296	802,991	788,218
Unrestricted	404,593	424,170	256,634	280,152	661,227	704,322
Total net assets	<u>\$ 2,385,631</u>	<u>\$ 2,374,951</u>	<u>\$ 1,560,427</u>	<u>\$ 1,463,124</u>	<u>\$ 3,946,058</u>	<u>\$ 3,838,075</u>

Governmental activities

Significant changes in the Statement of Net Assets are as follows:

- Capital assets for Governmental activities increased by \$128.0 million. Refer to the subsequent section on Capital assets for additional detail.
- The increase in long-term debt for Governmental activities of \$272.9 million consists primarily of issuing bonds for \$35 million for the Palm Beach County Sheriff's Office Mobile Technology Project; \$177 million for a new criminal justice facility; and \$98 million for Scripps, offset by current bond payments.

Governmental activities were responsible for a \$3.6 million increase in the County's net assets during fiscal year 2008, down significantly from the previous fiscal year increase of \$131.2 million. Governmental activities change in net assets this fiscal year represented 3.6% of the County's total growth in net assets. This year's smaller growth in net assets from governmental activities is attributed to significant decreases in two revenue categories:

- A decrease in property values accompanied by a reduction in the overall millage rates due to property tax reform resulted in less ad valorem tax revenue for the year. The assessed value of taxable property located in the county (after exemptions) fell from \$146.6 billion in 2007 to \$136.4 billion in 2008. This represented a decrease of \$10.2 billion or 6.9%. Gross property taxes levied for fiscal year 2008 fell from \$978.1 million in 2007 to \$931.8 million for 2008, a decrease of \$46.3 million or 4.7%.
- Investment income decreased \$11.7 million or 11.8% from the previous fiscal year primarily due to declining interest rates during the year.

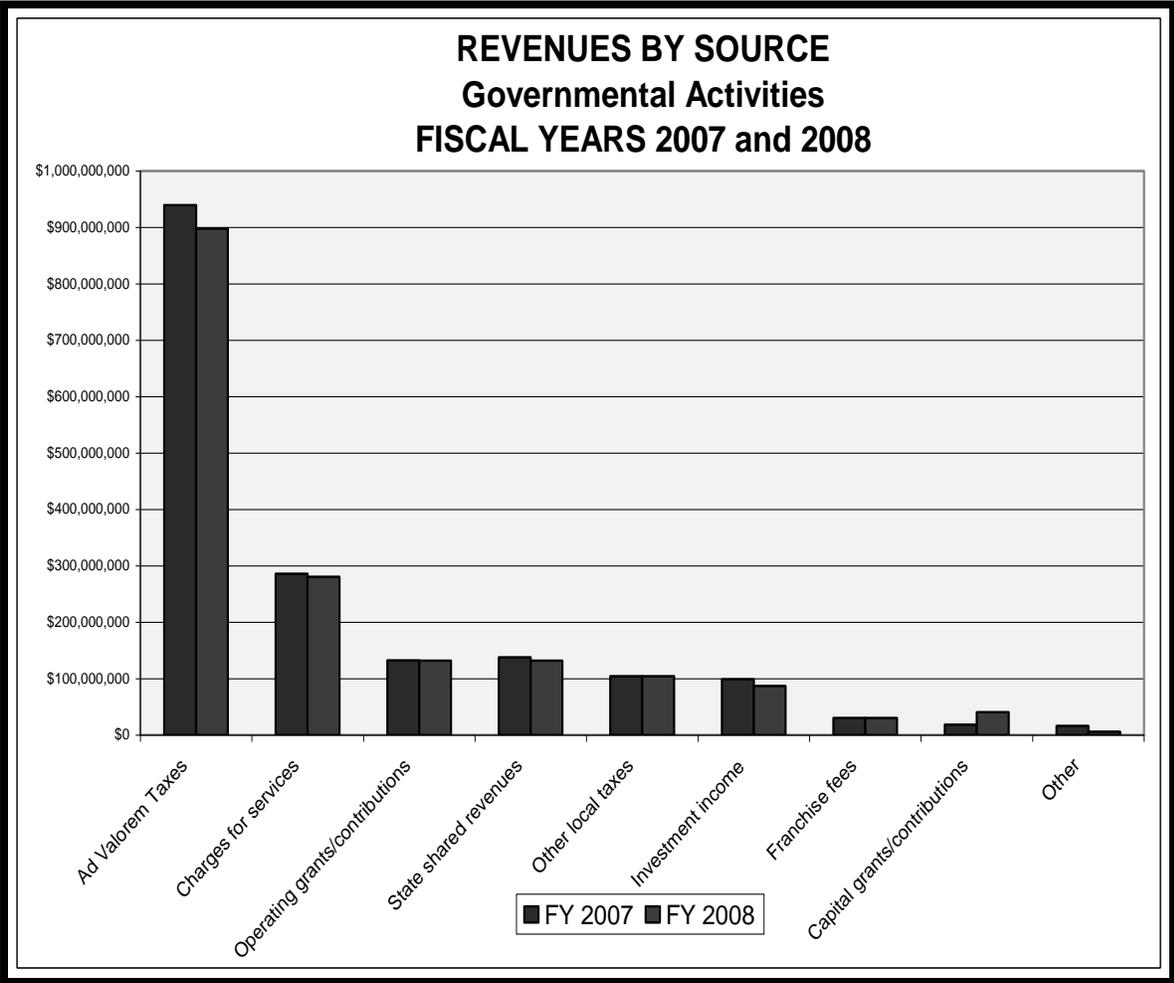
Key elements causing the increase in net assets during fiscal year 2008 appear on the following chart.

Ad valorem tax revenue decreased by \$41.8 million or 4.5% from the previous fiscal year. The decrease was primarily attributable to property tax reform and a decrease in taxable values.

Public Safety expenses increased \$38.9 million or 6.0% from the previous fiscal year. The increase was primarily due to increased operating costs of the Sheriff's Office.

Economic Environment expenses increased \$52.9 million or 33.0% from the previous fiscal year. The increase was primarily due to costs of funding the Scripps Research Institute for their permanent facilities and preparing the Briger site for development. This amount includes an impairment loss of \$37.8 million.

The County's governmental activities had net expenses of \$1.263 billion. However, these services are intended to be primarily funded by taxes and other general revenues as opposed to charges for service and grants. Total revenues (both program and general revenues) were less than total expenses by \$6.0 million.



Business-type activities

The County’s business-type activities had total revenues of \$467.3 million and had total revenues in excess of total expenses of \$107.0 million. Refer to the **Proprietary funds** section of **Financial Analysis of the Government’s Funds** which follows for more information on the County’s business-type activities. The significant change in the business-type activities Statement of Net Assets was due to Capital assets, which increased \$128.6 million during fiscal year 2008. Refer to the **Capital Assets** section for more information on the increase.

Palm Beach County, Florida
Changes in Net Assets (in thousands)

	Governmental Activities		Business-type Activities		TOTAL PRIMARY GOVERNMENT	
	2008	2007	2008	2007	2008	2007
Revenues						
Program Revenues:						
Charges for services	\$ 280,461	\$ 285,765	\$ 389,007	\$ 380,467	\$ 669,468	\$ 666,232
Operating grants and contributions	132,136	132,204	18,761	43,763	150,897	175,967
Capital grants and contributions	40,630	18,203	59,477	57,147	100,107	75,350
	453,227	436,172	467,245	481,377	920,472	917,549
General Revenues:						
Ad valorem taxes	897,891	939,720			897,891	939,720
Other local taxes	104,426	104,310			104,426	104,310
State shared revenues	131,745	137,690			131,745	137,690
Franchise fees	30,040	30,005			30,040	30,005
Investment income	87,184	98,855			87,184	98,855
Other	6,093	16,446	77	20	6,170	16,466
Total revenues	1,710,606	1,763,198	467,322	481,397	2,177,928	2,244,595
Expenses						
General government	350,737	353,586			350,737	353,586
Public safety	687,643	648,701			687,643	648,701
Physical environment	25,796	28,637			25,796	28,637
Transportation	164,201	169,133			164,201	169,133
Economic environment	213,041	160,162			213,041	160,162
Human services	101,165	100,967			101,165	100,967
Culture and recreation	124,177	119,260			124,177	119,260
Interest expense	49,875	49,028			49,875	49,028
Department of Airports			71,747	66,277	71,747	66,277
Water Utilities Department			127,812	112,853	127,812	112,853
Solid Waste Authority			160,805	158,485	160,805	158,485
Total expenses	1,716,635	1,629,474	360,364	337,615	2,076,999	1,967,089
Excess	(6,029)	133,724	106,958	143,782	100,929	277,506
Transfers In (Out)	9,655	(2,528)	(9,655)	2,528	-	-
Change in net assets	3,626	131,196	97,303	146,310	100,929	277,506
Beginning net assets, restated	2,382,005	2,243,755	1,463,124	1,316,814	3,845,129	3,560,569
Ending net assets	\$ 2,385,631	\$ 2,374,951	\$ 1,560,427	\$ 1,463,124	\$ 3,946,058	\$ 3,838,075

Financial Analysis of the Government's Funds

As mentioned earlier, the County uses fund accounting to ensure and demonstrate compliance with legal, legislative, contractual, and other finance-related provisions.

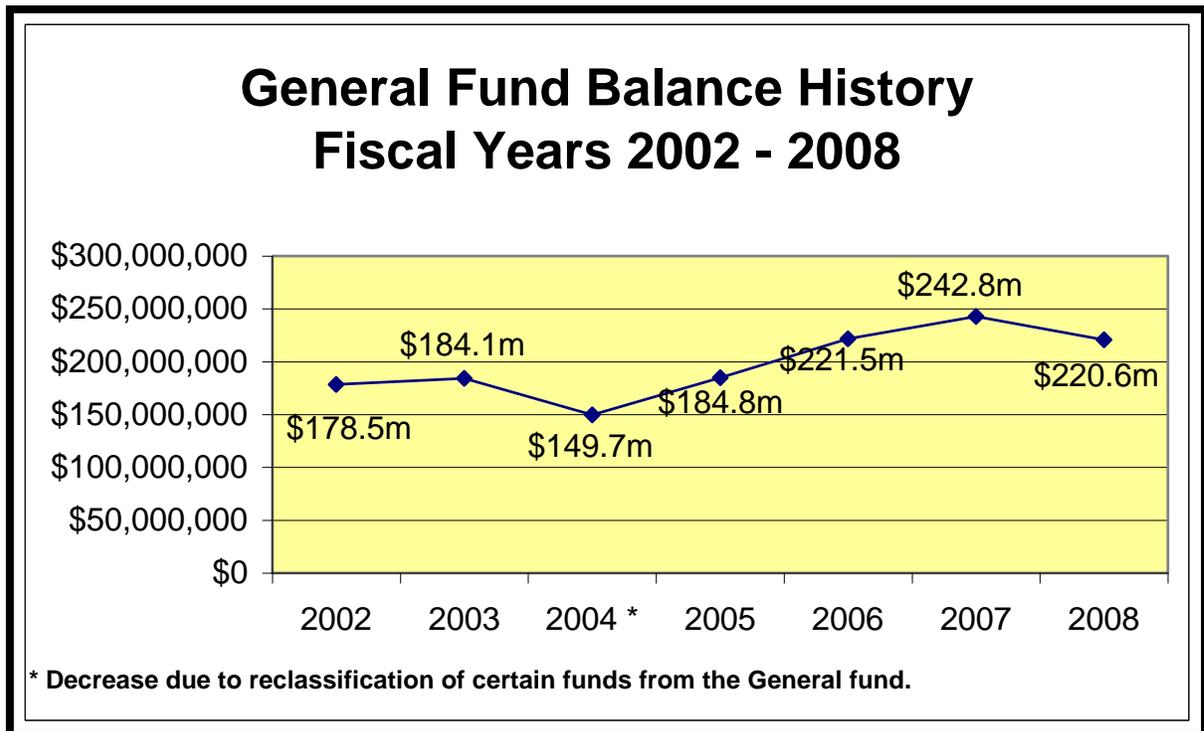
Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful

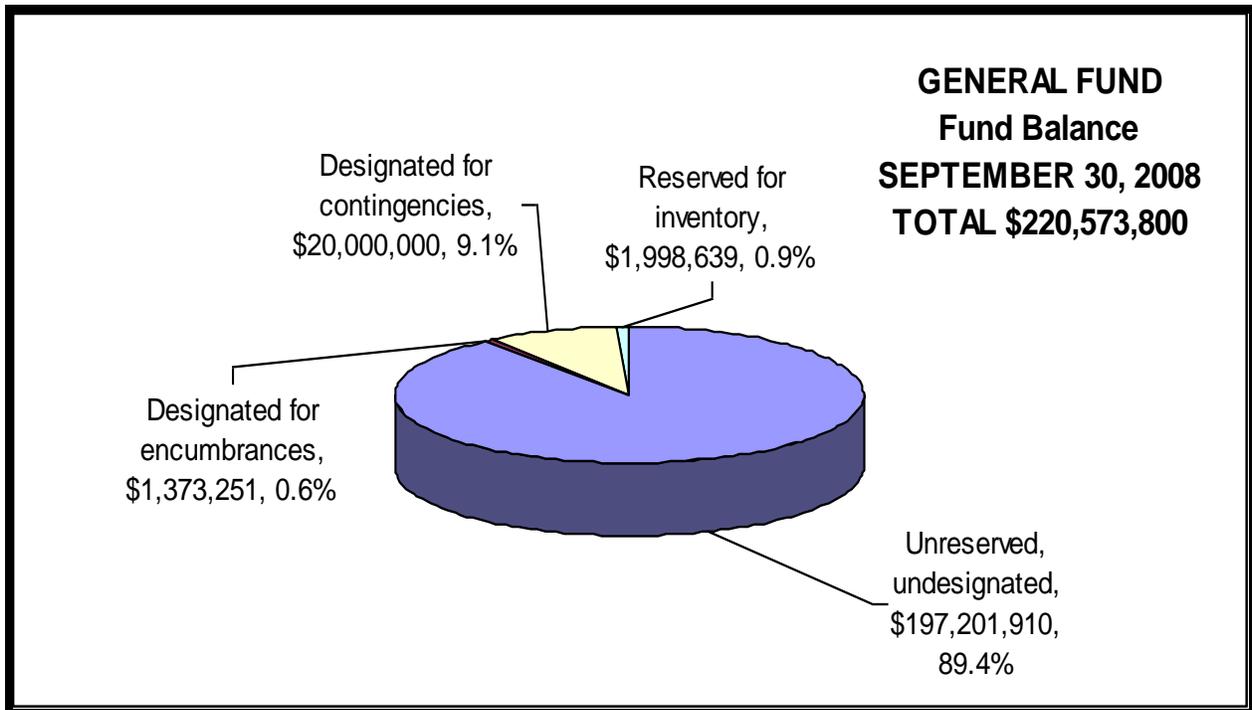
in determining the County's financing resources. Unreserved fund balance, in particular, is a useful measure of a government's net resources available for spending at the end of a fiscal year.

Changes in Fund Balance – Governmental Funds

The overall fund balance increase in the Governmental Funds is primarily the net result of activity in the various capital projects funds and some of the special revenue funds.

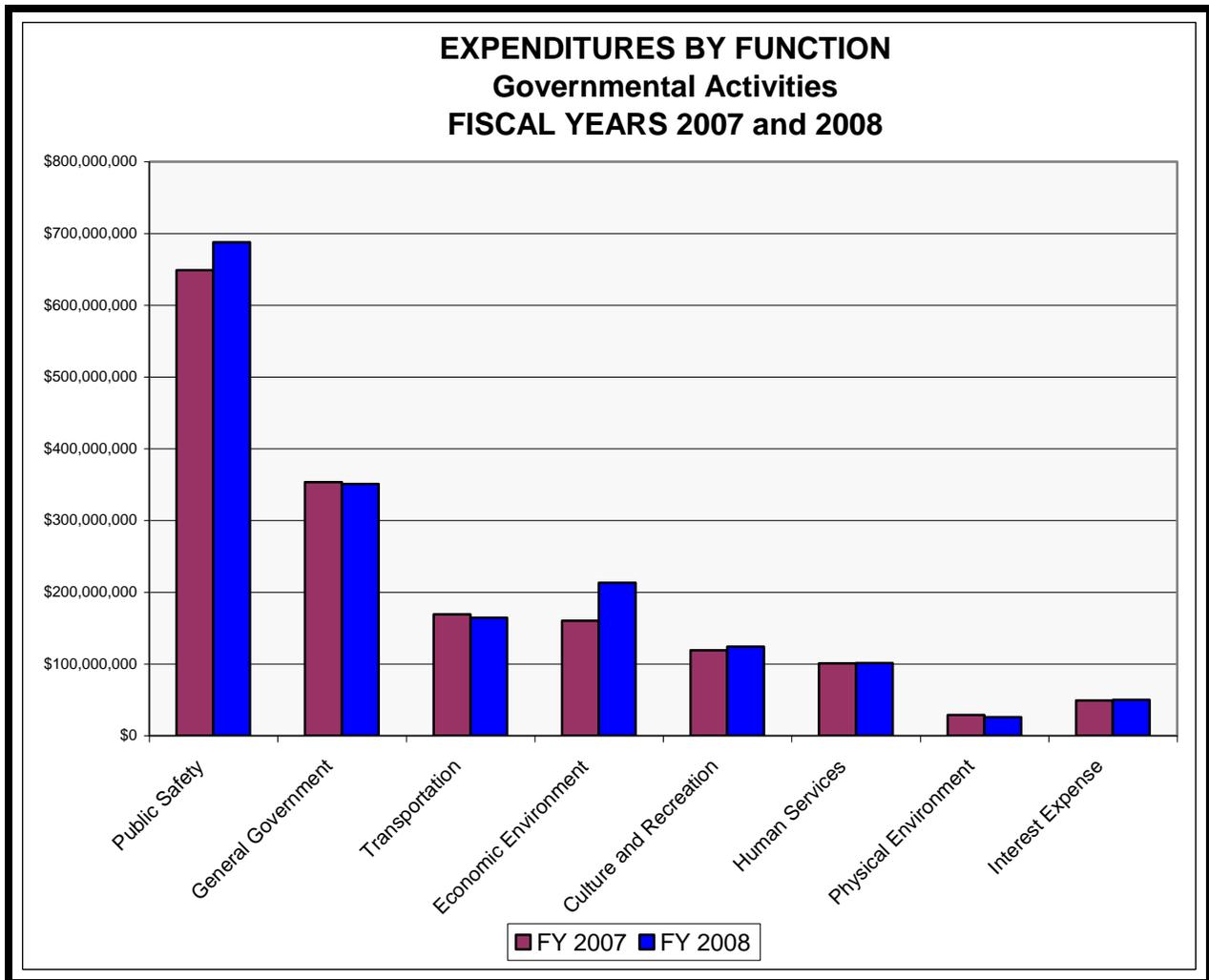
- General Fund decrease in fund balance can be attributed to the utilization of reserves designated for FY 2008 operating.





- The decrease of \$32.7 million in the General Government Capital Project fund was due to \$32 million in current year capital projects. The decrease of \$7.4 million for the Road Program Capital Projects fund was due to current year activity on capital projects of \$57 million offset by current year revenues.
- Fund balance in the Fire-Rescue special revenue fund increased due to a planned increase in reserves to offset future operating needs. Also, increased investment earnings and un-expended budget for disaster recovery is available for carry over.
- In FY 2008, \$22 million in ad valorem equivalent funding was provided for capital projects, including street and drainage improvements, new computer technology, and facility renovations. Additionally, bond/loan proceeds were recognized to fund other capital projects, including the Jail Expansion. These projects are multi-year projects, whose budgets are established at inception when the revenue is recognized. The expenditure budgets carry over into the ensuing years.

At September 30, 2008, the County's governmental funds reported combined ending fund balances of \$1.517 billion, an increase of \$106.7 million from the previous year. This increase was the result of a combination of the \$7.1 million decrease in the ending fund balance of the Road Program Capital Projects Fund; a decrease in the General Fund of \$22.2 million; an increase in the Fire Rescue Special Revenue Fund of \$17.5 million; an increase in the Sheriff Special Revenue Fund of \$1.1 million; a decrease in the General Government Capital Projects Fund of \$32.7 million and an increase in Other Governmental Funds of \$150.1 million.



Proprietary funds. The proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Financial highlights of each of the County’s enterprise funds are as follows:

Department of Airports:

- ➔ Operating revenues decreased by 2%, dropping from \$66 million to \$64 million. The major component was a decrease in parking revenues of \$1 million due to decreased parking transactions caused by declining passenger traffic. During Fiscal Year 2007, the category “Other Revenues” included a write-down of the allowance for doubtful accounts for approximately \$500,000; this item was not repeated during fiscal year 2008, also contributing to the decrease in revenues. Various other revenue categories remained unchanged or slightly declined from the prior year.
- ➔ Operating expenses increased by 9%, increasing \$3.8 million to \$44.7 million in fiscal year 2008. General and Administrative expenses increased by 12% due to the leasehold

purchase of Specialty Restaurants for approximately \$750,000. Maintenance expense increased by 14%, increasing approximately \$758,000 to \$6.3 million; the increase was largely attributable to significant roadway repairs made during the fiscal year. Salary and benefits increased 9%, increasing \$944,000 to \$11.3 million; this is a result of cost of living and benefit increases plus the addition of 9 positions in the prior fiscal year which were not hired until late fiscal year 2007.

- 2008 Operating income after depreciation was a loss of \$2.6 million compared to a gain of \$5.1 million in 2007. This was due to decreased revenues and increased expenses as discussed above plus an increase in depreciation and amortization expense of \$2.3 million over the prior year.

Water Utilities Department:

- ◆ The Department's net assets increased by \$33.5 million, or 3.9%, during the year.
- ◆ Long-term debt (net of the current portion) decreased by \$14.4 million, or 7.8%, during the year.
- ◆ Operating revenues in fiscal year 2008 totaled \$115.3 million, a 13.9% increase. Fiscal year 2008 also included the effect of a 15% water restriction surcharge effective for five months beginning in May 2008 and a 0.7% increase in the customer base.
- ◆ Operating expenses before depreciation and amortization and equity interest in net loss of joint venture totaled \$81.9 million, an increase of \$8.1 million or 11.0%.
- ◆ Non-operating income decreased by \$10.5 million, or 91.3% in fiscal year 2008.
- ◆ The Department showed a net loss before contributions of \$4.0 million for fiscal year 2008, a decrease of 175.6% from fiscal year 2007's net income before contributions of \$5.3 million.

Solid Waste Authority:

- 🏗️ The Authority's assets exceeded its liabilities (net assets) by approximately \$333.1 million at the close of fiscal year 2008. Of this amount, approximately \$103.4 million is considered unrestricted and pursuant to the Authority's trust indenture is available for renewal and replacement of the solid waste system and capital improvements.
- 🏗️ The Authority's revenues and capital contributions exceeded expenses by approximately \$56.3 million for fiscal year 2008.
- 🏗️ The Authority has begun an aggressive capital renewal and expansion program. This program includes the acquisition and development of a new landfill, the complete renovation of the Authority's waste-to-energy facility, the relocation and expansion of the materials recovery facility and preliminary steps toward the possible construction of additional waste-to-energy capacity. In fiscal year 2008, the Authority's capital assets

increased by approximately 20%. This capital expansion is expected to continue over the next several years.

- On January 9, 2008 the Authority entered into an \$80 million non-revolving line of credit agreement (Series 2008 Note) to finance the initial costs associated with the capital expansion program.
- The Authority's operating revenue remained relatively stable from the prior year (increasing by approximately 0.35%) and operating expenses increased minimally (approximately 3.0%). Non-operating income, however, declined more significantly as a result of lower investment earnings in fiscal year 2008 and higher than normal grant and insurance receipts in fiscal year 2007. The Authority's debt service coverage for fiscal year 2008 remained strong at 197% of debt service requirements.

Budgetary Highlights

Budget and actual comparison schedules are provided as Required Supplementary Information for the General Fund and all major special revenue funds with annually appropriated budgets. Budget and actual comparison schedules are also provided in the Combining and Individual Fund Statements and Schedules section for all nonmajor funds with annually appropriated budgets. The budget and actual comparison statements and schedules show the original adopted budget, the final revised budget, actual results and a variance between the final budget and actual results. There were no funds with total actual expenditures in excess of the final revised budget.

After the original budget is approved, it may be revised for a variety of reasons such as unforeseen circumstances, corrections or errors, new bond or loan proceeds, new grant awards and other revenues. During fiscal year 2008, supplemental appropriations to the Board of County Commissioners' budget excluding component units, were approximately \$635.5 million, or approximately 15.8% of the original adopted budget.

Differences between the original budget for fiscal year 2008 and the final amended budget for the General Fund can be summarized as follows:

- Reappropriations, which represent the "true up" of beginning fund balance to actual fund balance, accounted for \$21.6 million of the difference between adopted budget and the final budget. Additional budget amendments throughout the year accounted for the remaining increase in final budget.

Budget to Actual Expenditures

- General Fund budgeted reserves had a balance at year-end of \$155 million which represents 87% of the total unexpended appropriations in the fund. These unexpended funds will be carried over into FY 2009 and will be reappropriated.
- The Tax Collector and Property Appraiser returned/under spent approximately \$6.9 million.
- The remaining unspent funds can be attributed to County departments, overall, spending less than budgeted.

Budget to Actual Revenues

General Fund collections exceeded budget for the year:

- Ad valorem tax collections were 96% of budget, in line with the historical collection rate. Florida Statutes require revenues to be budgeted at 95% of reasonably anticipated receipts. Palm Beach County budgets a negative 5% statutory reserve to accomplish this. Allowing for the reserve, ad valorem taxes were actually over-collected by \$9 million.
- Investment income exceeded budget by \$4 million or 35%.
- Charges for services exceeded budget by \$6.2 million or 10%. A significant portion of the difference is attributable to Police Service Charges earned by the Sheriff's Office.

Budget to Actual – Other financing sources

- Actual transfers in includes \$9.2 million of excess fees received from the Sheriff and Supervisor of Elections. The Clerk & Comptroller returned \$1.5 million less in excess fees than what was budgeted.

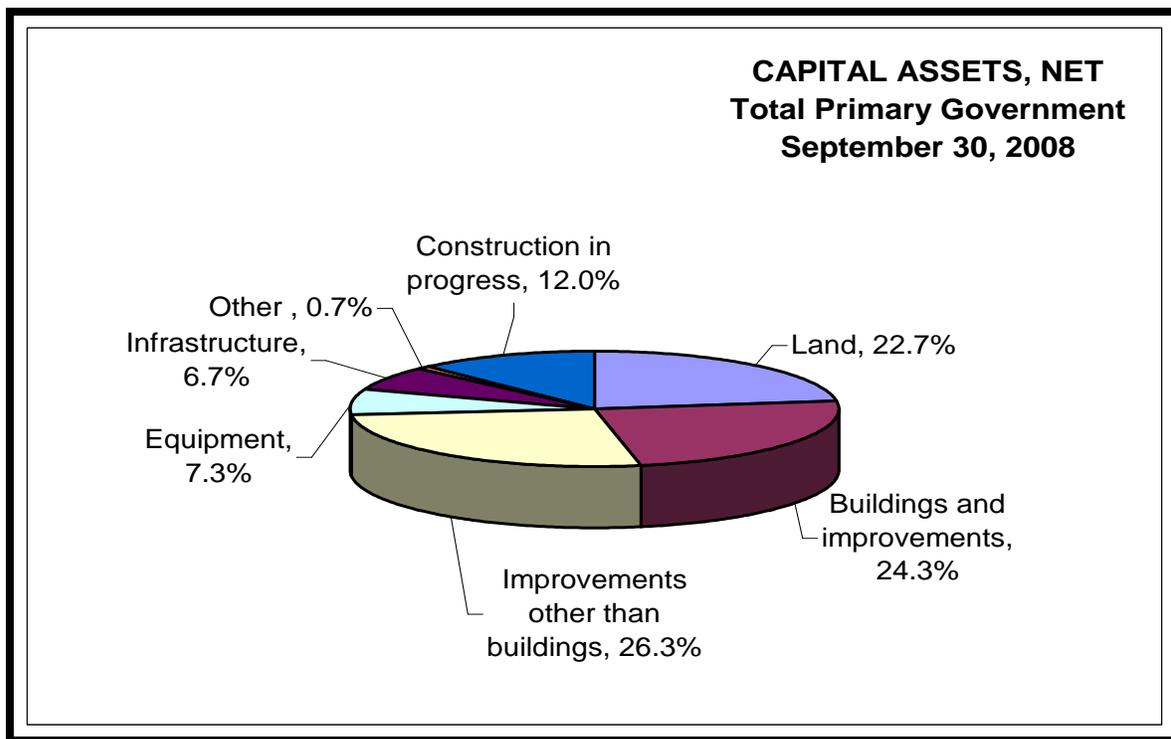
Capital Assets and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of September 30, 2008, amounts to \$3.968 billion (net of accumulated depreciation). This investment in capital assets includes a broad range of capital assets, including land, buildings and improvements, improvements other than buildings, equipment, infrastructure, and construction in progress. The total increase in the County's capital assets for fiscal year 2008 was 6.9% (a 6.1% increase for governmental activities and an 8% increase for business-type activities).

Palm Beach County, Florida						
Capital Assets, net of Accumulated Depreciation at Year-End (in thousands)						
	Governmental Activities		Business-type Activities		TOTAL PRIMARY GOVERNMENT	
	2008	2007	2008	2007	2008	2007
Primary Government:						
Land	\$ 737,882	\$ 700,759	\$ 161,538	\$ 160,616	\$ 899,420	\$ 861,375
Buildings & improvements	560,661	514,835	405,499	305,701	966,160	820,536
Improvements other than buildings	138,380	126,738	903,850	779,446	1,042,230	906,184
Equipment	188,133	177,299	101,162	77,606	289,295	254,905
Infrastructure	267,960	241,558	-	-	267,960	241,558
Intangible - easement rights	-	-	12,944	11,613	12,944	11,613
Leasehold interest	-	-	9,055	10,257	9,055	10,257
Goodwill	-	-	6,652	5,032	6,652	5,032
Construction in progress	331,066	334,868	143,352	265,197	474,418	600,065
TOTALS	\$ 2,224,082	\$ 2,096,057	\$ 1,744,052	\$ 1,615,468	\$ 3,968,134	\$ 3,711,525

Major capital asset events during the fiscal year include the following:

- Various substantially completed projects during fiscal year 2008 include intersection improvements at Okeechobee Boulevard and Australian Boulevard for \$4.0 million, the Headstart/Senior Center for \$6.9 million, the Judicial Center garage 600 space expansion for \$14.3 million, and the South County Regional Park Environmental Center for \$2.8 million.
- Governmental activities Capital assets increased by \$128 million due to an increase of \$37 million in land acquisitions, \$46 million for buildings, and \$26 million for infrastructure.
- Major capital asset additions by the Water Utilities Department included the completion of the Lake Region Water Treatment Plant for \$58.0 million, the completion of Water Treatment Plant 8 Expansion for \$25.4 million and completion of the final phase of the Northern Region pipeline for \$10.7 million.
- During fiscal year 2008, the Solid Waste Authority's capital assets increased approximately \$85.3 million, which included approximately \$10.9 million for equipment, \$17.4 million for construction costs associated with the refurbishment of the waste-to-energy facility, \$15.9 million for costs associated with the construction of the biosolids pelletization facility and \$16.1 million for costs associated with the relocation of the materials recovery facility.
- The Department of Airports expended \$49.6 million on capital activities. Completed projects during 2008 totaling \$115 million were transferred from construction-in-progress to their respective capital accounts. The major project during fiscal year 2008 was construction of an additional long term parking garage which opened in January of 2008.



For more information on Capital Assets, refer to the *Notes to the Financial Statements*.

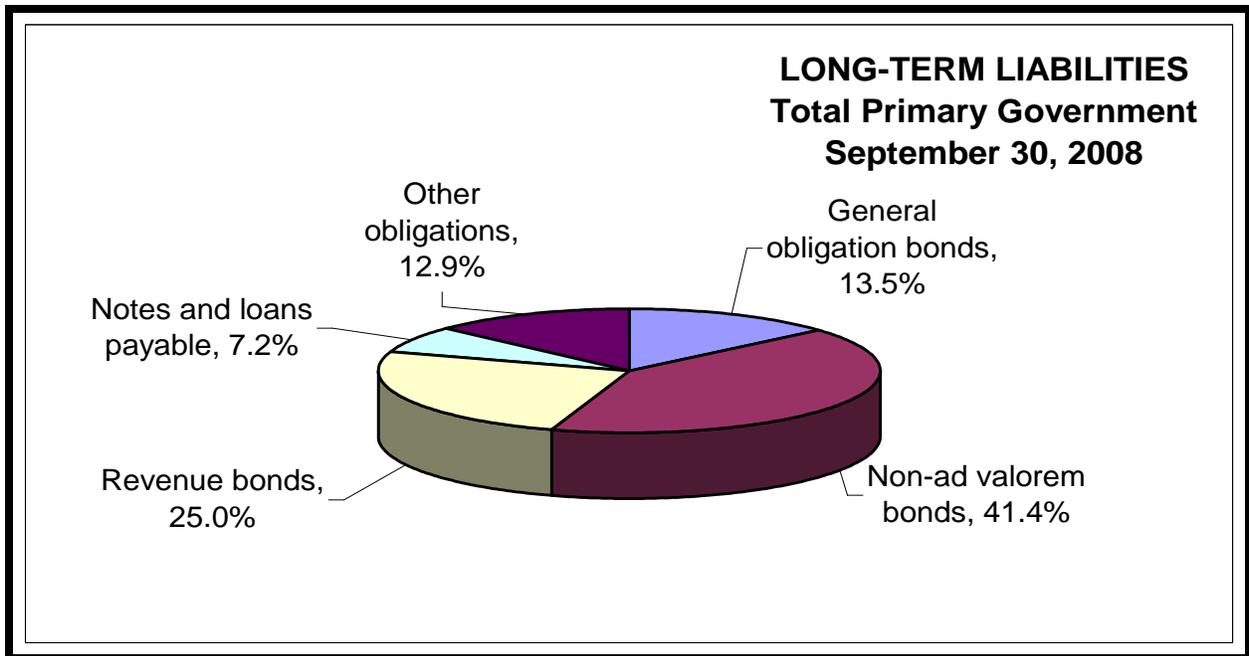
Long-term liabilities. At September 30, 2008, the primary government had 47 issues of bonded debt totaling \$1.734 billion. Of this amount, \$293 million comprises debt backed by the full faith and credit of the government, \$899 million is special obligation debt secured by dedicated revenue sources and \$542 million is secured by specified enterprise revenue sources. See chart below for more information.

Palm Beach County, Florida						
Long-Term Liabilities at Year-End (in thousands)						
	Governmental Activities		Business-type Activities		TOTAL PRIMARY GOVERNMENT	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 292,974	\$ 316,245	\$ -	\$ -	\$ 292,974	\$ 316,245
Non-ad valorem revenue bonds	899,418	586,021	-	-	899,418	586,021
Revenue bonds	-	-	542,164	591,205	542,164	591,205
Notes and loans payable	75,494	129,057	80,000	250	155,494	129,307
Other obligations	211,899	203,410	68,672	60,884	280,571	264,294
TOTALS	\$ 1,479,785	\$ 1,234,733	\$ 690,836	\$ 652,339	\$ 2,170,621	\$ 1,887,072

Bonded Debt. The County's bond issues are rated by three primary bond rating agencies; Moody's Investors Service, Standard and Poor's and Fitch Ratings. These ratings, which are listed in the following chart, are indicative of the County's strong management team, broad-based economy, continually well-performing tax base, increasingly strong financial position, minimal debt requirements and high quality residential tax base. At September 30, 2008, the County's non-ad valorem revenues were 4.23 times the debt service required in the current or any future fiscal year.

<u>Type of Debt Issue</u>	<u>Moody's</u>	<u>Fitch Ratings</u>	<u>S&P</u>
General obligation bonds	Aaa	AAA	AAA
Non-ad valorem revenue bonds	Aa1	AA+	AA+
Pooled financing loans	Aa1	-	-
Water and Sewer System Enterprise revenue bonds	Aaa	AAA	AAA
Water and Wastewater System Enterprise revenue bonds	Aaa	AAA	AAA
Airport System Enterprise revenue bonds	A2	A	A
Solid Waste Authority	Aa3	-	AA

Note: Highest rating: AAA/Aaa Investment grade ratings: AAA/Aaa through BBB/Baa, Lowest Rating: C



For more information on Long-Term Debt, refer to the *Notes to the Financial Statements*.

Economic Factors

Local, national, and international economic factors influence the County's revenues in a variety of ways. Positive economic growth is correlated with increased revenues from property taxes, sales taxes, fuel taxes, charges for services, state revenue sharing as well as state and federal grants. Economic growth may be measured by a variety of indicators such as employment growth, unemployment, new construction and assessed values, diversification of the property tax base, and Enterprise Fund revenue and net asset growth.

- During fiscal year 2008, the Florida Legislature continued to impose significant restrictions on the ability of municipalities and counties to increase ad valorem millage rates.
- The civilian labor force for Palm Beach County rose from 650,548 at September 2007 to 655,669 at September 2008, an increase of less than 1%. The County's unemployment rate increased to 7.3% at September 2008 compared to 4.8% at September 2007.
- Palm Beach International Airport total passengers decreased from 387,554 during the month of September 2007 to 321,695 in the month of September 2008, a decrease of 17%.
- The assessed value of taxable property located in the County (after exemptions) decreased from \$146.6 billion in 2007 to \$136.4 billion in 2008. This represented a decrease of \$10.2 billion or 6.9%.

- Palm Beach County has a diversified property tax base. The ten largest property taxpayers in the County represent 7.7% of the total ad valorem property taxes levied.
- Occupational licenses sold in Palm Beach County during the month of September 2007 rose from 1,145 to 1,325 during the month of September 2008, an increase of 15.7%.
- Gross property taxes levied for fiscal year 2008 fell from \$978.1 million in 2007 to \$931.8 million for 2008, a decrease of \$46.3 million or 4.7%.
- Building permits issued in Palm Beach County for both single family and multi-family units fell from 993 in the second quarter of 2007 to 321 during the same period in 2008.
- Foreclosure filings in Palm Beach County rose from 10,485 during FY 2007 to 25,986 during FY 2008, an increase of almost 148%.

More information on economic factors is provided in the *Statistical Section*.

To Obtain Further Information

This financial report was designed to provide an overview of the County's finances. If you have any questions concerning budgets, long-term financial planning, future debt issuances, or questions related to the management of County operations, please contact the County Administrator at:

County Administrator
301 North Olive Avenue, 11th Floor
West Palm Beach, FL 33401

If you have any questions concerning the Basic Financial Statements or other accounting information in this report, please contact the Financial Reporting Manager at:

Clerk & Comptroller, Palm Beach County
Finance Department
301 North Olive Avenue, 2nd Floor
West Palm Beach, FL 33401



PALM BEACH COUNTY, FLORIDA
Statement of Net Assets
September 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents - internal investment pool (note 2)	\$ 1,628,737,444	\$ 139,234,803	\$ 1,767,972,247
Cash and cash equivalents - separate accounts	106,252,019	302,696,014	408,948,033
Investments - separate accounts	920,805	23,010,932	23,931,737
Interest receivable - separate accounts	288,719	1,842,957	2,131,676
Accounts receivable, net	19,866,736	31,218,169	51,084,905
Internal Balances	(6,407,115)	6,407,115	-
Due from primary government	-	-	-
Due from other governments	35,744,039	2,120,692	37,864,731
Due from component units	5,294	-	5,294
Inventory	13,857,353	8,168,033	22,025,386
Other assets	8,869,805	3,655,106	12,524,911
Other receivable - noncurrent	18,358,941	20,063,137	38,422,078
Investment in joint venture	-	33,340,114	33,340,114
Deferred issue costs	10,013,218	4,566,542	14,579,760
Capital assets (note 4)			
Non-depreciable capital assets	1,068,948,483	304,890,010	1,373,838,493
Depreciable capital assets, net	1,155,133,348	1,439,162,092	2,594,295,440
Total assets	\$ 4,060,589,089	\$ 2,320,375,716	\$ 6,380,964,805
LIABILITIES			
Vouchers payable and accruals	\$ 126,099,136	\$ 39,979,701	\$ 166,078,837
Due to primary government	-	-	-
Due to other governments	16,293,402	7,219,960	23,513,362
Due to component units	266,086	-	266,086
Due to individuals	735,900	4,462,876	5,198,776
Accrued interest payable	16,001,975	11,995,809	27,997,784
Unearned revenue	21,072,982	1,190,112	22,263,094
Other current liabilities	14,703,946	4,264,731	18,968,677
Long-term liabilities (note 17)			
Long-term liabilities due within one year	109,832,018	58,912,912	168,744,930
Long-term liabilities due more than one year	1,369,952,801	631,922,882	2,001,875,683
Total liabilities	\$ 1,674,958,246	\$ 759,948,983	\$ 2,434,907,229
NET ASSETS			
Invested in capital assets, net of related debt	\$ 1,259,900,977	\$ 1,221,939,326	\$ 2,481,840,303
Restricted for:			
Debt service	34,738,955	22,912,026	57,650,981
Capital projects	484,466,675	25,945,266	510,411,941
School district impact fee land acquisition	1,847,217	-	1,847,217
Library taxing district	40,149,847	-	40,149,847
Fire rescue taxing district	127,693,316	-	127,693,316
Tourist development tax programs	28,491,977	-	28,491,977
Grants and other	3,749,007	32,996,229	36,745,236
Unrestricted (deficit)	404,592,872	256,633,886	661,226,758
Total net assets	\$ 2,385,630,843	\$ 1,560,426,733	\$ 3,946,057,576

The notes to the financial statements are an integral part of this statement.

Component Units

Metropolitan Planning Organization	Housing Finance Authority	Westgate/ Belvedere Homes Community Redevelopment Agency
\$ -	\$ -	\$ -
100	8,116,350	1,635,479
-	269,629	401,320
-	8,505	-
2,500	-	-
-	-	-
266,086	-	-
-	-	-
-	-	-
-	65,702	3,270,394
-	-	-
-	-	-
-	-	100,833
-	-	2,429,820
-	-	331,937
<u>\$ 268,686</u>	<u>\$ 8,460,186</u>	<u>\$ 8,169,783</u>
\$ 67,136	\$ 179,988	\$ 104,157
5,294	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	175,000	3,500
1,445	-	684,513
204,979	-	4,400,299
<u>\$ 278,854</u>	<u>\$ 354,988</u>	<u>\$ 5,192,469</u>
\$ -	\$ -	\$ 2,502,757
-	-	323,491
-	-	1,128,429
-	-	-
-	-	-
-	-	-
-	-	-
-	53,678	-
(10,168)	8,051,520	(977,363)
<u>\$ (10,168)</u>	<u>\$ 8,105,198</u>	<u>\$ 2,977,314</u>

PALM BEACH COUNTY, FLORIDA
Statement of Activities
For the fiscal year ended September 30, 2008

	Expenses		Program Revenues		
	Direct	Indirect	Fines, Fees and Charges for Services	Operating Grants, Contributions and Restricted Interest Income	Capital Grants and Contributions
PRIMARY GOVERNMENT					
Governmental Activities					
General Government	\$ 366,005,492	\$ (15,270,788)	\$ 129,124,303	\$ 15,352,795	\$ 24,259,066
Public Safety	681,787,114	5,855,833	98,503,611	17,047,130	303,720
Physical Environment	25,796,346	-	4,997,300	7,884,089	8,648,737
Transportation	163,081,369	1,119,985	26,379,224	32,559,877	6,430,289
Economic Environment	212,478,789	562,374	3,227,522	26,515,514	162,159
Human Services	100,793,195	371,596	5,897,399	31,503,545	386,149
Culture and Recreation	121,455,602	2,721,832	12,332,208	1,272,383	440,000
Interest Expense	49,875,129	-	-	-	-
Total Governmental Activities	\$ 1,721,273,036	\$ (4,639,168)	\$ 280,461,567	\$ 132,135,333	\$ 40,630,120
Business Activities					
Department of Airports	70,472,323	1,274,998	74,338,460	4,606,165	8,934,475
Water Utilities Department	124,544,372	3,267,836	118,720,944	5,482,973	37,580,661
Solid Waste Authority	160,805,739	-	195,947,347	8,672,112	12,961,981
Total Business Activities	\$ 355,822,434	\$ 4,542,834	\$ 389,006,751	\$ 18,761,250	\$ 59,477,117
Total Primary Government	\$ 2,077,095,470	\$ (96,334)	\$ 669,468,318	\$ 150,896,583	\$ 100,107,237
COMPONENT UNITS					
Metropolitan Planning Organization	\$ 1,571,417	\$ 96,334	\$ 5	\$ 1,597,924	\$ -
Housing Finance Authority	645,502	-	535,877	223,127	-
Westgate/Belvedere CRA	1,350,776	-	-	-	-
Total Component Units	\$ 3,567,695	\$ 96,334	\$ 535,882	\$ 1,821,051	\$ -
General Revenues					
Taxes - levied by the County					
Ad-valorem taxes					
Utility service taxes					
Local option gas taxes					
Tourist development taxes					
State shared sales tax-unrestricted					
Franchise gross receipts fee					
State shared revenues-unrestricted					
Investment income (loss)					
Other general revenues					
Gain on sale of capital assets					
Transfers - net					
Total general revenues and transfers					
Change in net assets					
Beginning net assets, restated					
Ending net assets (deficit)					

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units		
Governmental Activities	Business-Type Activities	Total	Metropolitan Planning Organization	Housing Finance Authority	Westgate/ Belvedere Homes Community Redevelopment Agency
\$ (181,998,540)	\$ -	\$ (181,998,540)	\$ -	\$ -	\$ -
(571,788,486)	-	(571,788,486)	-	-	-
(4,266,220)	-	(4,266,220)	-	-	-
(98,831,964)	-	(98,831,964)	-	-	-
(183,135,968)	-	(183,135,968)	-	-	-
(63,377,698)	-	(63,377,698)	-	-	-
(110,132,843)	-	(110,132,843)	-	-	-
(49,875,129)	-	(49,875,129)	-	-	-
<u>\$ (1,263,406,848)</u>	<u>\$ -</u>	<u>\$ (1,263,406,848)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
-	16,131,779	16,131,779	-	-	-
-	33,972,370	33,972,370	-	-	-
-	56,775,701	56,775,701	-	-	-
<u>\$ -</u>	<u>\$ 106,879,850</u>	<u>\$ 106,879,850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ (1,263,406,848)</u>	<u>\$ 106,879,850</u>	<u>\$ (1,156,526,998)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
-	-	-	(69,822)	-	-
-	-	-	-	113,502	-
-	-	-	-	-	(1,350,776)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (69,822)</u>	<u>\$ 113,502</u>	<u>\$ (1,350,776)</u>
\$ 897,890,650	\$ -	\$ 897,890,650	\$ -	\$ -	\$ 2,164,680
30,543,325	-	30,543,325	-	-	-
46,068,630	-	46,068,630	-	-	824,729
27,813,718	-	27,813,718	-	-	-
72,375,458	-	72,375,458	-	-	-
30,039,809	-	30,039,809	-	-	-
59,369,923	-	59,369,923	-	-	-
87,183,609	-	87,183,609	2,564	-	23,461
6,092,958	-	6,092,958	-	-	538,011
-	77,493	77,493	-	-	-
9,654,866	(9,654,866)	-	-	-	-
<u>1,267,032,946</u>	<u>(9,577,373)</u>	<u>1,257,455,573</u>	<u>2,564</u>	<u>-</u>	<u>3,550,881</u>
3,626,098	97,302,477	100,928,575	(67,258)	113,502	2,200,105
<u>2,382,004,745</u>	<u>1,463,124,256</u>	<u>3,845,129,001</u>	<u>57,090</u>	<u>7,991,696</u>	<u>777,209</u>
<u>\$ 2,385,630,843</u>	<u>\$ 1,560,426,733</u>	<u>\$ 3,946,057,576</u>	<u>\$ (10,168)</u>	<u>\$ 8,105,198</u>	<u>\$ 2,977,314</u>



DESCRIPTIONS OF MAJOR FUNDS

GOVERNMENTAL FUNDS

General Fund - To account for all financial resources of the general government except those required to be accounted for in other funds.

Fire Rescue Special Revenue Fund - To account for ad-valorem taxes and other revenues designated for fire rescue services.

Sheriff Special Revenue Fund - To account for the financial resources necessary to carry out the powers, duties and obligations of the elected office of Sheriff as detailed in Florida Statutes Chapter 30.15.

General Government Capital Projects - To account for costs of capital improvements not included in any other category. It is a major fund for public interest reasons.

Road Program Capital Projects - To account for costs related to the design, acquisition of rights-of-way and construction of improvements to the County's major thoroughfare road system, primarily represented by the County's Five Year Road Program.

PROPRIETARY FUNDS

Airports - To account for activities related to the operation of the four County-owned airports - Palm Beach International Airport in West Palm Beach and three general aviation airports located in Lantana, Pahokee and Palm Beach Gardens.

Water Utilities - To account for activities related to the operation of the County-owned water and sewage system which provides water and sewer services to portions of the unincorporated area of the County as well as to certain municipalities.

Solid Waste Authority - To account for activities related to the operation of the solid waste disposal facilities for Palm Beach County.

PALM BEACH COUNTY, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2008

	MAJOR FUNDS			
	General	Fire Rescue Special Revenue Fund	Sheriff Special Revenue Fund	General Government Capital Projects
ASSETS				
Cash and cash equivalents	\$ 172,834,451	\$ 97,887,175	\$ 58,955,246	\$ 202,741,124
Investments	-	-	1,305	-
Accounts receivable, net	5,627,194	1,353,962	322,494	101
Due from other county funds	77,469,488	3,401,270	563,235	593,884
Due from other governments	3,654,273	1,414,699	975,664	422,759
Inventory	1,998,639	2,527,932	2,587,993	-
Other assets	3,330	75	111,712	-
Other receivable, noncurrent	-	-	-	2,050,000
Total assets	\$ 261,587,375	\$ 106,585,113	\$ 63,517,649	\$ 205,807,868
LIABILITIES				
Vouchers payable and accrued liabilities	\$ 10,714,139	\$ 11,879,796	\$ 32,550,575	\$ 19,611,831
Due to other county funds	12,399,398	171,032	12,452,182	1,311
Due to other governments	908,102	416,841	3,467,185	100,014
Due to component unit	266,086	-	-	-
Due to individuals	-	-	-	-
Insurance claims payable	-	-	1,307,282	-
Deferred and unearned revenue	15,000,010	-	-	-
Other liabilities	1,725,840	-	7,734,480	-
Matured principal and interest payable	-	-	-	-
Total liabilities	41,013,575	12,467,669	57,511,704	\$ 19,713,156
FUND BALANCE				
Fund balances:				
Reserved for debt service	-	-	-	-
Reserved for inventory	1,998,639	2,527,932	2,587,993	-
Reserved for noncurrent loans receivable	-	-	-	2,050,000
Unreserved, reported in:				
General Fund	218,575,161	-	-	-
Special Revenue Funds	-	91,589,512	3,417,952	-
Capital Projects Funds	-	-	-	184,044,712
Total fund balance	220,573,800	94,117,444	6,005,945	186,094,712
Total liabilities and fund balance	\$ 261,587,375	\$ 106,585,113	\$ 63,517,649	\$ 205,807,868

The notes to the financial statements are an integral part of this statement.

Road Program Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 383,970,697	\$ 718,772,924	\$ 1,635,161,617
-	919,500	920,805
-	10,562,561	17,866,312
-	15,463,635	97,491,512
4,462,568	24,504,754	35,434,717
-	5,406,974	12,521,538
-	1,455,463	1,570,580
-	16,308,941	18,358,941
<u>\$ 388,433,265</u>	<u>\$ 793,394,752</u>	<u>\$ 1,819,326,022</u>
\$ 10,663,311	\$ 37,567,261	\$ 122,986,913
47,194	79,779,999	104,851,116
7,026	11,042,026	15,941,194
-	-	266,086
-	735,900	735,900
-	-	1,307,282
-	30,740,673	45,740,683
-	1,317,692	10,778,012
-	64,819	64,819
<u>\$ 10,717,531</u>	<u>\$ 161,248,370</u>	<u>302,672,005</u>
-	34,123,198	34,123,198
-	5,406,974	12,521,538
-	-	2,050,000
-	-	218,575,161
-	181,238,012	276,245,476
377,715,734	411,378,198	973,138,644
<u>377,715,734</u>	<u>632,146,382</u>	<u>1,516,654,017</u>
<u>\$ 388,433,265</u>	<u>\$ 793,394,752</u>	<u>\$ 1,819,326,022</u>

PALM BEACH COUNTY, FLORIDA

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets - Governmental Activities
September 30, 2008

Fund balance for total of governmental funds (page 9) \$ 1,516,654,017

Amounts reported for governmental activities in the statements of net assets are different because:

Report internal service funds as governmental activities

Internal service funds are used by management to charge the costs of certain activities, such as insurance, computer services, and vehicles to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Net assets per fund statements	\$ 85,987,453	
Less amount due to business-type activities for 'look-back' allocation	(5,352,332)	
Plus amount due from component units for 'look-back' allocation	<u>1,588</u>	80,636,709

Report as an asset the cost of general capital assets and accumulated depreciation

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund statements.

Non-depreciable capital assets	1,068,948,483	
Depreciable capital assets, net of accumulated depreciation	<u>1,122,799,180</u>	2,191,747,663

Report as a liability general long-term debt obligations

Liabilities that are not due and payable in the current period do not encumber current financial resources and therefore are not reported in the governmental fund statements.

General obligation bonds payable	(290,410,000)	
Non-ad valorem bonds payable	(882,004,002)	
Notes and loans payable	(75,182,568)	
Capital leases	(7,452)	
Compensated absences	(110,321,525)	
Net OPEB Obligation Liability	(11,515,769)	
Arbitrage accrued	(4,676,746)	
Claims and judgements	(31,105,097)	
Unamortized premium	(32,279,961)	
Deferred (loss) on refundings	<u>12,302,075</u>	(1,425,201,045)

Report adjustments to convert from modified accrual to full accrual

Interest Receivable- Separate Accounts

Interest receivable on special assessments is not due and available in the current period and therefore is not reported in the governmental fund statements. 288,719

Net OPEB Obligation Asset

Cumulative plan contributions in excess of ARC is reported as an asset. However, the plan contributions are reported as expenditures in the governmental fund statements. 2,871,983

Deferred Issue Costs

Issue cost for new debt is reported as a deferred charge and amortized over the life of the debt as an expense. However, issue cost are recorded as expenditures in the governmental fund statements. 10,013,218

Accrued Interest Payable

Accrued Interest Payable that is not due and payable in the current period is not reported in the governmental fund statements (15,934,252)

Deferred Revenue

Revenue is recognized when earned. However, revenue is deferred until the current financial resources are available in the governmental fund statements. 24,667,701

Due To Other Governments

Palm Beach County and the Palm Beach County School District engage in an interlocal agreement that allows them to exchange land and maintain a receivable and payable for the difference in value. When a general capital asset is exchanged for another capital asset and there is no receipt of current financial resources for the difference in value, the receivable or payable is not reported in the governmental fund statements. (113,870)

Net assets of governmental activities (page 2) \$ 2,385,630,843



PALM BEACH COUNTY, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the fiscal year ended September 30, 2008

	MAJOR FUNDS			
	General	Fire Rescue Special Revenue Fund	Sheriff Special Revenue Fund	General Government Capital Projects
Revenues:				
Taxes (net of discount)	\$674,913,810	\$ 195,976,807	\$ -	\$ 81
Special assessments	-	303,720	-	1,010,396
Licenses and permits	3,885,447	4,077	-	-
Intergovernmental	31,708,356	381,715	-	3,761,370
Charges for services	69,059,861	30,897,059	1,858,607	3,531,006
Less - excess fees paid out	-	-	-	-
Fines and forfeitures	1,399,126	-	126,728	1,049,334
Investment income	17,060,682	6,313,431	242,926	12,315,637
Miscellaneous	7,373,862	280,430	28,784	3,223,507
Total revenues	805,401,144	234,157,239	2,257,045	24,891,331
Expenditures:				
Current:				
General government	123,616,503	-	18,933,887	25,404,570
Public safety	33,598,692	209,244,939	380,967,983	169,783
Physical environment	13,456,825	-	-	875,571
Transportation	7,065,807	-	-	624,705
Economic environment	28,671,979	917,082	-	90,680,397
Human services	54,722,884	-	-	-
Culture and recreation	60,394,430	-	-	-
Capital outlay	871,777	3,737,765	27,207,798	32,335,993
Debt service	-	-	-	1,630,099
Total expenditures	322,398,897	213,899,786	427,109,668	151,721,118
Excess of revenues over (under) expenditures	483,002,247	20,257,453	(424,852,623)	(126,829,787)
Other financing sources (uses):				
Transfers in	33,039,979	7,056,212	434,591,773	24,955,677
Transfers out	(538,231,869)	(10,180,000)	(8,615,725)	(16,534,792)
Issuance of long-term debt	-	-	-	81,568,330
Premium (discount) long-term debt	-	-	-	3,937,782
Issuance of refunding debt	-	-	-	16,511,670
Premium (discount) refunding debt	-	-	-	797,115
Payment to escrow agent for refunding	-	-	-	(17,069,579)
Total other financing sources (uses)	(505,191,890)	(3,123,788)	425,976,048	94,166,203
Net change in fund balances	(22,189,643)	17,133,665	1,123,425	(32,663,584)
Fund balances, October 1, 2007	242,836,817	76,621,912	4,882,520	218,758,296
Increase (decrease) in reserves, inventory	(73,374)	361,867	-	-
Fund balances, September 30, 2008	\$220,573,800	\$ 94,117,444	\$ 6,005,945	\$ 186,094,712

The notes to the financial statements are an integral part of this statement.

Road Program Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 33,743,071	\$ 156,015,130	\$ 1,060,648,899
19,026,479	10,426,231	30,766,826
-	10,606,314	14,495,838
13,870,421	181,531,473	231,253,335
1,106,090	156,717,465	263,170,088
-	(48,986,202)	(48,986,202)
-	10,834,307	13,409,495
19,395,145	29,230,865	84,558,686
2,977,846	11,372,272	25,256,701
<u>90,119,052</u>	<u>517,747,855</u>	<u>1,674,573,666</u>
5,322,302	137,052,468	310,329,730
-	29,299,887	653,281,284
-	10,564,805	24,897,201
10,729,858	117,960,003	136,380,373
-	54,749,594	175,019,052
-	45,137,638	99,860,522
500,000	45,759,546	106,653,976
54,739,281	126,542,322	245,434,936
-	125,684,602	127,314,701
<u>71,291,441</u>	<u>692,750,865</u>	<u>1,879,171,775</u>
<u>18,827,611</u>	<u>(175,003,010)</u>	<u>(204,598,109)</u>
804,650	290,070,692	790,518,983
(26,689,979)	(189,912,366)	(790,164,731)
-	223,357,676	304,926,006
-	1,508,526	5,446,308
-	37,239,596	53,751,266
-	-	797,115
-	(37,115,938)	(54,185,517)
<u>(25,885,329)</u>	<u>325,148,186</u>	<u>311,089,430</u>
(7,057,718)	150,145,176	106,491,321
384,773,452	482,105,276	1,409,978,273
-	(104,070)	184,423
<u>\$377,715,734</u>	<u>\$ 632,146,382</u>	<u>\$ 1,516,654,017</u>

PALM BEACH COUNTY, FLORIDA
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to the Statement of Activities - Governmental Activities
 For the fiscal year ended September 30, 2008

Net change in fund balances for total governmental funds (page 13) \$ 106,491,321
 Cumulative effect of prior years for change in accounting principle (7,054,000)

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

Report internal service funds as governmental activities

Internal service funds are used by management to charge the cost of certain activities, such as vehicles, computer systems, printing, and insurance to individual funds. The net revenue (loss) of the internal service funds is reported with governmental activities.

Net income (loss) per fund statements	\$ 9,206,928	
Less current year allocation to business-type activities	(1,079,212)	
Less current year allocation to component units	1,444	
	8,129,160	8,129,160

Report as an asset the cost of general capital assets and accumulated depreciation

Acquisition of capital assets

Governmental funds report capital outlays as expenditures, but capital purchases increase assets in the statement of net assets and do not result in an expense. 244,730,692

Acquisition of capital assets from contributions do not generate current financial resources and therefore are not reported in the governmental fund statements as revenue. 31,577,235

Depreciation expense

The cost of capital assets is allocated over their useful life as depreciation expense. However, depreciation does not require the use of current financial resources and therefore is not reported in the governmental fund statements. (97,253,456)

Retirement of capital assets

In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance (9,943,813)

In the statement of activities, the loss due to impairment is reported, whereas in the governmental funds, the loss is not reported because there is no reduction in current financial resources. Thus, the change in net assets differs from the change in fund balance (38,158,797)

130,951,861

Report as a liability long-term debt obligations

Debt issuance

Debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets and does not result in a revenue. Current year face value of debt issued (358,677,272)

Governmental funds report the premium and discount on debt issues as revenue, but in the statement of activities these amounts are amortized to interest expense.

Current year (premium) discount on debt issued	(6,243,423)	
Current year amortization of premium / discount	1,934,956	

Governmental funds report the effect of gains and losses on refundings when the debt is first issued, but in the statement of activities these amounts are deferred and amortized.

Current year amortization of deferred refunding gain / loss	(827,588)	
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PALM BEACH COUNTY, FLORIDA
Statement of Net Assets
Proprietary Funds
September 30, 2008

	Business-type Activities -	
	Airports	Water Utilities
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 46,749,141	\$ 49,455,783
Cash and cash equivalents - restricted	13,088,266	21,971,309
Interest receivable - restricted	-	-
Interest receivable	-	813,900
Accounts receivable, net	862,151	14,548,560
Due from other county funds	256,147	34,615
Due from other governments	1,201,685	768,300
Due from component unit	-	-
Inventory	989,563	6,809,057
Current portion of other receivable	107,292	750,543
Other assets	1,038,117	274,058
Total current assets	64,292,362	95,426,125
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	19,540,444	1,601,642
Cash with fiscal agent	19,665,716	-
Investments	-	-
Accounts receivable, net	1,421,275	-
Total noncurrent restricted assets	40,627,435	1,601,642
Capital assets:		
Land	95,231,826	15,510,469
Buildings	313,840,313	103,715,377
Improvements other than buildings	175,607,230	1,118,057,530
Furniture, fixtures and equipment	38,487,892	74,452,182
Leasehold interest	-	12,010,002
Goodwill	-	7,131,703
Intangible - easement rights	13,754,957	1,660,856
Accumulated depreciation and amortization	(282,733,138)	(384,987,790)
Construction in progress	30,769,763	12,457,464
Total capital assets	384,958,843	960,007,793
Investments	-	-
Investment in joint venture	-	33,340,114
Loans receivable, noncurrent	712,267	17,751,723
Deferred issuance costs	1,896,351	1,405,353
Due from other governments	-	150,707
Other assets	-	-
Total noncurrent assets	428,194,896	1,014,257,332
Total assets	\$ 492,487,258	\$ 1,109,683,457

The notes to the financial statements are an integral part of this statement.

Enterprise Funds		Governmental Activities Internal Service Funds
Solid Waste Authority	Totals	
\$ 106,414,556	\$ 202,619,480	\$ 99,827,846
134,582,920	169,642,495	-
820,814	820,814	-
208,243	1,022,143	-
14,386,183	29,796,894	2,000,424
1,606,088	1,896,850	6,732,906
-	1,969,985	309,322
-	-	3,706
369,413	8,168,033	1,335,815
301,577	1,159,412	-
1,176,076	2,488,251	4,427,242
259,865,870	419,584,357	114,637,261
28,861,040	50,003,126	-
-	19,665,716	-
21,149,922	21,149,922	-
-	1,421,275	-
50,010,962	92,240,039	-
50,795,763	161,538,058	-
250,756,564	668,312,254	127,632
91,406,367	1,385,071,127	512,286
143,351,396	256,291,470	98,841,564
-	12,010,002	-
-	7,131,703	-
-	15,415,813	-
(237,349,349)	(905,070,277)	(67,147,314)
100,124,725	143,351,952	-
399,085,466	1,744,052,102	32,334,168
1,861,010	1,861,010	-
-	33,340,114	-
1,599,147	20,063,137	-
1,264,838	4,566,542	-
-	150,707	-
7,443	7,443	-
453,828,866	1,896,281,094	32,334,168
\$ 713,694,736	\$ 2,315,865,451	\$ 146,971,429

PALM BEACH COUNTY, FLORIDA
Statement of Net Assets
Proprietary Funds
September 30, 2008

	Business-type Activities -	
	Airports	Water Utilities
LIABILITIES		
Current liabilities payable from current assets:		
Vouchers payable and accrued liabilities	\$ 5,884,976	\$ 9,941,923
Due to other county funds	282,525	542,585
Due to other governments	2,073,380	2,612,348
Deferred revenue	1,190,112	-
Current portion of long-term debt	-	-
Compensated absences	134,223	289,000
Insurance claims payable	-	-
Other liabilities	559,783	2,756,666
Total current liabilities payable from current assets	10,124,999	16,142,522
Current liabilities payable from restricted assets:		
Customers' deposits	332,798	3,545,218
Accounts and contracts payable	1,186,867	5,130
Due to other governments	310,000	267,290
Accrued landfill closure and postclosure care costs	-	-
Current portion of long-term debt	7,225,000	14,070,000
Interest payable on bonds	4,033,601	4,083,671
Total current liabilities payable from restricted assets	13,088,266	21,971,309
Total current liabilities	23,213,265	38,113,831
Noncurrent liabilities:		
Due to other governments	-	1,956,942
Note payable	-	-
Compensated absences	1,115,826	2,640,961
Revenue bonds payable, net of discount	147,000,735	166,093,961
Other long-term liabilities	-	12,876
Total noncurrent liabilities	148,116,561	170,704,740
Total liabilities	171,329,826	208,818,571
NET ASSETS		
Invested in capital assets, net of related debt	236,336,509	779,843,832
Restricted for:		
Debt service	8,118,837	14,070,000
Capital projects	25,445,266	500,000
Grants and other	8,684,926	1,101,642
Unrestricted	42,571,894	105,349,412
Total net assets	\$ 321,157,432	\$ 900,864,886

Some amounts reported for business-type activities in the statement of net assets (page 2) are different because certain internal service fund assets and liabilities are included with business-type activities.

Net assets of business-type activities

The notes to the financial statements are an integral part of this statement.

<u>Enterprise Funds</u>		Governmental
Solid Waste		Activities
Authority	Totals	Internal
		Service Funds
\$ 15,830,376	\$ 31,657,275	\$ 3,115,127
16,957	842,067	428,085
-	4,685,728	238,338
-	1,190,112	-
4,000,000	4,000,000	205,825
324,689	747,912	-
448,000	448,000	25,262,856
1,060,065	4,376,514	3,934,933
<u>21,680,087</u>	<u>47,947,608</u>	<u>33,185,164</u>
584,860	4,462,876	-
6,570,646	7,762,643	-
-	577,290	-
350,000	350,000	-
32,520,000	53,815,000	-
3,878,537	11,995,809	-
<u>43,904,043</u>	<u>78,963,618</u>	<u>-</u>
<u>65,584,130</u>	<u>126,911,226</u>	<u>33,185,164</u>
-	1,956,942	-
76,000,000	76,000,000	-
3,767,078	7,523,865	-
175,254,525	488,349,221	-
60,036,920	60,049,796	27,798,812
<u>315,058,523</u>	<u>633,879,824</u>	<u>27,798,812</u>
<u>380,642,653</u>	<u>760,791,050</u>	<u>60,983,976</u>
205,758,985	1,221,939,326	32,019,626
723,189	22,912,026	-
-	25,945,266	-
23,209,661	32,996,229	-
103,360,248	251,281,554	53,967,827
<u>\$ 333,052,083</u>	<u>1,555,074,401</u>	<u>\$ 85,987,453</u>
	5,352,332	
	<u>\$ 1,560,426,733</u>	

PALM BEACH COUNTY, FLORIDA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the fiscal year ended September 30, 2008

	Business-type Activities -	
	Airports	Water Utilities
Operating revenues:		
Charges for services	\$ 62,068,302	\$ 110,116,173
Miscellaneous	2,404,699	5,205,556
Total operating revenues	64,473,001	115,321,729
Operating expenses:		
Aviation services	44,732,030	-
Water and sewer services	-	81,927,461
Transportation services	-	-
Solid waste services	-	-
Printing services	-	-
Self-insurance services	-	-
Data processing services	-	-
Equity interest in net loss of joint venture	-	1,244,075
Depreciation and amortization	22,368,839	37,105,975
Total operating expenses	67,100,869	120,277,511
Operating income (loss)	(2,627,868)	(4,955,782)
Nonoperating revenues (expenses):		
Investment income	4,724,506	4,959,994
Capacity reservation fees	-	3,399,215
Passenger facility charges	9,865,458	-
Deferred issue costs	(139,926)	(176,852)
Interest expense	(4,656,440)	(5,701,665)
Hurricane debris collection and disposal	-	-
Other revenues (expenses)	(40,847)	(1,557,654)
Total nonoperating revenues (expenses)	9,752,751	923,038
Income (loss) before capital contributions and transfers	7,124,883	(4,032,744)
Capital contributions	8,934,475	37,580,661
Transfers out	(9,654,866)	-
Change in net assets	6,404,492	33,547,917
Net assets October 1, 2007, restated	314,752,940	867,316,969
Net assets September 30, 2008	\$ 321,157,432	\$ 900,864,886

Some amounts reported for business-type activities in the statement of activities (page 5) are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.

Change in net assets of business-type activities

The notes to the financial statements are an integral part of this statement.

<u>Enterprise Funds</u>		Governmental
Solid Waste		Activities
Authority	Totals	Internal
		Service Funds
\$ 195,220,950	\$ 367,405,425	\$ 153,293,664
-	7,610,255	-
<u>195,220,950</u>	<u>375,015,680</u>	<u>153,293,664</u>
-	44,732,030	-
-	81,927,461	-
-	-	24,795,506
126,331,029	126,331,029	-
-	-	1,347,444
-	-	89,970,330
-	-	31,684,399
-	1,244,075	-
23,399,947	82,874,761	12,122,545
<u>149,730,976</u>	<u>337,109,356</u>	<u>159,920,224</u>
<u>45,489,974</u>	<u>37,906,324</u>	<u>(6,626,560)</u>
8,672,112	18,356,612	4,794,253
-	3,399,215	-
-	9,865,458	-
-	(316,778)	-
(11,298,882)	(21,656,987)	(20,919)
(280,726)	(280,726)	-
726,397	(872,104)	2,477,784
<u>(2,181,099)</u>	<u>8,494,690</u>	<u>7,251,118</u>
43,308,875	46,401,014	624,558
12,961,981	59,477,117	1,882,622
-	(9,654,866)	(354,252)
56,270,856	96,223,265	2,152,928
<u>276,781,227</u>		<u>83,834,525</u>
<u>\$ 333,052,083</u>		<u>\$ 85,987,453</u>
	1,079,212	
	<u>\$ 97,302,477</u>	

PALM BEACH COUNTY, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended September 30, 2008

	<u>Business-type Activities -</u>	
	Airports	Water Utilities
Cash flows from operating activities:		
Cash received from customers	\$ 65,301,773	\$ 106,341,912
Cash received from other funds for goods and services	-	-
Cash payments to vendors for goods and services	(15,472,195)	(40,091,037)
Cash payments to employees for services	(11,080,098)	(26,290,846)
Cash payments to other funds	(17,341,024)	(14,038,262)
Claims paid	-	-
Other receipts	65,282	4,636,814
Net cash provided by operating activities	21,473,738	30,558,581
Cash flows from noncapital financing activities:		
Operating grants	-	-
Proceeds from interfund loan	-	-
Transfers in	18,954	-
Transfers out	-	-
Net cash provided by (used in) noncapital financing activities	18,954	-
Cash flows from capital and related financing activities:		
Proceeds from sale of capital assets	81,758	191,907
Contributed capital	5,681,775	27,176,687
Purchase and construction of capital assets	(59,623,374)	(60,808,395)
Proceeds from long-term borrowings	-	-
Payments to joint venture	-	(8,547,549)
Principal payments on debt	(6,790,000)	(13,350,000)
Interest payments on debt	(4,843,165)	(8,491,805)
Paying agent fees	-	(23,846)
Passenger facility charges received	9,610,327	-
Repayment on note payable	(250,000)	-
Proceeds on issuance of refunding revenue bonds	-	6,473,000
Principal paid on refunded revenue bonds	-	(6,345,000)
Bond issuance costs paid	-	(26,680)
Principal received on notes receivable	-	-
Net cash provided by (used in) capital and related financing activities	(56,132,679)	(63,751,681)
Cash flows from investing activities:		
Interest on investments	4,724,506	4,894,332
Purchase of investments	-	-
Receipt of repayments on other receivables	101,379	-
Proceeds from sale of investments	-	-
Net cash provided by investing activities	4,825,885	4,894,332
Net increase (decrease) in cash and cash equivalents	(29,814,102)	(28,298,768)
Cash and cash equivalents, October 1, 2007	128,857,669	101,327,502
Cash and cash equivalents, September 30, 2008	\$ 99,043,567	\$ 73,028,734

The notes to the financial statements are an integral part of this statement.

<u>Enterprise Funds</u>		Governmental
Solid Waste		Activities
Authority	Totals	Internal
		Service Funds
\$ 192,095,793	\$ 363,739,478	\$ 9,653,283
1,721,681	1,721,681	142,756,150
(79,751,006)	(135,314,238)	(42,974,018)
(26,994,075)	(64,365,019)	(27,470,355)
(10,312,201)	(41,691,487)	(4,760,118)
-	-	(69,691,919)
537,689	5,239,785	1,583,493
<u>77,297,881</u>	<u>129,330,200</u>	<u>9,096,516</u>
3,052,873	3,052,873	-
-	-	246,636
-	18,954	-
-	-	(354,252)
<u>3,052,873</u>	<u>3,071,827</u>	<u>(107,616)</u>
536,564	810,229	1,704,983
8,736,746	41,595,208	-
(92,002,003)	(212,433,772)	(9,022,108)
80,000,000	80,000,000	-
-	(8,547,549)	-
(30,700,000)	(50,840,000)	(198,332)
(9,326,758)	(22,661,728)	(22,765)
-	(23,846)	-
-	9,610,327	-
-	(250,000)	-
-	6,473,000	-
-	(6,345,000)	-
-	(26,680)	-
265,996	265,996	-
<u>(42,489,455)</u>	<u>(162,373,815)</u>	<u>(7,538,222)</u>
9,631,525	19,250,363	4,794,253
(2,330,969)	(2,330,969)	-
-	101,379	-
20,000,000	20,000,000	-
<u>27,300,556</u>	<u>37,020,773</u>	<u>4,794,253</u>
65,161,855	7,048,985	6,244,931
204,696,661	434,881,832	93,582,915
<u>\$ 269,858,516</u>	<u>\$ 441,930,817</u>	<u>\$ 99,827,846</u>

PALM BEACH COUNTY, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended September 30, 2008

	Business-type Activities -	
	Airports	Water Utilities
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (2,627,868)	\$ (4,955,782)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	22,368,839	37,105,975
Equity interest in net loss of joint venture	-	1,244,075
Provision for doubtful accounts	(33,426)	363,800
(Gain) on disposal of equipment	-	-
Transfer to joint venture capital fund	-	(611,337)
Miscellaneous revenue	-	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	319,736	(3,892,229)
(Increase) decrease in due from other county funds	-	8,278
Decrease in due from other governments	-	-
(Increase) decrease in inventory	(7,083)	(510,312)
Decrease in other assets	35,388	487,402
Decrease in due from component unit	-	-
Increase (decrease) in vouchers payable and accrued liabilities	590,637	1,904,574
Increase (decrease) in due to other county funds	176,631	64,093
Increase (decrease) in due to other governments	-	31,612
Increase in other current liabilities	76,566	-
Increase in deferred revenue	539,474	-
Increase (decrease) in customer deposits	34,844	(681,568)
Increase in insurance claims payable	-	-
Increase in other long-term liabilities	-	-
Net cash provided by operating activities	\$ 21,473,738	\$ 30,558,581
Supplemental disclosure of noncash capital and related financing activities:		
Net capital assets transferred to other funds	\$ (9,654,866)	\$ -
Amortization of deferred issuance costs	\$ 178,475	\$ 176,852
Amortization of premium on bonds	\$ 421,608	\$ 760,342
Amortization of discount on bonds	\$ -	\$ 437
Amortization of deferred advance refunding loss	\$ 383,059	\$ 438,388
Disposal of fully depreciated capital assets	\$ 7,984,866	\$ 1,557,571
Increase (decrease) in fair value of investments	\$ -	\$ -
Contribution of capital assets	\$ 3,518,676	\$ 15,338,217

The notes to the financial statements are an integral part of this statement.

<u>Enterprise Funds</u>		Governmental
Solid Waste	Totals	Activities
Authority		Internal
		Service Funds
\$ 45,489,974	\$ 37,906,324	\$ (6,626,560)
23,399,947	82,874,761	12,122,545
-	1,244,075	-
175,038	505,412	-
(250,667)	(250,667)	-
-	(611,337)	-
445,671	445,671	1,583,493
(1,190,712)	(4,763,205)	(1,957,086)
(741,488)	(733,210)	942,145
-	-	38,245
44,162	(473,233)	(411,569)
125,918	648,708	1,155,932
-	-	2,686
7,904,198	10,399,409	(1,013,979)
(366,408)	(125,684)	(80,486)
-	31,612	(48,054)
56,709	133,275	355,313
-	539,474	-
(28,975)	(675,699)	-
-	-	3,033,891
2,234,514	2,234,514	-
<u>\$ 77,297,881</u>	<u>\$ 129,330,200</u>	<u>\$ 9,096,516</u>
<u>\$ -</u>	<u>\$ (9,654,866)</u>	<u>\$ -</u>
<u>\$ 359,793</u>	<u>\$ 715,120</u>	<u>\$ -</u>
<u>\$ 994,299</u>	<u>\$ 2,176,249</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 437</u>	<u>\$ -</u>
<u>\$ 3,056,595</u>	<u>\$ 3,878,042</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 9,542,437</u>	<u>\$ 5,449,385</u>
<u>\$ (469,959)</u>	<u>\$ (469,959)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 18,856,893</u>	<u>\$ 1,882,622</u>

PALM BEACH COUNTY, FLORIDA
Statement of Fiduciary Net Assets - Agency Funds
September 30, 2008

	Total Agency Funds
ASSETS	
Cash and cash equivalents	\$ 74,407,982
Accounts receivable, net	833,344
Due from other governments	637,274
Other assets	349
Total assets	\$ 75,878,949
LIABILITIES	
Vouchers payable and accrued liabilities	\$ 4,109,378
Due to other governments	42,161,201
Due to individuals	29,208,235
Other liabilities	400,135
Total liabilities	\$ 75,878,949

The notes to the financial statements are an integral part of this statement.

**PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Palm Beach County, Florida reporting entity (the County) have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County's more significant accounting policies are described below.

A. Financial Reporting Entity

Palm Beach County is a political subdivision of the State of Florida pursuant to Article VIII, Section (1) of the Constitution of the State of Florida. It is governed by a seven member elected Board of County Commissioners (the Board) which is regulated by State Statutes and a local County Charter, operating under a County Manager form of government with separation of legislative and executive functions. In addition to the members of the Board, there are five elected Constitutional Officers: the Tax Collector, Property Appraiser, Clerk & Comptroller, Sheriff, and the Supervisor of Elections. The Board and the Constitutional Officers comprise the Palm Beach County primary government.

As required by GAAP, these financial statements cover the Palm Beach County reporting entity which includes the Palm Beach County primary government as well as its component units. Component units are legally separate entities for which the primary government is financially accountable. In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, Component units are either classified as blended component units or discretely presented component units, depending on the nature of the entity's relationship with the primary government. GASB Statement No. 14 provides the following criteria for determining whether or not an entity is a component unit of the reporting entity:

The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of the separate organization's governing body *and* either is able to impose its will on that organization or there is the potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities of, or the level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government is entitled to the organization's resources; is legally obligated or has otherwise assumed the obligations to finance the deficits of, or provide financial support to, the organization; or is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

In addition, any entity, for which the primary government is not financially accountable but for which exclusion would cause the primary government's financial statements to be misleading, should be included as a component unit.

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units: an Amendment of GASB Statement No. 14*, a government must include certain legally separate, tax-exempt entities in the government's financial reporting entity as discretely presented component units if they meet all three of the following conditions: (a) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (b) the primary government or its component units, are entitled to or have the ability to otherwise access a majority of the economic resources received or held by the separate organizations; or (c) the economic resources received or held by an individual organization that the specific primary government is entitled to, or has the ability to otherwise access, are significant to that primary government. GASB Statement No. 39 had no effect on determining the County's discretely presented component units and therefore had no effect on the financial statements. Based on the criteria specified above, the Palm Beach County reporting entity includes both blended component units and discretely presented component units.

Blended Component Units

The following organizations have been presented as blended component units because the organization's governing body is substantially the same as the governing body of the County, or the organization provides services almost entirely to the primary government.

Palm Beach County Public Building Corporation – This corporation was created by Palm Beach County Ordinance 81-11 pursuant to Article VIII, Section 1 (f) of the Constitution of the State of Florida and Sections 125.01 (w) and 125.66, Florida Statutes. The corporation was incorporated on April 2, 1981 to provide financial assistance for and on behalf of the County by paying the costs of acquiring, constructing and equipping an Administrative Complex located at 301 North Olive Avenue in the City of West Palm Beach, Florida (the Project). The corporation also participates in certain activities incidental to such purpose, including the leasing of the Project to the County. This corporation currently has no fiscal activity.

Transportation Authority (Palm Tran, Inc.) – This corporation was created by Palm Beach County Resolution 95-1636D pursuant to Chapter 617, Florida Statutes. Its purpose is to operate for the advancement of charity by advancing public transportation and lessening the burden on Palm Beach County to provide a transportation system. The Board of Palm Tran, Inc. consists of the seven members of the Board of County Commissioners of Palm Beach County. The bylaws provide that the corporation shall have a president to act as the corporation's chief executive officer who shall be the County Administrator, a secretary/treasurer who shall be the Clerk to the Board of County Commissioners

PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

or a deputy clerk designated for such purposes, and an executive director who shall be responsible for the day to day management and operations of the corporation. Palm Tran, Inc. is reported as a special revenue fund.

Solid Waste Authority of Palm Beach County (SWA) – The SWA is a dependent special district created under the Palm Beach County Solid Waste Act (the Act), Chapter 75-473, Laws of Florida. Chapter 91-334, Laws of Florida, became effective October 1, 1991 and amended Chapter 75-473 by providing that the seven members of the Palm Beach County Board of County Commissioners shall serve as the governing board of the Authority. The Board of the SWA is responsible for adopting an annual, non-appropriated, operating budget as a financial plan for the year. The Act gives the SWA the power to construct and operate solid waste disposal facilities and to require that all solid waste collected by private and/or public agencies within the County for disposal in the County be delivered to processing and disposal facilities designated by the SWA. The SWA is reported as an enterprise fund.

Discretely Presented Component Units

The Component Unit columns in the basic financial statements include the financial data of the County's discretely presented Component Units. They are reported in separate columns to emphasize that they are legally separate from the County. The following organizations are included in the reporting entity because the primary government (1) appointed a voting majority of the organization's board, (2) is able to impose its will on the organization, and (3) the organization provides services to the citizenry of Palm Beach County.

Housing Finance Authority of Palm Beach County, Florida (HFA) – This public authority was created by Palm Beach County Ordinance 79-3 pursuant to Chapter 159, Florida Statutes, as amended and supplemented. It was created to alleviate the shortage of housing available at affordable rates in Palm Beach County and the shortage of capital for investments in such housing. The Authority has the power to issue single family and multi-family revenue bonds to finance the purchase of housing by families of low and moderate income through investing in mortgage loans to eligible families. The HFA is presented as a proprietary fund type.

Westgate/Belvedere Homes Community Redevelopment Agency (CRA) – This agency was created by Palm Beach County Resolution 89-649 pursuant to Section 163.355, Florida Statutes. It was created in order to develop and revitalize the blighted area known as Westgate/Belvedere Homes with intent to benefit Palm Beach County as a whole by returning improved property to the County's tax base. The CRA has the power to issue redevelopment revenue bonds from time to time to finance its undertaking of community redevelopment to the designated area. The CRA is presented as a governmental fund type.

Metropolitan Planning Organization (MPO) – This organization was created by Palm Beach County Resolution 79-1684 pursuant to Section 334.215, Florida

PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

Statutes, as amended by Section 339.175, Florida Statutes. The members of the MPO are appointed by the Governor and consist of five members of the Board of County Commissioners, eleven members from local municipalities, and one member from the governing board of the Port of Palm Beach. The purpose of the MPO is to administer and execute the inter-local agreement providing for short-term and long-term planning for all modes of travel in order to benefit the citizens of Palm Beach County. The MPO is reported as a governmental fund type.

Complete financial statements for each of the individual component units may be obtained at the respective entity's administrative offices.

Palm Beach County Public Building Corporation 301 North Olive Avenue West Palm Beach, FL 33401	Metropolitan Planning Organization 160 Australian Avenue, Suite 201 West Palm Beach, FL 33406
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Solid Waste Authority of Palm Beach County 7501 North Jog Road West Palm Beach, FL 33412	Housing Finance Authority of Palm Beach County 810 Datura Street West Palm Beach, FL 33401
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Westgate/Belvedere Homes Community Redevelopment Agency
160 Australian Ave, Suite 500
West Palm Beach, FL 33406

Related Organizations

The County's officials are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations do not extend beyond making the appointments.

The following organizations are related organizations which have not been included in the reporting entity:

Palm Beach County Educational Facilities Authority – This organization was created by Palm Beach County Resolution 79-1493 pursuant to Chapter 243.18, Florida Statutes. Members of the authority are appointed by the Board of County Commissioners of Palm Beach County, but the County does not provide funding, has no obligation for the debt issued by the authority and cannot impose its will.

Palm Beach County Health Facilities Authority – This organization was created pursuant to Part III – Chapter 154, Florida Statutes, and by Ordinance 77-379 and 77-398 adopted by the Board of County Commissioners. Members of the authority are appointed by the Board of County Commissioners of Palm Beach County, but the County does not provide the funding, has no obligation for the debt issued by the authority and cannot impose its will.

Palm Beach County Workforce Development Board, Inc. – This Board was created pursuant to Palm Beach County Resolution 96-805D, as amended by

**PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

Resolutions 96-1539D and 97-510Dm as a result of the enactment by the Florida Legislature of the Workforce Florida Act of 1996. Members of the board are appointed by the Board of County Commissioners of Palm Beach County, but the County does not provide the funding, has no obligation for the debt issued by the board and cannot impose its will.

Joint Ventures

East Central Regional Wastewater Facility

In September 1992, Palm Beach County entered into a thirty-year joint inter-local agreement (the Agreement) with four municipalities for the East Central Regional Wastewater Facility (the Facility). The Facility was created to receive, treat and dispose of sewage generated within each municipality and the County. Under GAAP, the County is required to account for this joint venture using the equity method. Accordingly, the County recorded its initial investment at cost and is required to record its proportionate share of the Facility's income or loss. Palm Beach County's interest in the joint venture is recorded in the County's Water Utilities Enterprise Fund. As of September 30, 2007, the Facility had total assets of \$103,598,406 and total net assets of \$88,048,019 including \$62,749,048 invested in capital, net of debt, and \$12,824,422 of unrestricted net assets. September 30, 2008 amounts are expected to approximate the above figures.

The Agreement provides for the establishment of a board comprised of one representative from each participating entity, with the City of West Palm Beach being designated to administer and operate the Facility. The Facility's board has the authority to accept and disburse funds, approve an annual budget, transact business, enter into contracts and decide all other matters related to the Facility.

The proportionate share for each entity is determined by the reserve capacity of the Facility allocated to each participant. At September 30, 2008, Palm Beach County had a 33.59% interest. The participants and each entity's interest at September 30, 2008 are as follows:

PARTICIPANT	RESERVE CAPACITY PERCENTAGES
City of West Palm Beach	26.56%
Palm Beach County	33.59%
City of Lake Worth	19.53%
City of Riviera Beach	12.50%
Town of Palm Beach	7.82%
TOTAL	100.00%

Separate financial statements for the Facility may be obtained at the following address:

East Central Regional Wastewater Facilities
City of West Palm Beach
P.O. Box 3506
West Palm Beach, FL 33402

PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

Sunshine State Governmental Financing Commission

The Sunshine State Governmental Financing Commission (the "Commission") was created in November 1985. As a joint venture among the member governmental units, the Commission enables a limited number of qualifying governments to participate in pooled debt financing with pricing and cost structures not normally available to governmental entities acting individually.

Loan obligations from the Commission are reflected as debt by the participating governmental units. Palm Beach County has no obligation and minimal event risk associated with the Commission other than the repayment of its loan from the Commission.

Financial Statements may be obtained from the Commission.

B. Basic Financial Statements

The County's Basic Financial Statements contain three components; government-wide financial statements, fund financial statements and notes to the financial statements.

Government-wide financial statements - The government-wide financial statements provide an overview of the County's financial position using the accrual basis of accounting. The Statement of Net Assets presents information on all of the assets and liabilities of the County as a whole. The difference between assets and liabilities is reported as net assets. Changes in net assets may serve as an indicator of whether the financial position of the County is improving or deteriorating. The Statement of Activities presents information showing how the County's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying economic transactions occur, regardless of when cash is received or paid. Therefore, some of the revenues or expenses reported in the Statement of Activities will have cash flows in future fiscal periods. For example, uncollected taxes are shown as revenues although cash receipts will occur in the future. Unused vacation leave results in an expense although related cash outflows will occur in the future.

The government-wide financial statements show a distinction between activities that are supported primarily by taxes and intergovernmental revenues (governmental activities) and activities that are intended to recover all or most of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public safety, physical environment, transportation, economic environment, human services and culture and recreation. The business-type activities of the County include the Water Utilities Department, the Department of Airports and the Solid Waste Authority.

The government-wide financial statements include not only the County itself (the primary government), but also its' discretely presented component units, the legally separate entities for which the County is financially accountable.

Fund financial statements – A fund is a grouping of related accounts that is used to

PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with legal, legislative, contractual, and other finance-related provisions. All of the funds of the County may be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds – Most of the County’s basic services are reported in governmental funds, which focus on how money or other spendable financial resources flow into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County’s general governmental operations and the basic services it provides. The measurement focus is based upon determination of changes in financial resources. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County’s programs. The governmental fund category includes the general fund, special revenue funds, debt service funds, and capital project funds. There is a reconciliation of the governmental activities presented in the Statement of Net Assets and the Statement of Activities to the governmental funds presented in the fund financial statements. The following is a description of the County’s major governmental funds:

The **General Fund** is the primary operating fund of the County. It is used to account for all financial resources of the general government except those required to be accounted for in other funds. The General Fund specifically accounts for the County-wide and Municipal Services Taxing Unit portions of the General Fund.

Special Revenue Funds:

The **Fire Rescue Fund** is used to account for ad valorem taxes and other revenues designated for fire rescue services.

The **Sheriff’s Fund** is used to account for the expenditures necessary to carry out the powers, duties and obligations of the elected office of Sheriff as detailed in Chapter 30.15, Florida Statutes.

Capital Projects Funds:

The **General Government Capital Fund** is used to account for improvements not included in any other category. It is a major fund for public interest reasons.

The **Road Program Capital Fund** is used to account for costs related to the design and acquisition of rights of way and the construction of improvements to the County’s major thoroughfare road system, primarily represented by the County’s Five Year Road Program.

All other nonmajor governmental funds are aggregated into a single column for presentation purposes.

PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

Proprietary Funds – The County 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 County uses enterprise funds to account for its Water Utilities Department, its Department of Airports and the Solid Waste Authority. All three of these operations are considered to be major proprietary funds of the County. Internal Service Funds are used to accumulate and allocate costs internally among the County's other functions. The County uses internal service funds to account for Fleet Management, Graphics, Risk Management and Information Systems Service programs. These programs are included in the governmental activities column of the government-wide financial statements because they predominantly benefit governmental rather than business-type functions. The measurement focus is based on changes in economic resources. The five internal service funds are aggregated into a single column for presentation in the proprietary fund financial statements. The County's three major proprietary funds are described below:

The **Water Utilities Department Fund** is used to account for the operations of the water and wastewater system in the unincorporated areas of the County. Water and wastewater fees are determined annually by rate studies and are set at levels to recover the expenses of operations, including debt service, in a manner similar to private business enterprises. Activities necessary to provide water and wastewater service are accounted for in this fund, including customer service, engineering, operations and maintenance.

The **Department of Airports Fund** is used to account for the operations of the four County-owned airports – Palm Beach International Airport in West Palm Beach and three general aviation airports located in Palm Beach Gardens, Lantana and Pahokee.

The **Solid Waste Authority Fund** is used to account for the operations of the Solid Waste Authority on a countywide basis. Refuse generated in the unincorporated areas of the County is collected by franchised and non-franchised collectors serving residential and commercial customers and by private companies servicing their own customers. Refuse dumping fees are reviewed annually and are set at levels sufficient to recover operating and debt service expenses.

Agency Funds are custodial in nature (assets equal liabilities) and do not measure results of operations. Agency funds are used to account for resources held by the government as an agent for individuals, private organizations and other governments. Assets held include cash bonds, purchasing bid bonds, security deposits, fines and forfeitures, tax deeds, tax payments, and license and registration payments. These funds are not included in the government-wide financial statements because the resources in these funds are not available to support the County's own programs.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment for transactions is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of

PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

accounting indicates the timing of transactions or events for recognition in the financial reports.

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. The Agency fund financial statements are presented using the accrual basis of accounting.

With the economic resources measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. With the accrual method of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Government-wide financial statements and proprietary fund financial statements show increases (revenues) and decreases (expenses) in net assets.

Governmental fund financial statements are presented using the current financial resources and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds show increases (i.e. revenues and other financing resources) and decreases (i.e. expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, that is, when they become both measurable and available to pay liabilities of the current period. For this purpose, the County considers revenue to be available if they are collected within 60 days of year-end. Revenues not considered available are recorded as deferred revenues. Expenditures generally are recorded when a liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, and other post employment benefits are recorded only when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, monies must be expended for the specific purpose or project before any intergovernmental revenues will be received by the County; therefore, revenues are recognized based upon the expenditures incurred when the eligibility requirements are met, if "available" under modified accrual. In the other, intergovernmental revenues are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

D. Cash and Investments

Additional information is provided in Note 2, Cash and Investments.

Deposits

All deposits are held in qualified public depositories pursuant to the Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act" and are covered by either federal depository insurance or collateral held by the Chief Financial Officer of Florida.

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In the event of a default by a qualified public depository, all claims for government deposits would be satisfied by the Chief Financial Officer of Florida 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.

Cash Equivalents

Highly liquid investments with maturities of three months or less when purchased are reported as cash equivalents. The funds' investments in the County's internal investment pool are reported in the fund financial statements as cash equivalents. For the entity-wide Statement of Net Assets, the primary government's investment in the internal investment pool is reported separately from investments held outside the pool.

Internal Investment Pool

The County maintains an investment pool for substantially all cash and cash equivalents and investments of all funds. All money market investments and participating interest earning investment contracts with a remaining maturity at time of purchase of ninety days or less are recorded at amortized cost plus accrued interest. All other investments are carried at fair value as determined from quoted market prices. Each fund's portion of the pool is presented as "cash and cash equivalents", "investments" or "restricted assets" as appropriate. Earnings are allocated to each fund based on average daily balances of cash and investments. The County considers cash and cash equivalents to be cash on hand, demand deposits, investments and equity in the County's cash management internal investment pool. The internal investment pool is reported as a cash equivalent in accordance with GASB 9 footnote 5 and the 2008 GASB Comprehensive Implementation Guide, paragraph 2.13.1.

Investments

State statutes and local ordinances authorize County investments in obligations of the U.S. Government, its agencies and instrumentalities, repurchase agreements, interest-bearing time deposits, savings accounts, the Local Government Surplus Funds Trust Fund (State Board of Administration), the Florida Local Government Investment Trust (FLGIT), collateralized mortgage obligations (CMO), certain corporate securities, bankers acceptances, and money market mutual funds.

State statutes authorize Solid Waste Authority (SWA) investments in the Local Government Surplus Funds Trust Fund (State Board of Administration), interest-bearing time deposits, savings accounts, negotiable direct obligations of or obligations unconditionally guaranteed by the U.S. Government, obligations of the Federal Farm Credit Banks, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank or its districts, interest rate swap agreements, and obligations guaranteed by the Government National Mortgage Association and obligations of the Federal National Mortgage Association and mutual funds limited to U.S. Government securities.

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All investments are reported at fair value except for the following which are reported at amortized cost as permitted by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*:

Local Government Surplus Funds Trust Fund (State Board of Administration),
Guaranteed Investment Contracts (nonparticipating),
Money Market Mutual Funds.

The following external investment pools are not SEC-registered:

The Local Government Surplus Funds Trust Fund (State Board of Administration of Florida) is an external investment pool operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Regulatory oversight of the State Board of Administration is provided by three elected officials who are accountable to the electorate: the Governor of the State of Florida, as Chairman; the Chief Financial Officer of Florida, as Treasurer; and the State Comptroller, as Secretary. External oversight of the State Board of Administration is provided by the Investment Advisory Council which reviews the investments made by the staff of the Board of Administration and makes recommendations to the Board regarding investment policy, strategy, and procedures. Audit oversight is provided by the Florida Auditor General's Office. The share price of this investment represents the fund's amortized cost as permitted for a 2a7-like pool.

The Florida Local Government Investment Trust (FLGIT) is a local government investment pool developed jointly by the Florida Association of Court Clerks and the Florida Association of Counties. The FLGIT has no regulatory oversight, but has been recognized by an Internal Revenue Service private letter ruling as a tax-exempt organization, received a Standard and Poor's rating and is governed by a six member Board of Trustees. The share price of this investment represents the fair value of the fund's underlying investments.

E. Accounts and Other Receivables

Accounts receivable are recorded net of allowances for bad debts. Allowance for uncollectible receivables is based upon historical trends and the periodic aging of receivables. These allowances relate to the enterprise funds and are not significant. Billings to water utility customers are based on metered consumption which is determined at various dates each month. Estimated unbilled consumption at year-end is recognized as revenue in the Water Utilities Fund. Other receivables include low income housing loans to individuals and developers, a loan to the convention center and a contribution receivable from FAU as part of the Scripps project.

F. Inventories and Prepaid Items

Inventories consisting primarily of materials and supplies are stated at cost based upon the first-in, first-out method. Purchases of inventories for governmental funds are reported as expenditures in the period purchased, except for the Sheriff, which is accounted for using the consumption method. Inventories for governmental fund types, which use the purchases method, are reported on the governmental funds balance sheet as an asset of the fund with a corresponding reserve against fund balance. Inventories of

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proprietary type funds are reported as an expense when consumed in the operations of the fund.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Expenditures for insurance and similar services extending over more than one accounting period are accounted for as expenditures of the period of acquisition.

G. Capital Assets

Property, plant, and equipment and infrastructure assets (such as roads, sidewalks, bridges, and drainage systems) are reported in the applicable governmental or business-type activities columns of the government-wide financial statements and proprietary fund financial statements. All work in process for the current fiscal year has been capitalized as Construction In Progress as the related projects have not yet been completed. Capital assets are defined as those assets with an initial, individual cost of over \$1,000. Contributed capital assets are recorded at their estimated fair value at the time received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. In addition, net interest costs are capitalized on projects during the construction period. Depreciation is calculated using the straight-line method over estimated useful lives as follows:

<u>Asset Classification</u>	<u>Estimated Useful Life (In Years)</u>
Buildings, Utility Plants and Systems	10-50
Furniture, Fixtures and Equipment	2-15
Improvements Other Than Buildings	5-20
Infrastructure	20-50

In the governmental fund financial statements, the costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures. Capital assets are not shown on the governmental fund balance sheets.

Goodwill is determined based on the difference between the acquisition price and the fair value of all assets acquired. Amortization of goodwill related to the utility system acquisition is also computed on the straight-line method. The Water Utilities Department has two items of goodwill: 1.) the goodwill resulting from the acquisition of the Village of Royal Palm Beach's Utility System is amortized over 30 years which represents the period the bonds issued to fund the acquisition will be outstanding, and 2.) the goodwill resulting from the acquisition of the Indian Trail Improvement District Utility System is amortized over 40 years.

H. Compensated Absences

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the County accrues a liability for compensated absences, as well as certain other salary-related costs associated with the payment of compensated absences. Vacation leave is accrued as a liability as the benefits are earned by the employees. Sick leave is also accrued as a liability as the benefits are earned by the employees, but only to the extent

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that it is probable that the County will compensate the employees for the benefits through cash payments at termination or retirement.

Under the accrual basis of accounting used in the government-wide financial statements and the separate proprietary fund financial statements, the entire compensated absences liability (long-term and short-term) is reported when earned as described above. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

I. Landfill Closure and Post-closure Care Costs

In accordance with governmental accounting standards, the County, as a municipal solid waste land owner, records a current expense and the related long-term liability for certain future landfill closure and Post-closure care costs for landfills still accepting solid waste. The portion of these future costs currently recognized is based on the amount of landfill capacity consumed as of each balance sheet date. The County also records the current estimated liability for remediation and monitoring costs for landfills that closed on or before October 9, 1991. More information on these expenses and related long-term liabilities is disclosed in the *Landfill Closure and Post-closure Care Costs* Note.

J. Deferred Issuance Costs, Bond Discounts, Premiums and Deferred Amounts on Refunding

At the government-wide level and in the proprietary funds, expenses incurred in connection with the issuance of long-term debt, as well as bond discounts, premiums and deferred amounts on refunding, are deferred and amortized over the term of the related financing using a method that approximates the effective interest method. For governmental funds, these costs are considered to be period costs.

K. Self-Insurance

The County maintains a Risk Management (Workers' Compensation) self-insurance program, a Casualty self-insurance program, and an Employee health self-insurance program which are accounted for as internal service funds. The County has elected to essentially self-insure itself for health benefits to County employees and employees of component units of the County electing to participate in the plan. The plan covers approximately 4,900 participants.

The three (3) self-insurance programs are designed to be self-sustaining through actuarially determined premiums established annually to cover expected claims, administration and a margin for unexpected losses or expenses.

L. Financial Reporting for Government-wide and Proprietary Funds

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and

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enterprise funds, subject to the same limitation. The government has elected not to follow subsequent private-sector guidance.

M. Pension and Other Post-Employment Benefits Disclosure

The County applies GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, for the measurement, recognition, and display of pension expenditures or expenses as discussed in a subsequent note.

The County applies GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the measurement, recognition, and display of OPEB expenditures or expenses, liabilities and assets as discussed in a subsequent note.

N. Elimination of Internal Activity

In the government-wide Statement of Activities, interfund activity, such as transfers in and out as well as transfers within the Internal Service Funds and within the Governmental Activities category is eliminated. Interfund activity between governmental and business-type activities is not eliminated. Interfund services provided and used between functions are not eliminated because removing interfund services would distort the functional expenses presented in the Statement of Activities.

O. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

P. Budgets

BOARD OF COUNTY COMMISSIONERS

Pursuant to Chapter 129, Florida Statutes, General Budget Policies, the following procedures are followed by the Board of County Commissioners in establishing, adopting and maintaining the operating budget.

1. On or before July 15, the County Administrator, through the Office of Financial Management and Budget (OFMB) submits to the Board of County Commissioners a tentative budget for the fiscal year commencing the following October 1. This is a detailed plan outlining all programs and estimated departmental revenues and expenditures for the upcoming year.
2. Taxpayers are informed of the proposed budget and tentative millage rates through advertising and public hearings which are held to elicit taxpayer comments.

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3. The budget is legally adopted through Board of County Commission action for the fiscal year beginning October 1.
4. The Board at any time within a fiscal year may amend a budget for that year as follows:
 - a. Appropriations for expenditures in any fund may be decreased and other appropriations in the same fund correspondingly increased by action recorded in the minutes, provided that the total of the appropriations of the fund are not changed. The Board of County Commissioners, however, may establish procedures by which the designated budget officer may authorize certain intradepartmental budget amendments, provided that the total appropriation of the department shall not be changed.
 - b. Appropriations from reserves may be made to increase appropriations by resolution of the Board, but no expenditures shall be directly charged to any reserve.
 - c. A receipt from a source not anticipated in the budget and received for a particular purpose including, but not limited to, grants, donations, gifts or reimbursements for damages may, by resolution of the Board recorded in its minutes, be appropriated and expended for that purpose, in addition to the appropriations and expenditures provided for in the budget. Such receipts and appropriations shall be added to the budget in the proper fund. During fiscal year 2008, supplemental appropriations amounted to a net increase of \$635,517,211, or approximately 15.8% of the original budget.
5. It is unlawful for the Board to expend or contract for the expenditures in any fiscal year more than the amount budgeted in each individual fund's budget, and in no case shall the total appropriations of any budget be exceeded. In addition, to comply with the above statutory requirements, the Board of County Commissioners has elected to adopt management controls and approved guidelines, which provide for the budget to be controlled at a detail level greater than the statutory level of control. This control (effective legal level) is maintained at the department or fund level. A separate detailed report providing this information is available for inspection at OFMB. Annual budgets are legally adopted for all governmental and proprietary fund types. Budgetary comparisons presented herein are on a basis consistent with GAAP.

CLERK OF CIRCUIT COURT

Chapter 218.35, Florida Statutes, governs the preparation, adoption and administration of the Clerk & Comptroller's (the Clerk) annual budget. The Clerk, as county fee officer, establishes an annual budget for her office, which clearly reflects the revenues available to the office and the functions for which the money is to be expended.

The Clerk, functioning in her capacity as Clerk of the Circuit and County Courts and as Clerk of the Board of County Commissioners, prepares her budget in two parts:

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1. The budget for funds necessary to perform court-related functions as provided for in Florida Statute 28.36, which details the methodologies used to apportion costs between court-related and non-court-related functions performed by the clerk.
2. The budget relating to the requirements of the Clerk as Clerk of the Board of County Commissioners, County Auditor, and Custodian or Treasurer of all county funds and other county related duties.

SHERIFF

Chapter 30.49, Florida Statutes, governs the preparation, adoption and administration of the Sheriff's annual budget. By May 1 each year, the Sheriff shall certify to the Board a proposed budget of expenditures for performing the duties of his office for the ensuing fiscal year. The Sheriff's budget is legally adopted by Board of County Commission action for the fiscal year beginning October 1.

TAX COLLECTOR AND PROPERTY APPRAISER

Chapter 195.087, Florida Statutes, governs the preparation, adoption and administration of the budgets of the Tax Collector and Property Appraiser. On or before a legally designated date each year, the Tax Collector and the Property Appraiser shall submit to the Florida Department of Revenue a budget for the ensuing fiscal year. A copy of such budget shall be furnished at the same time to the Board of County Commissioners. Final approval of the budgets is given by the Florida Department of Revenue.

SUPERVISOR OF ELECTIONS

Chapter 129, (sections .02 and .202), Florida Statutes, governs the preparation, adoption and administration of the budget of the Supervisor of Elections. On or before June 1 of each year, the Supervisor of Elections shall submit to the Board of County Commissioners a tentative budget for the ensuing fiscal year.

However, the Board of County Commissioners of Palm Beach County, by resolution R-95-1195, requires the tentative budget to be submitted by May 1 of each year.

Q. Encumbrances

The County uses encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation. Encumbrances represent the estimated amount of expenditures ultimately to result if unperformed contracts and open purchase orders are completed. Since appropriations lapse at year end, it is the County's policy to liquidate open encumbrances and re-appropriate such amounts in the beginning of the next fiscal year.

R. Designations of Unreserved Fund Balances

Unreserved fund balances as of September 30, 2008, have the following significant designations:

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Designation	Amount
General Fund:	
Encumbrances	\$ 1,373,251
Contingency	\$20,000,000
Special Revenue Funds:	
Encumbrances	28,275,078
Fire Rescue Long-Term Disability	13,031,419
Capital Projects Funds:	
Encumbrances	250,010,021

Amounts designated for encumbrances represent outstanding purchase orders, contracts, and other commitments at year-end, which were re-appropriated at the beginning of fiscal year 2009, in accordance with County policy.

The amount designated for contingencies represents the portion of fund balance that was designated by the Board of County Commissioners for unforeseen expenditures or potential revenue shortfalls in fiscal year 2009.

In addition to these designations, unreserved Fund Balances in the Special Revenue Funds and Capital Project Funds are usually required to be expended for specific purposes and are not available for general county-wide purposes.

S. Operating versus Non-operating Revenue and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenues of the County's Enterprise and Internal Service funds are charges to customers for sales and services. Operating revenues for the Enterprise Funds include water and wastewater service fees, airport fees and charges and solid waste refuse fees. For the Internal Service funds, operating revenues include charges to other departments for various maintenance, communications and insurance services. Operating expenses for the Enterprise and Internal Service Funds include costs of sales and services, administrative fees, insurance payments and depreciation. All revenues and expenses not meeting this definition are considered non-operating items.

T. Use of Restricted Resources

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

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U. Fund Equity and Net Assets

Fund Equity

The County has established certain reservations of fund equity to indicate the portion of fund balance that is not appropriable for expenditure or is legally segregated for a specific future use. Reservations of fund balance are reported on the Balance Sheet.

Net Assets

Invested in capital assets, net of related debt is that portion of net assets that relates to the County's capital assets, reduced by debt outstanding used to purchase or construct the capital assets. The related debt is reduced by any unspent proceeds that are outstanding at fiscal year-end.

Restricted net assets is that portion of net assets that has been restricted from general use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. The entity-wide statement of net assets (government activities) reports \$721,136,994 of restricted net assets, of which \$300,943,706 is restricted by enabling legislation.

V. Property Tax

Taxes in Palm Beach County are levied by the Board of County Commissioners for the County. The millage levies are determined on the basis of estimates or revenue needs and the total taxable valuations within the jurisdiction of the Board of County Commissioners. No aggregate ad valorem tax millage (in excess of 10 mills on the dollar) is levied against property of the County as specified in Chapter 200.071, Florida Statutes.

Each year the total taxable valuation is established by the County Property Appraiser and the list of property assessments is submitted to the State Department of Revenue for approval. County ad valorem taxes are a lien on the property against which they are assessed from January 1 of the year of assessment until paid or barred by operation of law (statute of limitations). Taxes are levied on October 1, become due and payable on November 1 of each year, or as soon thereafter as the assessment roll is opened for collection, and are delinquent on April 1 of the following year.

Pursuant to Florida law, the Tax Collector advertises and sells tax certificates on all real property for which there are unpaid taxes. Accordingly, there is no property taxes receivable as of September 30, 2008.

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For the 2007 tax roll year, the assessment roll was opened for collection on November 1, 2007, and discounts for payment prior to April 1, 2008, were determined as follows:

4%	if paid in November 2007
3%	if paid in December 2007
2%	if paid in January 2008
1%	if paid in February 2008

W. Interest Costs

Interest costs are charged to expense or expenditure as incurred. Proprietary funds follow the provisions of FASB Statement No. 34, *Capitalization of Interest Costs* and No. 62, *Capitalization of Interest Cost on Certain Tax-Exempt Borrowings and Certain Gifts and Grants*. Interest cost incurred by proprietary funds for the fiscal year ended September 30, 2008 amounted to \$24,030,469, of which \$2,352,563 was capitalized.

2. CASH AND INVESTMENTS

Additional cash and investment information is provided in Note 1, paragraph D (Summary of Significant Accounting Policies - Cash and Investments).

At September 30, 2008 the cash and investments consisted of the following:

	<u>Carrying Value</u>	<u>Bank Balance</u>
Deposits in Financial Institutions	\$ 176,983,687	<u>\$ 227,837,992</u>
Cash on hand	180,756	
Investments	<u>2,098,095,556</u>	
Total	<u>\$ 2,275,259,999</u>	

Cash and investments are reported in the Statement of Net Assets as follows:

	<u>Primary Government</u>	<u>Agency Funds</u>	<u>Total</u>
Cash and cash equivalents			
Internal investment pool	\$ 1,767,972,247	\$ 10,162,045	\$ 1,778,134,292
Non-pool accounts	408,948,033	64,245,937	473,193,970
	<u>2,176,920,280</u>	<u>74,407,982</u>	<u>2,251,328,262</u>
Investments			
Fund investments	23,931,737	-	23,931,737
	<u>\$ 2,200,852,017</u>	<u>\$ 74,407,982</u>	<u>\$ 2,275,259,999</u>

The County's internal investment pool is reported as a cash equivalent, in accordance with the following GAAP. Per GASB 9 footnote 5, cash includes deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts where the County may deposit additional cash at any time and also withdraw cash at any time without prior notice or penalty. Per the 2008 GASB Comprehensive Implementation Guide paragraph 2.13.1, a participant's equity in an

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internal cash management or investment pool is considered cash if the participant is able to withdraw cash at any time without prior notice or penalty. Accordingly, the County's internal investment pool is reported as a cash equivalent.

The investments of the primary government are as follows:

Entity	% of Primary Govt	
	Investments	
Internal Investment Pool	\$ 1,795,398,372	85.6%
Solid Waste Authority	274,145,112	13.1%
Airports	19,665,715	0.9%
Clerk & Comptroller	3,989,859	0.2%
Property Appraiser	3,771,914	0.2%
County Funds	919,500	0.0%
Tax Collector	203,779	0.0%
Sheriff	1,305	0.0%
	<u>\$ 2,098,095,556</u>	<u>100.0%</u>

As of September 30, 2008, the primary government had the following investments:

Investment Type	Maturity in Years			
	Fair Value	Less Than 1 Year	1 Year but Less Than 3 Years	3 Years but Less Than 10 Years
Investments subject to interest rate risk				
Adjustable Rate Securities	\$ 427,917,477	\$ -	\$ 15,107,430	\$ 412,810,047
Collateralized Mortgage Obligations	368,347,836	-	172,066,240	196,281,596
Mortgage Backed Securities	317,852,636	4,375,520	13,758,292	299,718,824
Indexed Amortization Notes	205,908,923	-	7,897,015	198,011,908
Callable Bonds	200,949,845	200,949,845	-	-
Step Rate Bonds	45,021,910	45,021,910	-	-
Corporate Notes	41,740,605	-	-	41,740,605
External Investment Pools	29,731,969	-	27,580,920	2,151,049
Foreign Government Bonds	5,054,612	-	5,054,612	-
Fixed Rate Term Bonds	919,500	919,500	-	-
	<u>1,643,445,313</u>	<u>\$ 251,266,775</u>	<u>\$ 241,464,509</u>	<u>\$ 1,150,714,029</u>
Other investments				
Money Market Mutual Funds	360,189,012			
External 2a7-like Investment Pools	73,311,309			
Guaranteed Investment Contracts	21,149,922			
	<u>\$ 2,098,095,556</u>			

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the County Investment Policy, the Clerk & Comptroller manages the County's internal investment pool's exposure to declines in fair values by managing overall effective duration appropriate to the risk tolerance in meeting stated objectives. The Policy states that at the time of purchase, the County's investments must have a final maturity or average life of 10 years or less. The County's Investment Policy limits investments in collateralized mortgage obligations (CMO) to 20% of total value of the County's internal investment pool. Investments in IO (interest only), PO (principal only), inverse floaters, other volatile CMO types, and corporate convertible

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securities are all prohibited. All CMO issues must pass the Federal Financial Institutions Examination Council (FFIEC) High Risk Security Test on a quarterly basis, or as specified in any Trust Indenture.

In accordance with its investment policy, the Solid Waste Authority manages its exposure to declines in fair values by limiting U.S. Treasury obligations/instrumentalities to maturities of no more than 5 years, U.S. Federal Agency securities to maturities of no more than 3 years and interest rate swap agreements to no more than 10 years.

Credit Risk

Credit risk is the risk that an issuer will not fulfill its obligations.

Investments	Fair Value	Percentage of Total Portfolio	Standard & Poor's Investment Rating Service
Investments to credit risk			
U.S Government Sponsored Enterprises (GSE)	\$ 1,245,492,674	59.4%	AAA
Money Market Mutual Funds	360,189,012	17.2%	AAAm
U.S. Treasuries & Guaranteed Agencies	321,424,148	15.3%	U.S. Guarantee
Corporate Securities	32,652,683	1.6%	AAA
Florida Local Government Investment Trust (FLGIT)	27,580,920	1.3%	AAAf
Guaranteed Investment Contracts	21,149,922	1.0%	Not rated
Corporate Securities	9,087,922	0.4%	AA-
Foreign Government Bonds	5,054,612	0.2%	A-
Local Government Surplus Funds Trust Fund (SBA pool A)	73,311,309	3.5%	AAAm
Local Government Surplus Funds Trust Fund (SBA pool B)	2,151,049	0.1%	Not rated
Private Issue Collateralized Mortgage Obligation	1,305	0.0%	AAA
	<u>\$2,098,095,556</u>	<u>100.0%</u>	
No rating by Moody's or Fitch was lower then Standard and Poor's. Some securities were not rated by Moody's and Fitch.			

Local Government Investment Pool and Fund B: On November 29, 2007 the Board of Trustees of the State Board of Administration (SBA) closed the LGIP to all redemptions by participants due to substantial withdrawals from the LGIP over the two preceding weeks that severely reduced the overall liquidity of the LGIP. The withdrawals were in response to published press reports concerning the exposure of the LGIP investments to potential losses from sub-prime mortgage investments. On December 4, 2007 the Board of Trustees approved a restructuring plan for the LGIP and engaged a new investment manager for the LGIP.

The restructuring divided the LGIP into two separate pools, the LGIP and Fund B representing approximately 86% and 14%, respectively, of the original LGIP assets. The

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LGIP was designated as the ongoing fund consisting of only short-term, money market assets of the highest quality. On December 6, 2007, the LGIP re-opened to accept new deposits from participants and allow restricted withdrawals. Fund B retained all securities from the original LGIP that had defaulted, were in default or had extended payment terms or potentially elevated credit risk. Fund B is closed to deposits and withdrawals and is generally expected to hold all assets to their ultimate maturity and to distribute funds to participants as they become available. The Fund B investment is recorded at fair value based on the net asset value of the Fund B assets reported by the SBA.

The ultimate realizable value and the date when the LGIP Fund B investment will be available to the participant cannot be determined at this time. Additional information on the current status of the LGIP may be obtained from the State Board of Administration.

In accordance with the County's Investment Policy for the internal investment pool, investments in commercial paper and bankers acceptances are limited to ratings of A-1 or P-1 or higher by Standard and Poor's and Moody's respectively. Investments in corporate securities are limited to ratings of AA or higher by Standard and Poor's and Moody's. Corporate securities are limited to no more than 20% of the investment pool's total market value, excluding commercial paper, which is limited to 25% of the total market value. No-load money market mutual funds backed by government bonds are allowable if rated in the highest rating category of a Nationally Recognized Statistical Rating Organization (NRSRO).

In accordance with the Solid Waste Authority's investment policy, investments are limited to the State of Florida Local Government Surplus Funds Trust Fund (an external 2a7-like pool), U.S Treasury and Instrumentality obligations, U.S. Agency securities and investments that are fully collateralized or secured.

Custodial Credit Risk- Investments

This type of risk would arise in the event of the failure of a custodian of County investments, after which the government would not be able to recover the value of its investments that are in the possession of the third party custodian.

To guard against this risk, the County's investment policy for the internal investment pool requires that all securities be insured or registered in the name of the County and held by a third party custodial institution, with capital and surplus stock of at least \$500 million and a separate custody account at the Federal Reserve Bank (FED) specifically designated by the FED as restricted for the safekeeping of the member-bank's customer-owned securities only. All securities purchased or sold are transferred "delivery versus payment" (D.V.P.) or "payment versus delivery" to ensure that funds or securities are not released until all criteria relating to the specific transactions are met.

The Solid Waste Authority's investment policy requires that all securities be registered in the name of the SWA and held by a third party safekeeping institution.

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Concentration Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer.

Investment Issuer	Fair Value	Percentage of Total
Florida National Mortgage Association (Fannie Mae)	478,101,503	22.7%
Federal Home Loan Mortgage Company (Freddie Mac)	\$ 455,566,539	21.7%
Other combined- less than 5% per issuer	324,259,667	15.5%
Federal Home Loan Bank	297,300,674	14.2%
Government National Mortgage Association (Ginnie Mae)	273,215,708	13.0%
AIM Institutional Money Market Fund	155,024,913	7.4%
Dreyfus Govt Money Market Fund	114,626,552	5.5%
	\$ 2,098,095,556	100.0%

The County's investment policy for the internal investment pool limits investments in corporate securities to 2% of total pool market value per single issuer.

In accordance with the Solid Waste Authority's investment policy, securities of a single issuer are limited to 5% of the portfolio's fair value except for U.S. Treasuries, U.S. Government instrumentalities and U.S. Federal Agencies which are limited to 10%. Interest rate swap agreements and GIC agreements are limited to 50% of the portfolio's fair value.

Foreign Currency Risk:

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. There was no exposure to foreign currency risk. The County was invested in foreign bonds denominated in U.S. dollars.

COMPONENT UNITS:

Westgate/Belvedere Homes Community Redevelopment Agency (CRA)

As of September 30, 2008, the carrying value of deposits with financial institutions was \$,635,479 and the bank balance was \$1,678,337. The CRA was invested in the Local Government Surplus Funds Trust Fund (SBA) Pool A with a fair value of \$383,685 and \$17,635 in Pool B. Pool A is an external 2a7-like investment pool which is not SEC-registered. See Note 1 paragraph D (Summary of Significant Accounting Policies) for additional information.

Interest rate risk:

The weighted average maturity for the underlying investments of the SBA pool A is 9 days and pool B is 9.4 years as of September 30, 2008. CRA has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value

**PALM BEACH COUNTY, FLORIDA
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losses arising from increasing interest rates.

Credit risk:

The SBA pool A is rated AAAM by Standard & Poor and pool B is not rated. The CRA has no formal investment policy that limits investment credit risk.

Custodial credit risk- investments:

The CRA has no formal investment policy that limits custodial credit risk.

Concentration risk:

100% of investments are invested in the SBA. The CRA has no formal investment policy that limits investment concentration risk.

Palm Beach County Housing Finance Authority (HFA)

As of September 30, 2008, HFA had the following investments:

Investments	Fair Value	Percent of Total Investments	Maturity	Standard & Poor's Investment Rating Service
Fidelity U.S. Treasury Portfolio Money Market Mutual Fund	\$ 8,108,292	96.6%	53 days	AAAM
Government National Mortgage Association Bond (Ginnie Mae)	133,132	1.6%	11/15/2024	Guaranteed by U.S. Govt
Government National Mortgage Association Bond (Ginnie Mae)	80,136	1.0%	4/15/2025	Guaranteed by U.S. Govt
Local Government Surplus Funds Trust Fund (State Board of Administration) Pool A	5,504	0.1%	9 days	AAAM
Local Government Surplus Funds Trust Fund (State Board of Administration) Pool B	2,554	0.0%	9.4 years	Not Rated
Single Family Bond Issues Series 1999A	29,422	0.4%	4/1/2032	Not Rated
Single Family Bond Issues Series 1999B	26,939	0.3%	4/1/2031	Not Rated
Total investments	\$8,385,979	100.0%		

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Single Family Bond Issues:

The Authority provided funds for the issuance costs of certain Housing Finance Authority of Palm Beach County Single Family Mortgage Revenue Bonds. Similar to interest-only strips, the repayment is being made by receipt of a certain fixed percentage of each monthly interest payment for GNMA Certificates and FNMA Securities related to the Single Family Mortgage Revenue Bond Issues.

The investments in Single Family Bond Issues are valued at the costs incurred to date until the end of the Bond issue's certificate acquisition period (typically within 18 months). From that point forward, the investments are valued at fair value based on the assumed prepayment rates (between 150% and 100% of the Public Security Association prepayment model) and a discount rate of 10%. The fair value of these investments is subject to fluctuations in the prepayment rate. The valuations are based on projections provided by the original bond underwriters. Any impairment to the recorded investment balance is recorded when identified.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Cash and cash equivalents have a weighted average maturity of less than one year, resulting in minimal interest rate risk. The Authority's investment policy limits the maturity of investments to match cash and anticipated cash flow requirements. The investment in GNMA securities and Single Family Bond issues is subject to interest rate risk as a function of the length of time to maturity and are based on pools of residential home mortgage loans which are subject to prepayments and therefore highly sensitive to changes in interest rates.

Credit Risk:

Credit risk is the risk that an issuer will not fulfill its obligations. The Authority's investment policy addresses credit risk by limiting allowable investments to the State of Florida Local Government Surplus Funds Trust Fund, deposits with a financial institution meeting the requirements of a Florida Qualified Public Depository, and securities guaranteed by the U.S. Government. The security rating by a Nationally Recognized Statistical Rating Organization (NRSRO) is also an indication of credit risk. The Local Government Surplus Funds Trust Fund B and Single Family Bond issues do not carry a credit rating. The Fidelity Institutional U.S. Treasury Portfolio money market fund and GNMA securities are rated AAAM and AAA respectively by Standard & Poor's at September 30, 2008

On November 29, 2007 the Board of Trustees of the SBA closed the Local Government Surplus Funds Trust Fund to all redemptions by participants due to substantial withdrawals over the two preceding weeks that severely reduced the overall liquidity of the fund. On December 6, 2007 withdrawals (with some limitations) were permitted. In addition, for the month of November 2007 no investment earnings were credited to participating governments.

PALM BEACH COUNTY, FLORIDA
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Custodial Credit Risk:

Custodial credit risk is defined as the risk that the Authority may not recover the securities held by another party in the event of a financial failure. The Authority's investment policy for custodial credit risk requires all investment securities to be held in the Authority's name by a third party safekeeping institution. The investments in the Fidelity Institutional U.S. Treasury Portfolio money market mutual fund and Local Government Surplus are considered *unclassified* pursuant to the custodial credit risk categories. The investments in GNMA securities and Single Family Bond issues are held by the Authority's safekeeping agent in the Authority's name.

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. The Authority's investment policy addresses the concentration of credit risk by limiting the maximum amount that may be invested in any one issuer, except for investments in the Local Government Surplus Funds Trust Fund and U.S. Treasury obligations, which are not limited.

Metropolitan Planning Organization (MPO)

At September 30, 2008 MPO's equity in Palm Beach County's internal investment pool was \$266,086 which is included with other primary government receivables in the Statement of Net Assets in "Due from primary government.

Interest rate risk:

The County's internal investment pool had an effective duration of 2.1 years as of September 30, 2008. MPO has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk:

The County's internal investment pool is rated AA Af/S1 by Standard & Poor's at September 30, 2008. MPO has no formal investment policy that limits investment credit risk.

Custodial credit risk- investments:

The MPO has no formal investment policy that limits custodial credit risk.

Concentration risk:

100% of investments are invested in the County's internal investment pool. MPO has no formal investment policy that limits investment concentration risk.

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3. RELATED PARTY TRANSACTIONS

Various departments within the County provide goods, administration, public safety, maintenance and various other services to other operating departments. Charges for these services are determined using direct and indirect cost allocation methods or amounts determined based upon direct negotiations between the related parties. The most significant of these transactions involves the reimbursement of indirect costs in accordance with the indirect cost plan. Accordingly, the reimbursement of these indirect costs in fiscal year 2008 was \$17,319,377.

4. CAPITAL ASSETS

A summary of changes in capital assets follows:

Primary Government

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental Activities:				
Non-depreciable assets:				
Land	\$ 700,758,869	\$ 41,121,759	\$ (3,998,533)	\$ 737,882,095
Construction In Progress	334,868,186	174,953,603	(178,755,401)	331,066,388
Total non-depreciable assets	<u>1,035,627,055</u>	<u>216,075,362</u>	<u>(182,753,934)</u>	<u>1,068,948,483</u>
Depreciable assets:				
Buildings and improvements	752,686,929	67,128,353	(9,255,235)	810,560,047
Improvements other than buildings	278,600,651	21,432,561	(508,764)	299,524,448
Equipment	509,940,203	69,634,642	(50,110,341)	529,464,504
Infrastructure	1,155,985,081	51,012,412	-	1,206,997,493
Total depreciable assets	<u>2,697,212,864</u>	<u>209,207,968</u>	<u>(59,874,340)</u>	<u>2,846,546,492</u>
Less accumulated depreciation for:				
Buildings and improvements	(237,851,966)	(20,810,562)	8,763,860	(249,898,668)
Improvements other than buildings	(151,863,528)	(9,775,447)	493,878	(161,145,097)
Equipment	(332,641,036)	(54,417,977)	45,727,623	(341,331,390)
Infrastructure	(914,426,714)	(24,611,275)	-	(939,037,989)
Total accumulated depreciation	<u>(1,636,783,244)</u>	<u>(109,615,261)</u>	<u>54,985,361</u>	<u>(1,691,413,144)</u>
Total capital assets, being depreciated, net	<u>1,060,429,620</u>	<u>99,592,707</u>	<u>(4,888,979)</u>	<u>1,155,133,348</u>
Total governmental capital assets, net	<u>\$2,096,056,675</u>	<u>\$ 315,668,069</u>	<u>\$(187,642,913)</u>	<u>\$ 2,224,081,831</u>

In 2008, the County determined that certain improvements to the Mecca Farms property initially intended for the Biomedical Research Park experienced a decline in service utility and therefore an impairment loss of \$37.8 million. This is recorded in Economic Environment in the statement of activities.

PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
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	Beginning Balance	Additions	Deductions	Ending Balance
Business-type Activities:				
Non-depreciable assets:				
Land	\$ 160,616,178	\$ 1,062,682	\$ (140,802)	\$ 161,538,058
Construction In Progress	264,835,841	185,922,882	(307,406,771)	143,351,952
Total non-depreciable assets	<u>425,452,019</u>	<u>186,985,564</u>	<u>(307,547,573)</u>	<u>304,890,010</u>
Depreciable assets:				
Buildings and improvements	548,200,490	120,111,764	-	668,312,254
Improvements other than buildings	1,225,728,727	159,342,400	-	1,385,071,127
Equipment	226,223,230	44,256,303	(14,188,063)	256,291,470
Intangible - easement rights	14,101,313	1,314,500	-	15,415,813
Leasehold interest	12,010,002	-	-	12,010,002
Goodwill	5,286,966	1,844,737	-	7,131,703
Total depreciable assets	<u>2,031,550,728</u>	<u>326,869,704</u>	<u>(14,188,063)</u>	<u>2,344,232,369</u>
Less accumulated depreciation for:				
Buildings and improvements	(242,499,145)	(20,313,739)	-	(262,812,884)
Improvements other than buildings	(446,282,633)	(34,939,111)	-	(481,221,744)
Equipment	(148,617,396)	(20,297,626)	13,785,322	(155,129,700)
Intangible - easement rights	(2,127,674)	(343,874)	-	(2,471,548)
Leasehold interest	(1,753,555)	(1,201,000)	-	(2,954,555)
Goodwill	(254,677)	(225,169)	-	(479,846)
Total accumulated depreciation	<u>(841,535,080)</u>	<u>(77,320,519)</u>	<u>13,785,322</u>	<u>(905,070,277)</u>
Total capital assets, being depreciated, net	<u>1,190,015,648</u>	<u>249,549,185</u>	<u>(402,741)</u>	<u>1,439,162,092</u>
Total business-type capital assets, net	<u>\$ 1,615,467,667</u>	<u>\$ 436,534,749</u>	<u>\$ (307,950,314)</u>	<u>\$ 1,744,052,102</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 19,588,263
Public safety	26,426,750
Physical environment	865,156
Transportation	31,277,855
Economic environment	222,489
Human services	1,641,225
Culture and recreation	17,231,718
In addition, depreciation on capital assets held by the County's internal service funds is charged to the various functions based on their usage of the assets.	<u>12,122,545</u>
Total depreciation expense - governmental activities	109,376,001
Adjustments to accumulated depreciation	<u>239,260</u>
Total increases to accumulated depreciation	<u>\$ 109,615,261</u>

Business-type Activities:

Water Utilities Department	\$ 37,105,975
Department of Airports	19,236,686
Solid Waste Authority	<u>20,977,858</u>
Total depreciation expense - business-type activities	<u>\$ 77,320,519</u>

**PALM BEACH COUNTY, FLORIDA
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Discretely presented component unit

A summary of changes in capital assets for the Westgate/Belvedere Homes Community Redevelopment Agency follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Non-depreciable assets:				
Land	\$ 804,734	\$ 1,625,086	\$ -	\$ 2,429,820
Total non-depreciable assets	804,734	1,625,086	-	2,429,820
Depreciable assets:				
Equipment	15,903	400	-	16,303
Infrastructure	-	334,904	-	334,904
Total depreciable assets	15,903	335,304	-	351,207
Less accumulated depreciation for:				
Equipment	(9,346)	(9,924)	-	(19,270)
Total accumulated depreciation	(9,346)	(9,924)	-	(19,270)
Total capital assets, being depreciated, net	6,557	325,380	-	331,937
Total component unit capital assets, net	\$ 811,291	\$ 1,950,466	\$ -	\$ 2,761,757

5. INTERFUND TRANSFERS IN AND OUT

Interfund transfers in and out during fiscal year 2008 were as follows:

Interfund Transfers In	Interfund Transfers Out	Amount
Governmental Funds:		
Major Governmental Funds		
General Fund	Law Enforcement Grants Special Revenue Fund	\$ 455,323
	Other Special Revenue Funds	21,536,766
	Sheriff Special Revenue Fund	7,698,571
	Clerk & Comptroller Special Revenue Fund	503,678
	County Transportation Trust	98,000
	Community and Social Development	799,000
	Parks and Recreation Capital Projects	467,259
	Supervisor of Elections Special Revenue Fund	1,481,382
		<u>\$ 33,039,979</u>
Fire Rescue Special Revenue Fund	General Fund	\$ 150,000
	Community & Social Development Special Revenue Fund	156,814
	Other Special Revenue Funds	6,749,398
		<u>\$ 7,056,212</u>
Sheriff Special Revenue Fund	General Fund	\$ 418,484,524
	Law Enforcement Grants Special Revenue Fund	3,808,527
	Criminal Justice Capital Projects	11,177,779
	Other Special Revenue Funds	1,120,943
		<u>\$ 434,591,773</u>

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General Government Capital Projects	General Fund	\$ 20,943,776
	Palm Tran Special Revenue Fund	345,970
	Other Special Revenue Funds	1,686,261
	Sheriff Special Revenue Fund	917,154
	Clerk & Comptroller Special Revenue Fund	143,263
	Road Program Capital Projects	350,000
	Fleet Management	354,252
	Criminal Justice Capital Projects	215,001
		<u>\$ 24,955,677</u>
		<u><u>\$ 24,955,677</u></u>
Road Program Capital Projects	General Fund	\$ 750,000
	County Transportation Trust Special Revenue Fund	54,650
		<u>\$ 804,650</u>
	<u><u>\$ 804,650</u></u>	
Nonmajor Governmental Funds		
Nonmajor Special Revenue Funds		
Tourist Development Special Revenue Fund	General Government Capital Projects	\$ 993,850
		<u>\$ 993,850</u>
	<u><u>\$ 993,850</u></u>	
Law Enforcement Grants Special Revenue Fund	General Fund	\$ 377,433
	Other Special Revenue Funds	114,373
	General Government Capital Projects	49,999
		<u>\$ 541,805</u>
	<u><u>\$ 541,805</u></u>	
County Transportation Trust Special Revenue Fund	General Fund	\$ 11,883,288
	Other Special Revenue Funds	5,133,290
	Road Program Capital Projects	18,800,779
		<u>\$ 35,817,357</u>
	<u><u>\$ 35,817,357</u></u>	
Community & Social Development Special Revenue Fund	General Fund	\$ 15,711,294
	General Government Capital Projects	416,000
		<u>\$ 16,127,294</u>
	<u><u>\$ 16,127,294</u></u>	
Palm Tran Special Revenue Fund	General Fund	\$ 29,485,960
	General Government Capital Projects	23,100
	Road Program Capital Projects	7,539,200
		<u>\$ 37,048,260</u>
	<u><u>\$ 37,048,260</u></u>	
Other Special Revenue Funds	General Fund	\$ 2,580,598
	Law Enforcement Grants Special Revenue Fund	87,560
	General Government Capital Projects	594,941
	<u>\$ 3,263,099</u>	
	<u><u>\$ 3,263,099</u></u>	
Clerk & Comptroller Special Revenue Fund	General Fund	\$ 16,957,072
		<u>\$ 16,957,072</u>
	<u><u>\$ 16,957,072</u></u>	
Supervisor of Elections Special Revenue Fund	General Fund	\$ 11,228,444
		<u>\$ 11,228,444</u>
	<u><u>\$ 11,228,444</u></u>	

**PALM BEACH COUNTY, FLORIDA
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Nonmajor Debt Service Funds

Revenue Bonds Debt Service Fund	Tourist Development Special Revenue Fund	\$ 7,406,071
	Other Special Revenue Funds	53,283,584
	Other Financing Debt Service Fund	124,454
	General Government Capital Projects	7,783,935
	General Fund	5,750,798
	Criminal Justice Capital Projects	11,302,709
		<u>\$ 85,651,551</u>

Other Financing Debt Service Fund	General Fund	\$ 429,262
	Tourist Development Special Revenue Fund	19,559
	Other Special Revenue Funds	8,695,010
	Revenue Bonds Debt Service Fund	37,115,925
	Environmental Lands Capital Projects	10,404
	General Government Capital Projects	5,243,229
		<u>\$ 51,513,389</u>

Nonmajor Capital Projects Funds

Environmental Lands Capital Projects	General Fund	\$ 1,000,000
	Tourist Development Special Revenue Fund	2,206,131
		<u>\$ 3,206,131</u>

Fire Rescue Capital Projects	Fire Rescue Special Revenue Fund	\$ 10,180,000
		<u>\$ 10,180,000</u>

Libraries Capital Projects	Library Taxing District Special Revenue Fund	\$ 13,613,282
		<u>\$ 13,613,282</u>

Parks & Recreation Capital Projects	General Fund	\$ 2,499,420
		<u>\$ 2,499,420</u>

Street Drainage Capital Projects	General Government Capital Projects	\$ 1,429,738
		<u>\$ 1,429,738</u>

Total Nonmajor Governmental Funds		<u>\$ 290,070,692</u>
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Total Interfund Transfers Primary Government		<u>\$ 790,518,983</u>
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Transfers are used to: (1) move revenues from within the fund which a statute or budget requires them to be collected to a fund from which a statute or budget requires them to be expended; (2) move receipts which are restricted to debt service from the funds where the receipts are collected into the debt service fund, as debt service payments become due; (3) provide matching funds for the County's portion of grant agreements; (4) use and transfer unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and; (5) provide funding for various capital projects by means of transfers.

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In addition, transfers totaling \$2,955,782 were made from the General Fund to multiple funds in order to fund the purchase of voting equipment capital outlays.

During the fiscal year ended September 30, 2008, the Department of Airports transferred capital assets with a book value of \$9,654,866 related to the King's Academy property to the County. This is booked as a "transfer out" in the Proprietary fund statements and a "transfer in" for the governmental activities column of the statement of activities. This amount does not represent a current financial resource and is therefore not recorded in the governmental fund financial statements as a transfer in.

6. RETIREMENT PLANS

FLORIDA RETIREMENT SYSTEM

Plan Description - The County participates in the Florida Retirement System (FRS), a non-contributory, cost-sharing, multi-employer, public employee retirement system administered by the Florida Department of Management Services, Division of Retirement. The FRS was created December 1, 1970. FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. These benefits are established by Florida Statutes, Chapter 121, and may only be amended by the Florida Legislature.

The Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for FRS. The report may be obtained by writing to the Florida Division of Retirement, ATTN: Research, Education & Policy Section, P. O. Box 9000, Tallahassee, Florida 32315-9000, calling 1-850-488-5706, or accessing their website at: <http://dms.myflorida.com>.

Beginning July 1, 2002, the FRS became one plan with two primary options, a defined benefit option known as the FRS Pension Plan and an alternative defined contribution option known as the FRS Investment Plan. The two options are described in detail below.

The FRS Pension Plan provides for vesting of benefits after 6 years of creditable service. Benefits are based on age, average final compensation and years-of-service credit. Average final compensation is the average of the five highest fiscal years of earnings. Members are eligible for normal retirement when they have met the minimum requirements established by their membership class. Regular Class members are eligible for normal retirement if they are vested and age 62 or if they have 30 years of creditable service regardless of age. Early retirement may be taken any time after vesting. However, there is a 5% reduction of benefits for each year prior to normal retirement age or date. The percentage level of employees' payroll contribution rates is determined using the frozen entry age actuarial cost method.

Beginning July 1, 1998, the FRS implemented the Deferred Retirement Option Program (DROP), which is a program within the FRS Pension Plan that allows members to retire without terminating their employment for up to five years while their retirement benefits

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accumulate and earn interest compounded monthly at an effective annual rate of 6.5%. Members may participate in DROP when they are vested and have reached their normal retirement date. When the DROP period ends, members must terminate employment. At that time, members will receive their accumulated DROP benefits and begin receiving their monthly retirement benefit.

The FRS Investment Plan, formally created as the Public Employee Optional Retirement Program (PEORP), is a participant-directed 401(a) program selected by employees in lieu of participation in the defined benefit option of the Florida Retirement System. Benefits accrue in individual accounts that are participant-directed, portable, and funded by employer contributions. Participants and beneficiaries bear the investment risks that result when they exercise control over investments in their accounts. The Investment Plan offers a diversified mix of low-cost investment options that span the risk-return spectrum and give participants the opportunity to accumulate retirement benefits. Members are vested after completing one year of creditable service.

Funding Policy - The contribution requirements of the County are established and may be amended by the Florida Legislature. The County's contributions to FRS for the years ended September 30, 2008, 2007, and 2006 were \$94.4 million, \$87.9 million, and \$70.7 million, respectively, equal to the required contributions for each year.

The following membership classes and rates, which apply to both the FRS Pension Plan and the FRS Investment Plan, were in effect at September 30, 2008:

<u>Membership Class</u>	<u>Rates</u>
Regular	9.85%
Special Risk	20.92%
Judges	19.56%
Legislators	14.48%
Governor/Lieutenant Governor/Cabinet	14.48%
State Attorney/Public Defender	14.48%
County, City, Special District Elected Officers	16.53%
Special Risk Administrative Support	12.55%
IFAS Supplemental	18.75%
Senior Management	13.12%
Deferred Retirement Option Program	10.91%

PALM TRAN, INC. – DEFINED BENEFIT PLAN

Plan Description – The Palm Tran, Inc. – Amalgamated Transit Union Local 1577 (Palm Tran) pension plan (the Plan) is a mandatory contribution, single-employer, defined benefit retirement program administered by the Pension Resource Center. The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. The Board of Trustees (the Board) of the Palm Tran pension plan has the authority to establish and amend benefit provisions. Palm Tran issues a stand-alone, publicly available financial report that includes financial statements and required supplementary

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information. The report may be obtained by writing to the plan administrator at Pension Resource Center, 4360 Northlake Blvd., Suite 206, Palm Beach Gardens, Florida 33410 or calling 1-561-624-3277 or accessing their website at: www.resourcecenters.com.

Funding Policy – The contribution requirements of plan members and Palm Tran, Inc. are established by the Pension Trust Agreement and may be amended by the Board. Plan members are required to contribute 2.5% of their annual covered payroll. Palm Tran, Inc. is required to contribute 13% of annual covered payroll.

Annual Pension Cost and Net Pension Obligation – Per the actuarial valuation, the annual pension cost and net pension obligation as of December 31, 2007 were as follows:

Annual required contribution (ARC)	\$	3,272,841
Interest on net pension obligation		-
Adjustment to ARC		-
Annual pension cost		3,272,841
Contributions made		(3,272,841)
Increase (decrease) in net pension obligation		-
Net pension obligation beginning of year		-
Net pension obligation end of year	\$	-

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/05	\$2,761,386	100%	\$ -
12/31/06	2,909,900	100	\$ -
12/31/07	3,272,841	100	\$ -

Funded Status and Funding Progress – As of January 1, 2008, the most recent actuarial valuation date, the plan was 82.6% funded. The actuarial accrued liability for benefits was \$57.0 million, and the actuarial value of assets was \$47.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$9.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$21.5 million, and the ratio of the UAAL to the covered payroll was 46.1%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions – In the January 1, 2008 actuarial valuation, the Entry Age Normal actuarial cost method was used. The actuarial assumptions included (a) 8.0% investment rate of return and (b) projected salary increases ranging from 5.0% to 12.5% per year. Both (a) and (b) included an inflation component of 4.0% with no cost-of-living adjustments. The projection of benefits for financial accounting purposes

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does not explicitly incorporate the potential effects of the 13% limitation on Palm Tran’s contribution rate disclosed above under “Funding Policy”. The actuarial value of assets was determined using the 5-year Smoothed Market asset valuation method. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at January 1, 2008 was 30 years.

LANTANA FIREFIGHTER’S – DEFINED BENEFIT/CONTRIBUTION PLAN

Plan Description – The Lantana Firefighter’s Pension Fund (LFPF) is a combined defined benefit and defined contribution pension plan covering Town of Lantana (Town) fire fighters employed by Palm Beach County (County). LFPF is governed by a Board of Trustees made up of representatives of the firefighters and the Town. It provides a defined benefit retirement annuity to retiring participants and also provides a defined contribution retirement benefit in the form of share accounts, payable upon retirement, death or disability. LFPF issues a stand-alone, publicly available financial report that includes financial statements and required supplementary information. The County does not perform the investment function or have significant administrative involvement in the plan. The report may be obtained by writing to the plan administrator, Pension Resource Center, at 4360 Northlake Blvd., Suite 206, Palm Beach Gardens, Florida 33410 or calling 1-561-624-3277 or accessing their website at: www.resourcecenters.com.

Funding Policy – (a) Plan members are required to contribute 10% of their salary to the Plan. Of this, 2% is allocated to the defined benefit portion of the Plan and 8% is allocated to the defined contribution portion. (b) Pursuant to Chapter 175, Florida Statutes, the Town imposes a 1.85% tax on fire insurance premiums paid to insure real or personal property within its corporate limits. 100% of the net proceeds of this 1.85% excise tax are allocated to the defined benefit portion of the Plan. (c) Because the County is ultimately responsible for the actuarial soundness of the Plan, the County must contribute an amount determined by the Trustees, in conjunction with the Plan’s actuary, to be sufficient, along with the employees’ contributions and the proceeds from the insurance tax, described above, to fund the defined benefits under the Plan. The current rate is 47.51% of annual covered payroll.

Annual Pension Cost and Net Pension Obligation – Per the actuarial valuation, the annual pension cost and net pension obligation as of September 30, 2007 were as follows:

Annual required contribution (ARC)	\$ 1,497,710
Interest on net pension obligation	-
Adjustment to ARC	-
Annual pension cost	<u>1,497,710</u>
Contributions made	<u>(1,497,710)</u>
Increase (decrease) in net pension obligation	-
Net pension obligation beginning of year	-
Net pension obligation end of year	<u>\$ -</u>

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Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/05	\$708,667	100%	\$ -
09/30/06	833,858	100	\$ -
09/30/07	1,497,710	100	\$ -

Funded Status and Funding Progress – As of September 30, 2007, the most recent actuarial valuation date, the plan was 69.8% funded. The actuarial accrued liability for benefits was \$18.7 million, and the actuarial value of assets was \$13.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$5.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.7 million, and the ratio of the UAAL to the covered payroll was 207.7%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions – In the September 30, 2007 actuarial valuation, the Individual Entry Age actuarial cost method was used. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increases of 7.0% per year compounded annually, and (c) the assumption that benefits will not increase after retirement. Both (a) and (b) included an inflation component of 5.0%. The actuarial value of assets was determined using the 5-year Smoothed Market asset valuation method. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at September 30, 2007 ranges from 1-17 years.

Note: The Actuarial Valuation report for September 30, 2008 was not available.

COMPONENT UNIT

Like the Primary Government, Westgate/Belvedere Homes Community Redevelopment Agency (CRA) also participates in the Florida Retirement System (FRS), a non-contributory, cost-sharing, multi-employer, public employee retirement system administered by the Florida Department of Management Services, Division of Retirement.

The contribution requirements of CRA are established and may be amended by the Florida Legislature. The CRA's contributions to FRS for the years ended September 30, 2008, 2007, and 2006 were \$23,144, \$16,993, and \$13,349, respectively, equal to the required contributions for each year.

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7. COMMITMENTS

County Home

The County entered into an inter-local agreement with the Palm Beach County Health Care District (the District) effective July 11, 1995 regarding the Medicaid Match and the County Home and General Care Facility (County Home). This agreement provides that the County will make an annual payment of the fixed amount of \$15 million to the District in exchange for the District's agreement to operate and manage the County Home and to pay 100% of the Medicaid Match funding as required by the State for hospital and nursing home care. The County's annual funding of \$15 million is payable in equal monthly installments for the next 40 years.

Outstanding Purchase Orders and Contracts

Purchase orders and contracts (including construction contracts) had been executed, but goods and services were not received in approximately the amounts shown below as of September 30, 2008:

<u>Fund</u>	<u>Amount</u>
Capital Projects Funds	\$ 250,010,021
Solid Waste Authority	63,056,353
Special Revenue Funds	28,275,078
Department of Airports	9,433,454
Department of Water Utilities	9,211,000
Internal Service Funds	2,464,968
General Fund	1,373,251
Tax Collector	72,553
Property Appraiser	556
Total	<u>\$ 363,897,234</u>

Because the budget authority for these amounts lapses at fiscal year-end, they are not shown as either encumbrances or liabilities. Funds are appropriated at the beginning of each fiscal year to provide for these commitments.

On May 26, 2006, the County entered into an economic development grant agreement with The Scripps Research Institute, a nonprofit public benefit corporation, to induce Scripps to establish and operate a biomedical research facility at Florida Atlantic University in Jupiter, Florida and to encourage and stimulate economic growth by attracting new businesses and the creation of a biotech industry in the County. The County is providing funding of approximately \$235 million for Scripps to construct and own 346,000 square feet of laboratory and office space at the FAU campus and 70 acres known as the Briger Tract for 1,600,000 square feet of related research and development uses. This Briger land will be turned over to Scripps at the end of the agreement provided they meet certain minimum new job creation requirements. Two temporary facilities were also funded by the County on the

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FAU campus. Scripps and FAU entered into a 99 year lease for the permanent facilities site on the FAU campus. Scripps has committed to strive to create or relocate 2,777 new jobs at the Scripps site. Scripps and the County agree to work cooperatively to create or relocate to the County an aggregate total of 6,500 new jobs. The agreement between the County and Scripps ends on February 6, 2021. The County has paid \$181.5 million towards this commitment as of September 30, 2008.

On July 22, 2008, the County entered into an economic development grant agreement with Max Planck Florida Corporation (MPFC) providing funding for approximately \$86.9 million for the construction and operation of an approximate 100,000 square foot Biomedical Research Facility in the County. Under the terms of the agreement, a maximum of \$60 million will be spent towards the construction costs for the Permanent Facility and \$26.9 million towards the reimbursement of operational costs. The term of the agreement is 15 years. Negotiations are currently underway between the County, MPFC and Florida Atlantic University to obtain 6 acres on the Jupiter Campus of FAU. The execution of the FAU sublease is a condition to the disbursement of the grant funds.

On May 20, 2008, the County, on behalf of the Water Utilities Department (the Department), entered into an agreement with FP&L which provides for reclaimed water to become the primary source of cooling water supply to FP&L's West County Energy Center (the Center) beginning in FY2011. In addition, FP&L is to construct a 27 million gallon per day reclaimed water facility at the East Central Regional Wastewater Reclamation Facility. FP&L will reimburse the Department for all design-related services. Construction will be financed by revenue bonds of the Department to be issued prior to the commencement of construction, with FP&L reimbursing the Department for all debt service costs related to this debt issue. The agreement with FP&L has a term of thirty years beginning in FY 2011 with three additional ten year options. The current project estimate includes \$5 million for design costs and \$70 million for the construction of the facility, pipeline, and related infrastructure. As of September 30, 2008, \$1,297,000 in design related fees have been incurred and billed to FP&L by the Department.

Land Acquisition

Palm Beach County School Board – On September 21, 1993, an agreement (R93-1188D) was entered into by the Palm Beach County School Board (School Board) and Palm Beach County for co-location of facilities and exchange of properties. This Agreement establishes a process to facilitate joint planning for co-located facilities and also establishes a mechanism by which properties owned by either party can be exchanged with the other party which has a need therefore. The Agreement also establishes a credit system whereby properties can be transferred and payments deferred for up to two years while offsetting exchanges are completed. As of September 30, 2008, Palm Beach County owes the School Board \$113,870 under the Funding Agreement.

Land Commitments

During 1996, SWA purchased approximately 1,600 acres of farmland in western Palm Beach County as a replacement waste disposal site. SWA has an operating lease expiring in 2010

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with the former owner to maintain and continue farming the property. The lease provides for annual rental payments to SWA adjusted each year based on the change in the producer price index for raw cane sugar, provided that the total annual rent shall not exceed \$450,000. Rental income from this lease for the years ended September 30, 2008 and 2007 was approximately \$300,000 each year. The carrying value of the land subject to the lease was approximately \$8 million at September 30, 2008 and 2007. The lease also provides the option to extend the term for five additional periods of four years (through 2030), each under the same terms and conditions. SWA retains the right to terminate the lease, in part, for areas designated for development by SWA after the initial lease term. Management expects the operating lease to be renewed until the property is utilized for its intended purpose as a replacement waste disposal site.

SWA leases the current site of the Delray Beach transfer station from the City of Delray Beach under a 20 year operating lease expiring September 30, 2020 with an option to renew for an additional 20 years under the existing terms. The lease provides for annual rental payments increased by the annual change in the consumer price index. Rent expense for the years ended September 30, 2008 and 2007 was approximately \$120,000 and \$110,000, respectively. The minimum future rental payments, based on an annual increase of 3 percent, under this operating lease at September 30, 2008 are estimated to be \$1,779,826.

Tri-County Commuter Rail Authority

In October 1994, Palm Beach County entered into a five-year joint inter-local agreement (the Agreement) with Miami-Dade County, Broward County, the Florida Department of Transportation and the Tri-County Commuter Rail Authority (the Authority) which calls for each of the respective counties to fund one-third of the net operating deficit of the Authority after considering all Federal subsidy, State subsidy and farebox revenue. The County's 2008 subsidy amounted to \$7,036,950. The Authority was created as an agency of the State of Florida pursuant to Chapter 343, Florida Statutes in 1988 to provide commuter rail services in Broward, Dade and Palm Beach counties. Tri-Rail serves both residents and tourists with a scheduled passenger rail commuter system which currently operates on seventy-one miles of rail corridor along the east coast of Florida.

The governing Board of Directors consists of nine members; one representative from each county's Board of County Commissioners (3), one citizen from each county (3), one representative from the Florida Department of Transportation (1), one member appointed by the Governor of Florida (1), and one member at large who is appointed by the other eight members (1). Tri-Rail's annual operating budget is adopted and approved by the Authority's Board of Directors.

Separate financial statements for the Authority may be obtained at the following address:

Tri-County Commuter Rail Authority
305 South Andrews Avenue, Suite 200
Fort Lauderdale, FL 33301

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8. RISK MANAGEMENT

The County maintains various self-insurance programs which are accounted for as internal service funds. Following is a brief description of each of the County's insurance programs. The claims liability reported in each of the funds at September 30, 2008, is actuarially determined based on the requirements of GASB 10, which specifies that a liability for claims be reported if information prior to the issuance of the financial statements indicated 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.

Property and Liability

The County is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; and natural disasters. A portfolio of commercial insurance policies provides specific excess coverage for property losses in excess of \$1,000,000 and third-party liability losses in excess of \$500,000. In addition, excess liability exposures are also limited to \$100,000 per person and \$200,000 per occurrence under Florida's sovereign immunity statute 768.28. Negligence claims in excess of the statutory limits can only be recovered through an act of the State of Florida Legislature. The County purchases excess claim bill liability coverage of \$6 million per claim in order to protect against excess liability exposures. This coverage provides additional liability coverage against federal claim awards. Separate excess auto liability insurance coverage of \$2,000,000 per claim is in place for the operation of Palm Tran's fleet of public transit buses.

With the exception of the Sheriff, Clerk & Comptroller, and Property Appraiser, all funds of the County participate in the program and make payments to the Property and Liability Insurance Fund, included in the Combined Insurance Fund, based on estimates of the amounts needed to pay prior and current year claims. The claims liability reported in this fund at September 30, 2008 is \$8,408,000. The County changed its methodology for recording its claims liabilities from the undiscounted method to a 4% discounted method, resulting in a cumulative decrease included in the beginning of fiscal year liability for 2008 of \$516,000.

During claim years 2008 and 2007, changes recorded to the claims liability for property and liability insurance were as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2007	\$ 8,546,000	\$ 1,363,000	\$ (973,000)	\$ 8,936,000
2008	8,420,000	844,000	(856,000)	8,408,000

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Workers' Compensation Insurance

The County has self-funded its workers' compensation exposure since 1969. This fund covers all employees of the Board of County Commissioners, the Supervisor of Elections, the Clerk & Comptroller, the Property Appraiser, and the Tax Collector. Although the Sheriff's payroll and losses are reported to the State by the risk management department, the Sheriff administers his own program. The County is 100% self-insured for workers' compensation exposures beginning October 1, 1993.

With the exception of the Sheriff, all funds of the County participate in the program and make payments to the Workers' Compensation Insurance Fund, included in the Combined Insurance Fund, based on estimates of the amounts needed to pay prior and current year claims. The claims liability reported in this fund at September 30, 2008 is \$39,656,000. The County changed its methodology for recording its claims liabilities from the undiscounted method to a 4% discounted method, resulting in a cumulative decrease included in the beginning of fiscal year liability for 2008 of \$6.5 million.

During claim years 2008 and 2007, changes recorded to the claims liability for workers' compensation insurance were as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2007	\$ 37,887,000	\$ 12,032,000	\$ (6,725,000)	\$ 43,194,000
2008	36,694,000	8,520,000	(5,558,000)	39,656,000

Employee Group Health Insurance

The County provides health insurance for its employees, retirees, and eligible dependents. Effective January 1, 2004, the County changed from a fully insured plan to a self-insured plan. The County has in place a \$500,000 specific excess insurance policy to protect the County against catastrophic health claims.

With the exception of the Constitutional Officers who have separately contracted for health insurance coverage, all funds of the County, as well as the Solid Waste Authority, participate in the program and make payments to the Employee Health Insurance fund, included in the Combined Insurance Fund, based on estimates of amounts needed to pay prior and current year claims. The claims liability reported in the fund at September 30, 2008 is \$4,139,856. During claim years 2008 and 2007, changes recorded to the claims liability for employee health insurance were as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2007	\$ 3,408,435	\$ 47,335,906	\$ (46,430,376)	\$ 4,313,965
2008	4,313,965	52,304,812	(52,478,921)	4,139,856

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SOLID WASTE AUTHORITY (SWA)

The SWA is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The SWA purchases commercial insurance for property damage with coverage up to a maximum of approximately \$312 million, subject to various policy sub-limits, generally ranging from \$1 million to \$45 million and deductibles ranging from \$10,000 to \$500,000 per occurrence. The SWA also purchases commercial insurance for general liability claims with coverage up to \$1 million per occurrence and \$2 million general aggregate, with excess liability coverage of \$25 million, all subject to various deductibles up to \$10,000 per occurrence. General liability claims are limited by the Florida constitutional doctrine of sovereign immunity to \$100,000 per claim and \$200,000 per occurrence unless a higher claim is approved by the Florida Legislature.

The SWA purchases commercial insurance for workers' compensation benefits with a \$1,000,000 per occurrence and per employee policy limit, subject to a deductible of \$250,000 per occurrence and per claim, up to a maximum of approximately \$1.5 million for 2008. Settled claims have not exceeded commercial coverage in any of the last three years. Changes in the claims liability amount for workers' compensation benefits for the years ended September 30, 2008 and 2007 were as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2007	\$ 448,000	346,504	(346,504)	\$ 448,000
2008	448,000	317,973	(317,973)	448,000

Effective January 1, 2003, the SWA contracted with Palm Beach County to provide employee health benefits through the County's self-insurance program for employee benefits. The County plan provides health insurance benefits to County employees and employees of component units of the County electing to participate in the plan. The County plan covers approximately 5,000 participants and is designed to be self-sustaining through actuarially determined premiums established annually to cover expected claims, administration and a margin for unexpected losses or expenses. The County purchases commercial insurance for claims in excess of the annual stop loss deductible of \$500,000 per person. The SWA pays a monthly premium based on the number of SWA employees participating in the plan and does not retain risk of loss for employee health claims, but is obligated to pay the premiums established by the County to fund the plan. For the year ended September 30, 2008 and 2007, the SWA paid premiums of \$4,458,792 and \$4,116,798 respectively, to the County for approximately 400 participating employees. The 2008 premiums are net of expected refunds receivable of \$690,000 at September 30, 2008. The SWA does not expect any additional premium assessments for 2008 or prior years. In October 2008 SWA terminated coverage under the County plan effective December 31, 2008 and will purchase health insurance through a commercial health insurance plan.

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SHERIFF

The Sheriff's Office maintains a general liability self-insurance program, a workers' compensation self-insurance program and a commercially insured employee health insurance program which are accounted for in the Sheriff's General fund (which is reported as a special revenue fund in the County's CAFR). The following is a brief description of each of the Sheriff's insurance programs.

General Liability Insurance

The Sheriff's office is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; and natural disasters. The claims liability reported for general liability at September 30, 2008 is \$12,907,299. This amount is based on the requirements of GASB 10 which specifies that a liability for claims be reported 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.

During claim years 2008 and 2007, changes recorded to the claims liability for general liability were as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2007	\$ 11,492,510	\$ 6,494,703	\$ (3,918,117)	\$ 14,069,096
2008	14,069,096	2,935,585	(4,097,382)	12,907,299

Workers' Compensation Insurance

The Sheriff's office is self-funded for its workers' compensation exposure. The claims liability reported at September 30, 2008 is \$19,505,079. This amount is the actuarially determined claims liability based on the requirements of GASB 10 which specifies that a liability for claims be reported 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.

During claim years 2008 and 2007, changes recorded to the claims liability for workers' compensation were as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2007	\$ 22,953,059	\$ 2,942,863	\$ (6,327,083)	\$ 19,568,839
2008	19,568,839	6,505,282	(6,569,042)	19,505,079

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Employee Group Health Insurance

The Sheriff's office maintains a fully insured program for its employee group health insurance program.

CLERK & COMPTROLLER

Employee Group Health Insurance

The Clerk's office provides health insurance for its employees and eligible dependents. The Clerk's office is self-insured for its health insurance coverage and beginning with fiscal year 2004 is accounted for as an internal service fund.

During claim years 2008 and 2007, changes recorded to the claims liability for health insurance were as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2007	\$ 670,000	\$ 6,543,038	\$ (6,681,038)	\$ 532,000
2008	532,000	8,401,247	(8,181,247)	752,000

TAX COLLECTOR

Employee Group Health and Dental Insurance

The Tax Collector's office provides health and dental insurance to its employees and eligible dependents. The Tax Collector is fully insured for its health and dental coverage.

9. CHANGE IN ACCOUNTING PRINCIPLE

In fiscal year 2008, the County changed its method of accounting for recognizing liabilities and expenses for its property, liability and workers compensation self-insurance programs. In previous years, the County used the undiscounted expected obligation based on actuarial results. The County changed its method and now uses the discounted expected obligation in recording its liabilities and expense. The prior period effect of this change in accounting principle is \$7,054,000. The effect of the change on current year was a decrease in expense of approximately \$270,000. The effect of the change on prior year expenses would have been a decrease of expense of approximately \$725,000.

	<u>Internal Service (Page 161)</u>	<u>Governmental Activities (Page 5)</u>
Net assets, as originally reported, October 1, 2007	\$28,405,180	\$2,374,950,745
Restatement / change in accounting principle	<u>7,054,000</u>	<u>7,054,000</u>
Net assets, restated, October 1, 2007	<u>\$35,459,180</u>	<u>\$2,382,004,745</u>

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Considering the long-term nature of these obligations, the County believes that due to the nature of the operations it is a better matching of revenue and expenses to discount the obligation over the projected payout period of the claims. The premiums the County remits to the combined insurance fund and the resulting cash reserves generate an investment return in excess of the 4% discount used in arriving at the discounted rate. This better matches the revenue and expenses in the fund over the life of the case settlements.

10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Overview

Entities of the Primary Government provide the following post-employment benefits to retirees:

(a) Healthcare Plans:

1. County (includes Supervisor of Elections and Solid Waste Authority)
2. Tax Collector
3. Property Appraiser
4. Clerk & Comptroller
5. Sheriff
6. Fire Rescue Union

(b) Long Term Disability Plan

7. Fire Rescue Taxing District

Healthcare Benefits Provided to Retirees

Postretirement Benefits: The amount reported as the postretirement benefit obligation represents the actuarial present value of those estimated future benefits that are attributed by the terms of the plan to employees' service rendered to the date of the financial statements, reduced by the actuarial present value of contributions expected to be received in the future from current plan participants. Postretirement benefits include future benefits expected to be paid to or for both of the following:

- 1) Currently retired or terminated employees and their beneficiaries and dependents
- 2) Active employees and their beneficiaries and dependents after retirement from service with participating employers.

The postretirement benefit obligation represents the amount that is to be funded by contributions from the plan's participating employers and from existing plan assets. Before an active employee's full eligibility date, the postretirement benefit obligation is the portion of the expected postretirement benefit obligation that is attributed to that employee's service in the industry rendered to the valuation date.

The actuarial present value of the expected postretirement benefit obligation is determined by an actuary and is the amount that results from applying actuarial assumptions to historical claims-cost data to estimate future annual incurred claims costs

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per participant and to adjust such estimates for the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as those for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

Plan Description: The defined benefit post-employment healthcare plans provide medical benefits to eligible retired employees and their dependents. The plans are single employer plans which are administered by the employer for their employees. The Supervisor of Elections and Solid Waste Authority participate in the County plan.

The Fire Rescue retiree health plan is a defined benefit plan with attributes similar to a defined contribution plan. The County is required, per the Collective Bargaining Agreement, to make contributions equal to 3% of the total current base annual pay plus benefits for the Fire Rescue employees. Since the primary government is not entitled to nor does it have the ability to otherwise access the economic resources received or held by the Fire Rescue retiree health plan; and since Palm Beach County has no reversionary interest in the economic resources received or held by the Fire Rescue retiree health plan, it is not reported as a fiduciary fund of the County.

Funding Policy: The contribution requirements of plan members and the employer are established and may be amended by the employer or by the union for Fire Rescue. All entities of the Primary Government are required by Florida Statute 112.0801 to allow their retirees (and eligible participants) to continue participation in the group insurance plan. Retirees must be offered the same coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees which results in an implicit subsidy as defined by GASB 45. In addition to the „implicit’ benefit, two of the plans offer an explicit benefit. The Sheriff and Fire Rescue Plans provide a subsidy that retirees can use to partially or fully offset the cost of health insurance.

At September 30, 2008 retirees receiving benefits contributed the following monthly premiums:

	County	Tax Collector	Property Appraiser	Clerk & Comptroller	Sheriff	Fire Rescue Union
Medical Coverage						
Monthly Minimum	\$ 514	\$ 519	\$ 467	\$ 477	\$ 354	\$ 59
Monthly Maximum	3,908	1,901	2,219	1,764	1,978	149
Dental Coverage						
Monthly Minimum	na	na	23	18	22	4
Monthly Maximum	na	na	150	134	85	40
na= not applicable						

OPEB Cost and Net OPEB Obligation: The annual other post-employment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the

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components of the annual OPEB cost for the year, the amount contributed to the plan, and changes in the net OPEB obligation as of fiscal year ended September 30, 2008:

	County	Tax Collector	Property Appraiser	Clerk & Comptroller	Sheriff	Fire Rescue Union
Annual required contribution (ARC)	\$ 1,285,000	\$ 169,979	\$ 29,562	\$ 520,000	\$ 15,300,000	\$ 1,262,872
Interest on net OPEB obligation	-	-	-	-	-	-
Adjustment to annually required contribution	-	-	-	-	-	-
Annual OPEB cost	1,285,000	169,979	29,562	520,000	15,300,000	1,262,872
Contributions made	(968,142)	-	-	(442,045)	(4,300,000)	(3,914,531)
Increase in net OPEB obligation	316,858	169,979	29,562	77,955	11,000,000	(2,651,659)
Net OPEB obligation-beginning of year	-	-	-	-	-	-
Net OPEB obligation-end of year	\$ 316,858	\$ 169,979	\$ 29,562	\$ 77,955	\$ 11,000,000	\$ (2,651,659)

In accordance with GASB 45, the County is recognizing a net OPEB asset in the governmental activities for the Fire Rescue retiree health plan. However, as noted previously in the plan description, the County cannot adjust its actual annual contribution amount due to this over funding. Any changes to the contribution rate would have to be made through union contract negotiations.

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current fiscal year.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Liability (Asset)
County 9/30/2008	\$1,285,000	75.3%	\$ 316,858
Tax Collector 9/30/2008	\$169,979	0.0%	\$169,979
Property Appraiser 9/30/2008	\$29,562	0.0%	\$29,562
Clerk & Comptroller 9/30/2008	\$520,000	85.0%	77,955
Sheriff 9/30/2008	\$15,300,000	28.1%	\$11,000,000
Fire Rescue Union 9/30/2008	\$1,262,872	310.0%	(\$2,651,659)

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Funded Status and Funding Progress: The plans are financed on a „pay-as-you-go’ basis. The funded status of the plans as of September 30, 2008 was as follows:

	County	Tax Collector	Property Appraiser	Clerk & Comptroller	Sheriff	Fire Rescue Union
Actuarial accrued liability (AAL)	\$ 14,638,000	\$ 1,533,513	\$ 312,788	\$ 5,445,000	\$ 169,700,000	\$ 16,319,357
Actuarial value of plan asset	-	-	-	-	-	7,109,107
Unfunded actuarial accrued liability (UAAL)	\$ 14,638,000	\$ 1,533,513	\$ 312,788	\$ 5,445,000	\$ 169,700,000	\$ 9,210,250
Funded ratio (actuarial value of plan / AAL)	0.0%	0.0%	0.0%	0.0%	0.0%	43.6%
Covered payroll (active plan members)	\$ 294,272,546	\$ 9,879,680	\$ 14,237,382	\$ 35,775,864	\$ 222,956,243	\$ 102,075,035
UAAL as a percentage of covered payroll	5.0%	15.5%	2.2%	15.2%	76.1%	9.0%

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. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

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	County	Tax Collector	Property Appraiser	Clerk & Comptroller	Sheriff	Fire Rescue Union
Actuarial valuation date	10/1/2007	10/1/2007	10/1/2007	10/1/2007	1/1/2008	10/1/2005
Actuarial cost method	Unit credit actuarial cost method	Entry age normal actuarial cost method	Entry age normal actuarial cost method	Unit credit actuarial cost method	Unit credit actuarial cost method	Aggregate actuarial cost method
Actuarial amortization method	Level percentage of salary at beginning of fiscal year	Level percentage of salary at beginning of fiscal year	Level percentage of salary at beginning of fiscal year	Level percentage of salary at beginning of fiscal year	Level percentage of salary at beginning of fiscal year	na
Remaining amortization period	30 years	na				
Asset valuation method	na	na	na	na	na	Market value
Actuarial assumptions						
Investment rate of return	5.0%	5.0%	5.0%	5.0%	5.0%	8.0%
Projected salary increases	4.0%	4.0%	4.0%	4.0%	4.0%	4.5 to 10.5%
Healthcare inflation rate- initial	11.0%	9.0%	9.0%	11.0%	11.0%	na
Healthcare trend rate-ultimate	6.0%	5.0%	5.0%	6.0%	5.0%	3.5%

Long Term Disability Benefits Provided to Retirees

Plan Description: The Palm Beach County Fire Rescue Supplemental Disability Plan is a defined benefit post employment plan that provides disability benefits to eligible disabled Fire Fighters / District Chief permanently prevented from rendering useful and efficient service as a Fire Fighter / District Chief incurred in the line of duty. The plan is a single employer plan which is administered by the Palm Beach County Fire Rescue Department.

Funding Policy: The contribution requirements of plan members and Palm Beach County are established and may be amended by collective bargaining between Palm Beach County and the Professional Firefighters/Paramedics of Palm Beach County, Local 2928, IAFF, Inc. The plan is funded by the County based on an annually required contribution calculated by an actuary. The earmarked funding, related earnings, expenditures and administrative costs are recorded in a special revenue fund.

OPEB Cost and Net OPEB Obligation: The annual other post-employment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortized any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the annual OPEB cost for the year, the amount contributed to the plan, and changes in the net OPEB obligation:

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Annual required contribution	\$ 708,774
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	708,774
Contributions made	(929,098)
Incr in net OPEB obligation	(220,324)
Net OPEB obligation - beginning of year	0
Net OPEB obligation - end of year	\$ (220,324)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year ended September 30, 2008 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
9/30/2008	\$708,774	131.1%	(\$220,324)

Funded Status and Funding Progress: The plan is financed on a „pay-as-you-go’ basis. The funded status of the plan as of September 30, 2008, was as follows:

Actuarial accrued liability (AAL)	\$8,953,897
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$8,953,897</u>
Funded ratio (actuarial value of plan / AAL)	0.0%
Covered payroll (active plan members)	\$116,586,776
UAAL as a percentage of covered payroll	7.7%

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. Examples include assumptions about future employment, disability occurrences, and workmen’s compensation payments. 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 is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the

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actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

Actuarial valuation date	10/1/2007
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level method, closed
Remaining amortization period	30 years
Asset valuation method	na
Actuarial assumptions:	
Investment rate of return	5%
Projected salary increases	4 to 10.5%
Cost of living adjustments	None

GASB 45 allows for implementation during the transition year to set the net OPEB obligation to zero as of the beginning of the year and apply the measurement and recognition requirements on a prospective basis. At the beginning of this fiscal year, the accrued actuarial liability of the Fire Rescue Long Term Disability Plan in the amount of \$8,157,329 had been reported as a long term liability in governmental activities. GASB 45 replaces the reporting of this liability with the reporting of net OPEB obligation resulting in a decrease in direct program expenses of \$8,157,329 for public safety in the transition year.

11. LEASES

Leases Receivable: Enterprise Funds

The County's Department of Airports leases a major portion of its property to other entities. Certain leases provide for minimum rentals plus a specified percentage of the tenants' gross revenues. Contingent rental income under such arrangements amounted to approximately \$5,231,800 in fiscal year 2008. All leases have been classified as operating leases.

Minimum future rentals under these operating leases are as follows:

<u>Year Ended</u> <u>September 30</u>	<u>Department of</u> <u>Airports</u>
2009	\$ 34,342,419
2010	24,757,583
2011	24,686,468
2012	8,634,638
2013	8,281,555
Thereafter	65,178,551
Total	<u>\$ 165,881,214</u>

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A schedule of property held for lease by major classification is as follows:

	September 30, 2008
Buildings	\$ 195,283,279
Less: accumulated depreciation	(104,756,544)
Net Buildings	90,526,735
Land	5,547,813
Total property held for lease	\$ 96,074,548

Lease Obligations

The County has entered into various leases which are classified as operating or capital leases for accounting purposes. Total rent expense for operating leases for the fiscal year ended September 30, 2008 amounted to approximately \$4,610,669 comprised of \$4,225,248 for Governmental funds, \$185,335 for Enterprise Funds, and \$200,086 for Internal Service Funds.

Operating Leases

Future minimum rental payments under non-cancellable operating leases as of September 30, 2008 are as follows:

Fiscal Year	Governmental Funds	Enterprise Funds	Internal Service Funds
2009	\$ 3,915,586	\$ 138,155	\$ 166,981
2010	2,306,522	88,363	76,443
2011	1,486,152	24,948	38,211
2012	310,776	9,208	-
2013	275,835	5,371	-
Thereafter	1,048,242	-	-
Total	\$ 9,343,113	\$ 266,045	\$ 281,635

Capital Leases

Capital leases are those which are determined to have passed substantially all of the risks and benefits of ownership to the lessee. There were no Capital leases in the proprietary fund types. Future minimum lease payments under capital leases as of September 30, 2008 are as follows:

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<u>Fiscal Year</u>	Governmental Funds
2009	\$ 4,584
2010	3,438
Total minimum lease payments	8,022
Less: imputed interest	(570)
Present value of minimum lease payments	\$ 7,452

The following schedule shows the leased assets capitalized as of September 30, 2008, by major asset class:

	Governmental Funds Capital Assets
Equipment	\$ 18,958
Less: accumulated depreciation for entity wide	(13,528)
Carrying value	\$ 5,430

12. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The SWA operated one active landfill site for the year ended September 30, 2008. In addition, the SWA is responsible for two landfill sites closed after 1991 and three landfill sites closed prior to 1991.

State and Federal laws and regulations require the SWA to place a final cover on its operating landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at that and other landfill sites closed after 1991, for 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 landfill stops accepting waste, the SWA reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each statement of net assets date.

Landfill closure and postclosure care liabilities at September 30, 2008 are as follows:

Accrued closure and postclosure care costs	\$ 32,922,413
Accrued postclosure care for closed landfills	6,046,097
Closure costs incurred	(13,721,825)
Total Accrued Landfill Closure Costs	\$ 25,246,685

The \$32,922,413 of accrued closure and postclosure care liabilities at September 30, 2008 represents the cumulative cost based on the use of 33.9 percent of the estimated

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capacity of the operating landfill. The SWA will recognize the remaining estimated cost of closure and postclosure care of approximately \$64.1 million for the operating landfill as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2008. Based on current demographic information and engineering estimates of landfill consumption, the SWA expects to close the landfill in approximately 2024. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The SWA is required by state laws and regulations to make annual contributions to an escrow account to finance all closure costs and one year of postclosure care for landfills closed after 1991. The SWA is in compliance with these requirements, and, at September 30, 2008 assets of \$28,861,040 were held for these purposes. These amounts are reported as noncurrent restricted assets on the statement of net assets. The SWA expects that future inflation costs will be paid from interest earnings on these invested amounts and subsequent annual contributions. However, if interest earnings are inadequate or additional closure or postclosure care requirements are determined (due to changes in technology or applicable laws or regulations) these costs may need to be covered by charges to future users of the solid waste system or from future non-ad valorem assessments.

At September 30, 2008, the statutorily required escrow account balances were as follows:

Site	September 30, 2008
Site 7 closure costs	\$ 25,342,527
Dyer landfill long-term care	332,543
Belle Glade landfill long-term care	20,111
	\$ 25,695,181

State laws and regulations specify that required landfill escrow account balances must be calculated using either the “Pay-in” or the “Balance” method, as they are statutorily defined. During 2006 the SWA changed from the Pay-in method to the Balance method. The SWA will be required to continue using the Balance method through the remaining design life of the Site 7 landfill. Although the SWA is not legally required by state or federal laws and regulations to provide funding for the landfill sites closed prior to 1991, the SWA has accepted financial responsibility for these sites. The annual long-term care funding requirements for these sites were not estimated or accrued at September 30, 2008, however, management does not believe that the annual costs are material to the SWA and these costs will be adequately funded through future, annual operating budgets.

13. REFUNDING OF DEBT

Advance Refunding:

Certain bond issues have been refunded through in-substance defeasance by placing into irrevocable trust funds sufficient monies to meet future principal and interest payments. These funds have been invested in U.S. Government securities and securities backed by the U.S. Government.

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There were no new advance refundings during the current fiscal year. The amount of in-substance defeased bonds outstanding, as of September 30, 2008, consists of the following:

<u>Bond Issues</u>	<u>Amount</u>
Governmental Funds:	
General Obligation Bonds (Recreational & Cultural Fac), 1999A	\$ 15,520,000
General Obligation Bonds (Land Acquisition), 1999B	49,030,000
General Obligation Bonds (Land Acquisition), 2001A	54,630,000
Public Improvement Revenue Bonds (Convention Center Project), 2001	71,765,000
	<u>190,945,000</u>
Proprietary Funds:	
Pollution Control Loan Agreement, 1976	2,275,000
Water & Sewer Refunding Revenue Bonds, 1986	10,685,000
Solid Waste Authority Refunding Revenue Bonds, 1997A	10,695,000
Water & Wastewater Revenue Bonds, 1998	12,115,000
Airport Refunding Revenue Bonds, 2001	9,340,000
Airport Refunding Revenue Bonds, 2002	14,740,000
	<u>59,850,000</u>
 Total Defeased Bonds Outstanding	 <u>\$ 250,795,000</u>

Current year refunding Governmental Funds:

On November 14, 2007, Palm Beach County issued \$2,582,648 Public Improvement Revenue Refunding Bonds (Biomedical Research Park Project), Series 2007A with an effective variable interest rate, at the time of the refunding, of 4.10% and \$5,180,949 Taxable Public Improvement Revenue Refunding Bonds (Biomedical Research Park Project), Series 2007B with an effective variable interest rate, at the time of the refunding, of 5.69% to refund the County's \$6,976,660 Public Improvement Revenue Note (Biomedical Research Park Infrastructure Project), Series 2006A and \$479,766 Taxable Public Improvement Revenue Note (Biomedical Research Park Infrastructure Project), Series 2006B. The net proceeds of \$7,731,743 (after allowing for \$31,854 in issuance costs) were used to pay the principal and interest on the notes.

The reacquisition price was equal to the net carrying amount of the old debt resulting in neither an accounting gain nor loss. The County increased its aggregate debt service payments by approximately \$4,740,020 over a period of twenty years. The present value of the new debt service exceeds the present value of the refunded debt resulting in an economic loss of \$6,198. The interest rate in effect at the time of the refunding was used to compute the aggregate debt service payments and related economic gain for the refunded variable rate debt. The refunding replaced notes payable at maturity which had been issued for interim financing

On December 19, 2007 Palm Beach County issued \$98,080,000 Public Improvement Revenue Bonds (Biomedical Research Park Project), Series 2007C with an effective interest rate of 4.50% and received an issue premium of \$4,734,897 for a construction project and to refund the County's \$16,322,600 Public Improvement Revenue Bond Anticipation Note (Biomedical Research Park Project), Series 2006. The net proceeds of \$17,069,579 (after

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allowing for \$1,420,680 in issuance costs and \$84,324,638 to the construction project) were used to pay the principal and interest on the note.

The reacquisition price was equal to the net carrying amount of the old debt resulting in neither an accounting gain nor loss. The County increased its aggregate debt service payments by approximately \$8,976,414 over a period of twenty years. The present value of the new debt service is equal to the present value of the refunded debt resulting in neither an economic gain nor loss which occurs when the refunded debt maturity nearly coincides with the refunding date. The interest rate in effect at the time of the refunding was used to compute the aggregate debt service payments and related economic gain for the refunded variable rate debt. The refunding replaced notes payable at maturity which had been issued for interim financing

On April 23, 2008, Palm Beach County issued \$29,476,000 Public Improvement Revenue Refunding Bonds (Sunshine State Government Financing Commission Project), Series 2008 with an effective interest rate of 3.60% to refund the County's remaining balances of the \$50,875,000 Sunshine State Pooled Financing Loan #1, Series 1987 and \$20,280,000 Sunshine State Pooled Financing Loan #3, Series 2000 and \$12,000,000 Sunshine State Pooled Financing Loan #5, Series 2004. The net proceeds of \$29,384,195 (after allowing for \$91,805 in issuance costs) plus a County contribution of \$2,495,805 were used to pay the principal on the loans.

The reacquisition price was equal to the net carrying amount of the old debt resulting in neither an accounting gain nor loss. The County decreased its aggregate debt service payments by approximately \$2,993,774 over a period of thirteen years and incurred an economic gain of approximately \$2,288,850 (difference between the present value of the old and new debt service payments). The interest rate in effect at the time of the refunding was used to compute the aggregate debt service payments and related economic gain for the refunded variable rate debt. The purpose of the refunding was to replace the variable rate loans.

Current year refunding Proprietary Funds:

On March 31, 2008, the Water Utilities Department issued \$6,473,000 Water and Sewer Revenue Refunding Bonds, Series 2008. The proceeds derived from the sale of the Series 2008 Bonds were used to pay certain costs related to their issuance and to refund the \$6,345,000 variable rate Series 1985 Water and Sewer Revenue Bonds. This transaction resulted in a \$31,643 accounting loss, which was deferred and will be amortized over the life of the new issue. Due to the variable interest rate on the refunded issue, an accurate economic gain is difficult to determine; however, the Series 2008 Bonds carry a fixed rate of 3.25%, whereas the refunded Series 1985 Bonds were fluctuating between 6% and 9% due to the turmoil in the credit markets.

COMPONENT UNIT:

Westgate/Belvedere Homes Community Redevelopment Agency (CRA) – The Series 1999 Bonds were issued for the purpose of providing the monies required to pay the cost of advance refunding. CRA's Series 1992 Bonds were used to construct and install certain infrastructure improvements in the redevelopment area, make a deposit to the Reserve

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Account, and pay costs relating to the issuance of Series 1992 Bonds. The proceeds of the refunding issues have been placed in irrevocable escrow accounts and invested in U.S. Treasury obligations that, together with interest earned thereon, will provide amounts sufficient for future payments of interest and principal on the bond issues being refunded. Refunded bonds are not included in CRA's outstanding debt since CRA has legally satisfied its obligations through the refunding transactions. Defeased bonds outstanding at September 30, 2008 are \$1,905,000.

14. RECLASSIFICATIONS

Effective October 1, 2007 the County reclassified several Revenue Bonds Debt Service funds to Other Financing Debt Service funds. As a result, beginning fund balance in Revenue Bonds Debt Service funds decreased by \$18,480 and beginning fund balance of Other Financing Debt Service funds increased by \$18,480.

15. INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund balances at September 30, 2008, are expected to be repaid within one year. Interfund receivable and payable balances at September 30, 2008 were as follows:

Interfund Receivable Fund	Interfund Payable Fund	Amount
Governmental Funds:		
Major Governmental Funds		
General Fund	Law Enforcement Grants Special Revenue Fund	\$ 2,415,444
	County Transportation Trust Special Revenue Fund	64,999
	Community & Social Development Special Revenue Fund	6,080,308
	Other Special Revenue Funds	20,876,246
	Sheriff Special Revenue Fund	7,724,197
	Clerk & Comptroller Special Revenue Fund	525,634
	Tax Collector Special Revenue Fund	36,043,403
	Property Appraiser Special Revenue Fund	1,954,206
	Supervisor of Elections Special Revenue Fund	1,520,817
	Airports	3,855
	Solid Waste Authority	13,743
	Graphics	246,636
		<u>\$ 77,469,488</u>
Fire Rescue Special Revenue Fund	Community & Social Development Special Revenue Fund	\$ 61,864
	Other Special Revenue Funds	616,668
	Sheriff Special Revenue Fund	6,274
	Tax Collector Special Revenue Fund	2,561,000
	Property Appraiser Special Revenue Fund	152,964
	Solid Waste Authority	2,500
		<u>\$ 3,401,270</u>
Sheriff Special Revenue Fund	General Fund	\$ 621
	Criminal Justice Capital Projects	562,614
		<u>\$ 563,235</u>
General Government Capital Projects	Palm Tran Special Revenue Fund	\$ 239,918
	Other Special Revenue Funds	350
	Sheriff Special Revenue Fund	178,090
	Supervisor of Elections Special Revenue Fund	175,526
		<u>\$ 593,884</u>
Nonmajor Governmental Funds		
Nonmajor Special Revenue Funds		

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Law Enforcement Grants Special Revenue Fund	General Fund	\$ 34,428
	Other Special Revenue Funds	114,373
	Sheriff Special Revenue Fund	3,871,351
		<u>\$ 4,020,152</u>
Library Taxing District Special Revenue Fund	Tax Collector Special Revenue Fund	\$ 648,431
	Property Appraiser Special Revenue Fund	39,872
	Libraries Capital Projects	88,161
		<u>\$ 776,464</u>
Community & Social Development Special Revenue Fund	General Fund	\$ 9,156,878
	Affordable Housing (SHIP) Trust Fund Special Revenue Fund	30,602
		<u>\$ 9,187,480</u>
Palm Tran Special Revenue Fund	General Fund	\$ 1,168
		<u>\$ 1,168</u>
Other Special Revenue Funds	General Fund	\$ 157,584
	Law Enforcement Grants Special Revenue Fund	6,867
	Sheriff Special Revenue Fund	5,160
	Clerk & Comptroller Special Revenue Fund	133,236
		<u>\$ 302,847</u>
Clerk & Comptroller Special Revenue Fund	General Fund	\$ 975,528
	Municipal Service Taxing District Special Revenue Fund	83
	Library Taxing District Special Revenue Fund	2,574
	Affordable Housing (SHIP) Trust Fund Special Revenue Fund	707
	Other Special Revenue Funds	156
	General Government Capital Projects	14
	Road Program Capital Projects	2,085
	Airports	138,475
	Water Utilities	8,603
	Clerk & Comptroller Insurance Fund	42,730
		<u>\$ 1,170,955</u>
Nonmajor Capital Projects Funds		
Environmental Lands Capital Projects	Tourist Development Special Revenue Fund	\$ 275
		<u>\$ 275</u>
Street & Drainage Capital Projects	Tax Collector Special Revenue Fund	\$ 4,294
		<u>\$ 4,294</u>
Total Nonmajor Governmental Funds		<u>\$ 15,463,635</u>
Proprietary Funds:		
Enterprise Funds		
Airports	General Fund	\$ 247,632
	Supervisor of Elections Special Revenue Fund	8,515
		<u>\$ 256,147</u>
Water Utilities	General Fund	\$ 18,972
	County Transportation Trust Special Revenue Fund	250
	Library Taxing District Special Revenue Fund	1,794
	Community & Social Development Special Revenue Fund	1,190
	Fire Rescue Special Revenue Fund	2,633
	Other Special Revenue Funds	719
	Tax Collector Special Revenue Fund	8,995

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	Airports	62
		<u>\$ 34,615</u>
Solid Waste Authority	General Fund	\$ 57
	Palm Tran Special Revenue Fund	16
	Other Special Revenue Funds	1,165
	Tax Collector Special Revenue Fund	1,604,850
		<u>\$ 1,606,088</u>
Internal Service Funds		
Fleet Management	General Fund	\$ 873,888
	County Transportation Trust Special Revenue Fund	690,297
	Municipal Service Taxing District Special Revenue Fund	71,721
	Library Taxing District Special Revenue Fund	13,673
	Community & Social Development Special Revenue Fund	64,329
	Affordable Housing (SHIP) Trust Fund Special Revenue Fund	8,681
	Fire Rescue Special Revenue Fund	142,607
	Palm Tran Special Revenue Fund	2,634
	Other Special Revenue Funds	47,017
	Sheriff Special Revenue Fund	667,110
	Clerk & Comptroller Special Revenue Fund	3,859
	Tax Collector Special Revenue Fund	10,897
	Property Appraiser Special Revenue Fund	1,461
	Supervisor of Elections Special Revenue Fund	8,695
	Road Program Capital Projects	22,363
	Airports	69,396
	Water Utilities	307,117
	Solid Waste Authority	714
	Graphics	686
	Combined Insurance Fund	445
	ISS	6,393
		<u>\$ 3,013,983</u>
Graphics	Clerk & Comptroller Special Revenue Fund	\$ 533
	Tax Collector Special Revenue Fund	64
		<u>\$ 597</u>
Combined Insurance Fund	General Fund	\$ 932,642
	Tourist Development Special Revenue Fund	2,175
	County Transportation Trust Special Revenue Fund	154,740
	Municipal Service Taxing District Special Revenue Fund	69,763
	Library Taxing District Special Revenue Fund	149,361
	Community & Social Development Special Revenue Fund	183,481
	Affordable Housing (SHIP) Trust Fund Special Revenue Fund	6,033
	Hurricane Housing Recovery Plan Fund Special Revenue Fund	863
	Fire Rescue Special Revenue Fund	25,792
	Palm Tran Special Revenue Fund	261,866
	Other Special Revenue Funds	24,019
	General Government Capital Projects	1,297
	Road Program Capital Projects	22,746
	Airports	70,737
	Water Utilities	226,865
	Fleet Management	34,396
	Graphics	3,689
	ISS	93,110
		<u>\$ 2,263,575</u>
ISS	Clerk & Comptroller Special Revenue Fund	\$ 408,036
	Tax Collector Special Revenue Fund	474,061

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	Property Appraiser Special Revenue Fund	93,340
		\$ 975,437
Clerk & Comptroller Insurance Fund	Clerk & Comptroller Special Revenue Fund	\$ 479,314
		\$ 479,314
Total Internal Service Funds		\$ 6,732,906
Total Interfund Receivables and Payables Primary Government		\$ 106,121,268
Receivables and Payables Between Primary Government and Component Units:		
Interfund Receivable Primary Government Fund	Interfund Payable Component Unit Fund	Amount
Combined Insurance Fund	Metropolitan Planning Organization	\$ 3,706
		\$ 3,706
Interfund Receivable Component Unit Fund	Interfund Payable Primary Government Fund	Amount
Metropolitan Planning Organization	General Fund	\$ 266,086
		\$ 266,086
Total Receivables and Payables Between Primary Government and Component Units		\$ 269,792

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

16. SHORT-TERM DEBT

Changes in Short-Term Liabilities - The following is a summary of changes in the short-term liabilities for the year ended September 30, 2008 for governmental activities:

Governmental activities:	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
\$20M BAN Jail Facilities, Series 2007	\$ 20,043,500	\$ -	\$ 20,043,500	\$ -

On August 28, 2008, the \$20,043,500 Public Improvement Revenue Bond Anticipation Note, Series 2007 (Public Facilities Development Program) was retired by the issuance of \$176,585,000 Public Improvement Revenue Bonds, Series 2008. For more information on these bonds, see the Long-Term Debt Note.

PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
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17. LONG-TERM DEBT

Changes in Long-Term Liabilities - The following is a summary of changes in long-term liabilities for the year ended September 30, 2008 for both governmental activities and business-type activities:

Governmental activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
General obligation bonds	\$ 313,515,000	\$ -	\$ 23,105,000	\$ 290,410,000	\$ 20,260,000
Non-ad valorem revenue bonds	573,909,600	346,979,597	38,885,195	882,004,002	52,187,385
Face amount of bonds payable	887,424,600	346,979,597	61,990,195	1,172,414,002	72,447,385
Unamortized bond premiums	27,971,495	6,243,423	1,934,957	32,279,961	-
Unamortized loss on bond refinancing	(13,129,663)	-	(827,588)	(12,302,075)	-
Net bonds payable	902,266,432	353,223,020	63,097,564	1,192,391,888	72,447,385
Notes and loans payable	129,056,513	11,697,676	65,259,984	75,494,205	2,940,709
Arbitrage liability	4,406,172	2,871,896	2,601,322	4,676,746	632,185
Compensated absences	100,221,146	49,011,356	38,910,977	110,321,525	7,237,462
OPEB	-	11,524,769	-	11,524,769	-
Capital leases	11,294	-	3,842	7,452	4,139
Insurance Claims Payable	90,613,900	82,104,926	87,350,592	85,368,234	26,570,138
Fire Rescue LT liability	8,157,329	-	8,157,329	-	-
Governmental activity long-term liabilities	\$ 1,234,732,786	\$ 510,433,643	\$ 265,381,610	\$ 1,479,784,819	\$ 109,832,018

Long-term liabilities other than debt (bonds, loans and leases) are liquidated by the governmental fund incurring the expense. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end \$311,637 of internal service funds loans payable are included in the above amounts.

Business-type activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Revenue bonds	\$ 591,244,818	\$ 6,473,000	\$ 57,185,000	\$ 540,532,818	\$ 53,815,000
Unamortized bond premiums	11,695,720	437	2,176,248	9,519,909	-
Unamortized loss on bond refinancing	(11,734,905)	3,463,340	(383,059)	(7,888,506)	-
Net bonds payable	591,205,633	9,936,777	58,978,189	542,164,221	53,815,000
Notes and loans payable	250,000	80,000,000	250,000	80,000,000	4,000,000
Accrued interest on notes and capital appreciation bonds	29,897,499	5,186,027	-	35,083,526	-
Accrued landfill costs	23,379,064	1,878,951	11,330	25,246,685	350,000
Compensated absences	7,607,211	1,139,104	474,538	8,271,777	747,912
OPEB	-	123,876	54,291	69,585	-
Business-type activities long-term liabilities	\$ 652,339,407	\$ 98,264,735	\$ 59,768,348	\$ 690,835,794	\$ 58,912,912

PALM BEACH COUNTY, FLORIDA
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Governmental Activities General Long-Term Debt

General long-term debt, including current maturities, at September 30, 2008 consisted of the following:

General Obligation Bonds

\$57,440,000 General Obligation Refunding Bonds, Series 1994B were issued to pay the cost of refunding all or a portion of the County's General Obligation Bonds, Series 1970, Series 1978, Series 1988 and Series 1991. The annual installments range from \$3,700,000 to \$4,135,000 through July 1, 2011; with interest rates from 4.800% to 6.750% payable semi-annually on January 1 and July 1 of each year. The bonds are general obligations of the County and are payable from ad valorem revenues. \$ 11,715,000

\$45,625,000 General Obligation Refunding Bonds, Series 1998 were issued to pay the cost of refunding a portion of the County's General Obligation Bonds, Series 1994 and Series 1991. The annual installments range from \$3,000,000 to \$4,030,000 through December 1, 2014; with interest rates from 4.250% to 5.500% payable semi-annually on June 1 and December 1 of each year. The bonds are general obligations of the County and are payable from ad valorem revenues. \$ 24,315,000

\$25,000,000 General Obligation Bonds (Recreational and Cultural Facilities Program), Series 1999A were issued to pay the cost of acquisition, construction and other capital improvements to certain recreational and cultural facilities within the County. The remaining annual installment is \$1,135,000 due August 1, 2009; with an interest rate of 6.000% payable semi-annually on February 1 and August 1. The bonds are general obligations of the County and are payable from ad valorem revenues. The County advance refunded \$15,520,000 of this issue on May 11, 2005. \$ 1,135,000

\$30,500,000 General Obligation Bonds (Library District Improvement Project), Series 2003 were issued to pay the cost of the land acquisition, design, engineering and constructing of new library facilities and the renovation and rehabilitation of existing library facilities within the County. The annual installments range from \$1,195,000 to \$2,205,000 through July 1, 2023; with interest rates from 2.875% to 5.250% payable semi-annually on January 1 and July 1 of each year. The bonds are general obligations of the County and are payable from ad valorem revenues. \$ 24,380,000

PALM BEACH COUNTY, FLORIDA
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\$25,000,000 General Obligation Bonds (Recreational and Cultural Facilities), Series 2003 were issued to pay the costs of acquiring, constructing, and improving certain recreational and cultural facilities located within the County including cultural facilities owned by non-profit corporations with 501(c)(3) status under the Internal Revenue Code, 1986. The annual installments range from \$1,035,000 to \$1,780,000 through July 1, 2023; with interest rates from 2.500% to 5.000% payable semi-annually on January 1 and July 1 of each year. The bonds are general obligations of the County and are payable from ad valorem revenues. \$ 20,205,000

\$16,025,000 General Obligation Refunding Bonds (Recreational and Cultural Facilities Program), Series 2005A were issued for paying and defeasing the County's outstanding General Obligation Bonds (Recreational and Cultural Facilities Program), Series 1999A maturing on and after August 1, 2010. The annual installments range from \$55,000 to \$1,920,000 through August 1, 2019; with interest rates from 2.900% to 5.000% payable semi-annually on February 1 and August 1 of each year. The bonds are general obligations of the County and are payable from ad valorem revenues. \$ 15,860,000

\$25,000,000 General Obligation Bonds (Recreational and Cultural Facilities), Series 2005 were issued for financing certain recreational and cultural facilities within the County. The annual installments range from \$945,000 to \$1,860,000 through July 1, 2025; with interest rates from 2.900% to 5.000% payable semi-annually on January 1 and July 1 of each year. The bonds are general obligations of the County and are payable from ad valorem revenues. \$ 22,400,000

\$22,335,000 General Obligation Bonds (Library District Improvements), Series 2006 were issued for financing additional library facilities and renovation of existing facilities within the County. The annual installments range from \$875,000 to \$1,665,000 through August 1, 2025; with interest rates from 3.300% to 5.000% payable semi-annually on February 1 and August 1 of each year. The bonds are general obligations of the County and are payable from ad valorem revenues. \$ 20,675,000

\$50,000,000 General Obligation Bonds (Waterfront Access Projects), Series 2006 were issued for financing the purchase of waterfront access within the County. The annual installments range from \$1,850,000 to \$3,570,000 through August 1, 2026; with interest rates from 3.400% to 5.000% payable semi-annually on February 1 and August 1 of each year. The bonds are general obligations of the County and are payable from ad valorem revenues. \$ 46,480,000

PALM BEACH COUNTY, FLORIDA
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SEPTEMBER 30, 2008

\$115,825,000 Taxable General Obligation Refunding Bonds, Series 2006 were issued for paying and defeasing the County's outstanding General Obligation Bonds (Land Acquisition Program), Series 1999B and paying and defeasing the County's outstanding General Obligation Bonds (Land Acquisition Program), Series 2001A. The annual installments range from \$6,470,000 to \$11,355,000 through June 1, 2020; with interest rates from 5.638% to 5.938% payable semi-annually on June 1 and December 1 of each year. The bonds are general obligations of the County and are payable from ad valorem revenues.

\$ 103,245,000

Total General Obligation Bonds

\$ 290,410,000

Non-Ad Valorem Revenue Bonds

\$233,620,000 Criminal Justice Facilities Revenue Bonds, Series 1990 were issued to pay the cost of the construction of improvements, extensions and additions to the County's jails, courthouses and related justice facilities. The annual installments range from \$18,300,000 to \$19,615,000 from June 1, 2014 through June 1, 2015; with an interest rate of 7.200% payable semi-annually on June 1 and December 1 of each year. The bonds are not general obligations of the County and are payable from non-ad valorem revenues. The County advance refunded \$120,770,000 of this issue on June 29, 1993 and \$33,550,000 on August 21, 1997. Payment of principal and interest on the bonds is guaranteed under a noncancellable insurance policy.

\$ 37,915,000

\$22,245,000 Administrative Complex Revenue Refunding Bonds, Series 1993 were issued to refund the Palm Beach County Public Building Corporation, Inc. Revenue Refunding Bonds, Series 1986. The annual installments range from \$1,630,000 to \$1,865,000 through June 1, 2011; with an interest rate of 5.250% payable semi-annually on June 1 and December 1 of each year. The bonds are not general obligations of the County and are payable from non-ad valorem revenues. Payment of principal and interest on the bonds is guaranteed under a noncancellable insurance policy.

\$ 5,210,000

\$117,485,000 Criminal Justice Facilities Revenue Refunding Bonds, Series 1993 were issued to pay the cost of advance refunding a portion of the Criminal Justice Facilities Revenue Bonds, Series 1990. The annual installments range from \$12,035,000 to \$13,365,000 through June 1, 2011; with an interest rate of 5.375% payable semi-annually on June 1 and December 1 of each year. The bonds are not general obligations of the County and are payable from non-ad valorem revenues. Payment of principal and interest on the bonds is guaranteed under a noncancellable insurance policy.

\$ 38,085,000

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\$32,775,000 Criminal Justice Facilities Revenue Refunding Bonds, Series 1997 were issued to pay the cost of advance refunding a portion of the County's outstanding Criminal Justice Facilities Revenue Bonds, Series 1990. The annual installments range from \$15,870,000 to \$16,785,000 from June 1, 2012 through June 1, 2013; with an interest rate of 5.750% payable semi-annually on June 1 and December 1 of each year. The bonds are not general obligations of the County and are payable from non-ad valorem revenues. Payment of principal and interest on the bonds is guaranteed under a noncancellable insurance policy.

\$ 32,655,000

\$18,560,000 Criminal Justice Facilities Revenue Refunding Bonds, Series 2002 were issued to pay the cost of advance refunding a portion of the County's outstanding Criminal Justice Facilities Revenue Bonds, Series 1994. The annual installments range from \$1,545,000 to \$2,015,000 through June 1, 2015; with interest rates from 3.625% to 5.000% payable semi-annually on June 1 and December 1 of each year. The bonds are not general obligations of the County and are payable from non-ad valorem revenues.

\$ 12,315,000

\$6,525,000 Public Improvement Recreation Facilities Revenue Refunding Bonds, Series 2003 were issued to pay the cost of refunding all of the County's outstanding Public Improvement Recreation Facilities Revenue Bonds, Series 1994. The annual installments range from \$575,000 to \$685,000 through July 1, 2014; with interest rates from 3.250% to 4.000% payable semi-annually on January 1 and July 1 of each year. The bonds are not general obligations of the County and are payable from non-ad valorem revenues.

\$ 3,765,000

\$94,300,000 Public Improvement Revenue and Refunding Bonds, Series 2004 were issued to pay the cost of refunding the County's Revenue Refunding Bond Anticipation Note (Light Industrial Complex Project), Series 2002, refunding the County's Airport Centre Revenue Bonds, Series 1992 and paying the costs of acquiring, constructing, and renovating certain capital facilities. The annual installments range from \$4,350,000 to \$6,690,000 through August 1, 2023; with interest rates from 2.250% to 5.000% payable semi-annually on February 1 and August 1 of each year. The bonds are not general obligations of the County and are payable from non-ad valorem revenues.

\$ 77,745,000

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\$81,340,000 Public Improvement Revenue Refunding Bonds (Convention Center Project), Series 2004 were issued to finance the costs of advance refunding the County's Public Improvement Revenue Bonds, Series 2001 (Convention Center Bonds). The annual installments range from \$1,585,000 to \$5,240,000 through November 1, 2030; with interest rates from 2.500% to 5.000% payable semi-annually on May 1 and November 1 of each year. The bonds are not general obligations of the County and are payable from non-ad valorem revenues. Payment of principal and interest on the bonds is guaranteed under a noncancellable insurance policy.

\$ 79,335,000

\$38,895,000 Public Improvement Revenue Bonds (Biomedical Research Park Project), Series 2004A were issued to pay the outstanding principal and interest on the County's Public Improvement Revenue Bond Anticipation Notes (Biomedical Research Park Project), Series 2004B. The annual installments range from \$1,540,000 to \$2,715,000 through November 1, 2024; with interest rates from 2.375% to 4.375% payable semi-annually on May 1 and November 1 of each year. The bonds are not general obligations of the County and are payable from non-ad valorem revenues. Payment of principal and interest on the bonds is guaranteed under a noncancellable insurance policy.

\$ 34,465,000

\$24,427,515 Taxable Public Improvement Revenue Bonds (Biomedical Research Park Project), Series 2004B were issued to pay the outstanding principal and interest on the County's Taxable Public Improvement Revenue Bond Anticipation Notes (Biomedical Research Park Project), Series 2004C. The annual installments range from \$2,442,751 to \$2,442,752 through November 1, 2014; with a variable rate of interest in effect of 3.803% which is calculated on a daily basis payable semi-annually on May 1 and November 1 of each year. The bonds are not general obligations of the County and are payable from non-ad valorem revenues.

\$ 17,099,259

\$17,455,000 Parks and Recreation Facilities Revenue Refunding Bonds, Series 2005 were issued to pay the cost of refunding the County's Parks and Recreation Facilities Revenue Bonds, Series 1996 maturing on and after November 1, 2007. The annual installments range from \$1,470,000 to \$2,000,000 through November 1, 2016; with interest rates from 3.000% to 5.000% payable semi-annually on May 1 and November 1 of each year. The bonds are not general obligations of the County and are payable from non-ad valorem revenues.

\$ 15,430,000

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\$13,485,000 Revenue Refunding Bonds (North County Courthouse and Sheriff's Motor Pool Facility Projects), Series 2005 were issued to pay the cost of defeasing a portion of the County's outstanding Revenue Improvement Bonds, Series 1997 (North County Courthouse and Sheriff's Motor Pool Facilities Projects). The annual installments range from \$1,120,000 to \$1,605,000 through December 1, 2017; with interest rates from 3.000% to 5.000% payable semi-annually on June 1 and December 1 of each year. The bonds are not general obligations of the County and are payable from non-ad valorem revenues. \$ 13,360,000

\$9,520,000 Public Improvement Revenue Refunding Bonds, Judicial Center Parking Facilities, Series 2005 were issued to pay the cost of refunding the County's Public Improvement Revenue Bonds, Judicial Parking Facilities, Series 1995 maturing on and after November 1, 2006. The annual installments range from \$870,000 to \$1,120,000 through November 1, 2015; with interest rates from 3.000% to 5.000% payable semi-annually on May 1 and November 1 of each year. The bonds are not general obligations of the County and are payable from non-ad valorem revenues. \$ 7,855,000

\$133,935,000 Public Improvement Revenue Bonds (Biomedical Research Park Project), Series 2005A were issued to pay the cost of funding a grant to The Scripps Research Institute to enable Scripps to pay a portion of the cost of acquiring, constructing, improving and equipping the "Permanent Facilities" and paying the outstanding principal and interest due on the County's \$20,000,000 Public Improvement Revenue Bond Anticipation Notes, Series 2004. The annual installments range from \$4,760,000 to \$10,190,000 through June 1, 2025; with interest rates from 3.000% to 5.000% payable semi-annually on June 1 and December 1 of each year. The bonds are not general obligations of the County and are payable from non-ad valorem revenues. Payment of principal and interest on the bonds is guaranteed under a noncancellable insurance policy. \$ 120,725,000

\$20,070,000 Stadium Facilities Revenue Refunding Bonds, Series 2005 were issued to pay the cost of refunding all of the County's outstanding Stadium Facilities Revenue Bonds, Series 1996. The annual installments range from \$1,485,000 to \$2,090,000 through December 1, 2016; with interest rates of 3.000% to 5.000% payable semi-annually on June 1 and December 1 of each year. The bonds are not general obligations of the County and are payable from non-ad valorem revenues. \$ 15,905,000

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\$13,028,760 Public Improvement Revenue Bonds (Florida Atlantic University Laboratory and Research Facility Project), Series 2005 were issued to pay the cost of the design, development and construction of a laboratory and research facility on the Jupiter, Florida Campus of Florida Atlantic University. The annual installments range from \$1,349,341 to \$1,641,680 through January 1, 2014; with a variable rate of interest in effect of 2.284% which is calculated on a daily basis payable semi-annually on January 1 and July 1 of each year. The bonds are not general obligations of the County and are payable from non-ad valorem revenues. \$ 8,950,146

\$14,685,000 Public Improvement Revenue Bonds (Parking Facilities Expansion Project), Series 2006 were issued to pay the costs of construction related to the expansion of the Judicial Center Parking Garage. The annual installments range from \$500,000 to \$1,085,000 through December 1, 2026; with interest rates of 4.000% to 5.000% payable semi-annually on June 1 and December 1 of each year. The bonds are not general obligations of the County and are payable from non-ad valorem revenues. \$ 14,210,000

\$2,582,648 Public Improvement Revenue Refunding Bond (Biomedical Research Park Project), Series 2007A was issued to pay the County's outstanding Public Improvement Revenue Note (Biomedical Research Park Infrastructure Project), Series 2006A and Taxable Public Improvement Revenue Note (Biomedical Research Park Infrastructure Project), Series 2006B. The annual installments range from \$89,989 to \$182,616 through November 1, 2027; with a variable interest rate at September 30, 2008 of 4.010% payable semi-annually on May 1 and November 1 of each year. The bonds are not general obligations of the County and are payable from non-ad valorem revenues. \$ 2,582,648

\$5,180,949 Taxable Public Improvement Revenue Refunding Bond (Biomedical Research Park Project), Series 2007B was issued to pay the County's outstanding Public Improvement Revenue Note (Biomedical Research Park Infrastructure Project), Series 2006A and Taxable Public Improvement Revenue Note (Biomedical Research Park Infrastructure Project), Series 2006B. The annual installments range from \$155,551 to \$411,965 through November 1, 2027; with a variable interest rate at September 30, 2008 of 5.560% payable semi-annually on May 1 and November 1 of each year. The bonds are not general obligations of the County and are payable from non-ad valorem revenues. \$ 5,180,949

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\$98,080,000 Public Improvement Revenue Bonds (Biomedical Research Park Project), Series 2007C were issued to redeem the County's Public Improvement Revenue Bond Anticipation Notes (Biomedical Research Park Project), Series 2006, to fund a grant to the Scripps Research Institute to enable Scripps to pay a portion of the cost of their permanent facilities, and to pay for the preparation of the Briger Site for development. The annual installments range from \$3,065,000 to \$7,490,000 through November 1, 2027; with interest rates from 4.000% to 5.000% payable semi-annually on May 1 and November 1 of each year. The bonds are not general obligations of the County and are payable from non-ad valorem revenues. \$ 98,080,000

\$35,075,000 Public Improvement Revenue Bonds (Law Enforcement Information Technology Project), Series 2008 were issued to pay the cost of law enforcement technology equipment and software. The annual installments range from \$5,410,965 to \$6,298,675 through February 1, 2014; with an interest rate of 3.038% payable semi-annually on February 1 and August 1 of each year. The bonds are not general obligations of the County and are payable from non-ad valorem revenues. \$ 35,075,000

\$29,476,000 Public Improvement Revenue Refunding Bonds, Series 2008A were issued to refund three variable rate loans with the Sunshine State Governmental Financing Commission. The annual installments range from \$1,093,000 to \$4,142,000 through December 1, 2020; with an interest rate of 3.497% payable semi-annually on June 1 and December 1 of each year. The bonds are not general obligations of the County and are payable from non-ad valorem revenues. \$ 29,476,000

\$176,585,000 Public Improvement Revenue Bonds, Series 2008 were issued to pay for additional criminal justice (law enforcement) facilities. The annual installments range from \$2,055,000 to \$10,730,000 through May 1, 2038; with interest rates from 3.500% to 5.000% payable semi-annually on May 1 and November 1 of each year. The bonds are not general obligations of the County and are payable from non-ad valorem revenues. \$ 176,585,000

Total Non-Ad Valorem Revenue Bonds \$ 882,004,002

Face Amount of Bonds Payable	\$1,172,414,002
Unamortized bond premiums	\$ 32,279,961
Unamortized loss on bond refinancing	<u>\$ (12,302,075)</u>
Net General Obligation and Non-Ad Valorem Revenue Bonds	<u>\$1,192,391,888</u>

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Notes and Loans Payable

The Sunshine State Governmental Financing Commission (the "Commission") was created in November 1985. As a joint venture among the member governmental units, the Commission enables a limited number of qualifying governments to participate in pooled debt financing with pricing and cost structures not normally available to governmental entities acting individually. Loan obligations from the Commission are reflected as debt by the participating governmental units. Palm Beach County has no obligation and minimal event risk associated with the Commission other than the repayment of its loan from the Commission. Financial Statements may be obtained from the Commission.

\$27,000,000 - In 2006, Palm Beach County executed a loan agreement with the Sunshine State Governmental Financing Commission, due in annual installments ranging from \$940,000 to \$1,986,000 through November 1, 2025; with a variable interest rate in effect of 1.640% per annum payable monthly on the 15th of each month. This rate is determined based upon the County's Pro Rata share of interest paid on the bonds issued by the Sunshine State Governmental Financing Commission to fund the financing program for the immediately preceding loan payment period. The loan is not a general obligation of the County and is payable from non-ad valorem revenues.

\$ 25,240,000

\$6,125,000 - In 2006, Palm Beach County executed a loan agreement with the Sunshine State Governmental Financing Commission, due in annual installments ranging from \$306,000 to \$307,000 through April 1, 2026; with a variable interest rate in effect of 1.640% per annum payable monthly on the 15th of each month. This rate is determined based upon the County's Pro Rata share of interest paid on the bonds issued by the Sunshine State Governmental Financing Commission to fund the financing program for the immediately preceding loan payment period. The loan is not a general obligation of the County and is payable from non-ad valorem revenues.

\$ 5,513,000

\$7,500,000 - In 2006, Palm Beach County executed a loan agreement with the Sunshine State Governmental Financing Commission, due in annual installments ranging from \$257,000 to \$594,000 through November 1, 2025; with a variable interest rate in effect of 1.640% per annum payable monthly on the 15th of each month. This rate is determined based upon the County's Pro Rata share of interest paid on the bonds issued by the Sunshine State Governmental Financing Commission to fund the financing program for the immediately preceding loan payment period. The loan is not a general obligation of the County and is payable from non-ad valorem revenues.

\$ 7,256,000

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\$8,160,000 - In 2006, Palm Beach County executed a loan agreement with the Sunshine State Governmental Financing Commission, due in annual installments ranging from \$397,000 to \$749,000 through November 1, 2021; with a variable interest rate in effect of 1.640% per annum payable monthly on the 15th of each month. This rate is determined based upon the County's Pro Rata share of interest paid on the bonds issued by the Sunshine State Governmental Financing Commission to fund the financing program for the immediately preceding loan payment period. The loan is not a general obligation of the County and is payable from non-ad valorem revenues. \$ 7,782,000

\$4,838,000 - In 2007, Palm Beach County executed a loan agreement with the Sunshine State Governmental Financing Commission, due in annual installments ranging from \$163,000 to \$373,000 through November 1, 2026; with a variable interest rate in effect of 1.640% per annum payable monthly on the 15th of each month. This rate is determined based upon the County's Pro Rata share of interest paid on the bonds issued by the Sunshine State Governmental Financing Commission to fund the financing program for the immediately preceding loan payment period. The loan is not a general obligation of the County and is payable from non-ad valorem revenues. \$ 4,838,000

\$1,660,000 - HUD Section 108 Loan #1, 2004, payable to the Secretary of Housing and Urban Development due in annual installments ranging from \$87,000 to \$94,000 through August 1, 2023; with interest rates of 4.320% to 5.970% payable semi-annually on February 1 and August 1 of each year. The loan is not a general obligation of the County and is payable from non-ad valorem revenues. \$ 1,312,000

\$11,543,892 Taxable Public Improvement Revenue Bond Anticipation Note (Convention Center Hotel Project) Series 2007 was issued to pay the cost of acquiring the convention center hotel site and initial design expenses. Interest is payable semiannually on May 1 and November 1 with the entire principal due on May 1, 2010; at a variable rate of interest in effect of 2.624% which is calculated on a daily basis. The note is not a general obligation of the County and is payable from non-ad valorem revenues. \$ 11,543,892

\$11,697,676 Public Improvement Revenue Note (Environmentally Sensitive Land Acquisition Project) Series 2008 was issued to pay the cost of the acquisition of environmentally sensitive land in Palm Beach County. The annual installments are \$584,884 through August 1, 2028; with a variable rate of interest in effect of 2.585% payable semiannually on February 1 and August 1 of each year. The note is not a general obligation of the County and is payable from non-ad valorem revenues. \$ 11,697,676

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\$ 606,412 - IBM Mainframe IPA Systems Equipment Loan, 2007. The Information Systems Services Department agreed to an installment purchase agreement with IBM for data processing software systems equipment with maintenance and services. The terms of the installment purchase are quarterly principal and interest payments at a rate of 3.746% for the Equipment, 3.553% for the Software and 5.110% for Services through January 1, 2010. The installment purchase is not a general obligation of the County and is payable from non-ad valorem revenues. \$ 311,637

On May 22, 2008, the County entered into a \$38,776,332 line of credit agreement with a financial institution to support the issuance of letters of credit to satisfy the debt service reserve funding requirements for seven of the County's outstanding bond issues. Principal borrowed on the line of credit is due at maturity on May 21, 2009. Interest on the principal balance accrues at a rate equivalent to the BBA LIBOR rate plus 1.500% and is paid quarterly. The County does not anticipate that any draws on the letters of credit will occur. The County will use non-ad valorem revenues to fund the letter of credit fees. The County had no outstanding balance on the loan payable as of September 30, 2008. \$ 0

On August 15, 2008, the County entered into a \$22,568,948 line of credit agreement with a financial institution to support the issuance of standby letters of credit to satisfy the debt service reserve funding requirements for four of the County's outstanding bond issues. Principal borrowed on the line of credit is due at maturity on August 15, 2009. Interest on the principal balance accrues at a rate per year equal to the sum of (i) the Prime Rate plus (ii) for the first 30 days such amount is outstanding, 0%; for the 31st through 60th day such amount is outstanding, 0.5%; for the 61st through 90th day such amount is outstanding, 1.0%; and after the 90th day, 2.0%. The County does not anticipate that any draws on the letters of credit will occur. The County will use non-ad valorem revenues to fund the letter of credit fees. The County had no outstanding balance on the loan payable as of September 30, 2008. \$ 0

Total Notes and Other Loans Payable \$ 75,494,205

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Arbitrage Liability

Certain County debt obligations are subject to Section 148 of the Internal Revenue Code which requires that interest earned on proceeds from tax-exempt debt be rebated to the federal government to the extent that those earnings exceed the interest cost of the related tax-exempt debt. The arbitrage rebate must be calculated and paid to the federal government every five years from the date of issue until the debt matures. The County employs a consultant to make computations on an annual basis. However, since the rebate is cumulative (excess earnings in one year can be offset with deficit earnings in another year), the annually computed estimate may change significantly (increase or decrease) before the actual due date.

\$ 4,676,746

Compensated absences

Compensated absences are liquidated by the governmental fund incurring the expense.

County Funds:

General Fund	\$ 15,678,621
Special Revenue Funds	22,720,680
Capital Projects Fund	772,770

Constitutional Officers:

Sheriff	62,017,657
Clerk & Comptroller	5,732,292
Tax Collector	805,906
Property Appraiser	2,313,146
Supervisor of Elections	280,453

\$ 110,321,525

OPEB

11,524,769

Capital leases

7,452

Insurance claims payable

85,368,234

Total Governmental Activities General Long-Term Debt including current portion

\$1,479,784,819

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Business-type Activities Long-Term Debt

Business-type long-term debt, including current portion, at September 30, 2008 consisted of the following:

Revenue Bonds

\$30,000,000 Water and Wastewater Revenue Bonds, Series 1998 were issued to pay a portion of the costs of constructing certain additions and improvements to the County's water and wastewater facilities. The annual installments range from \$1,510,000 to \$1,715,000 through October 1, 2011; with interest rates from 4.200% to 4.500% payable semi-annually on April 1 and October 1 of each year. The bonds are not general obligations of the County and are secured by a first lien on and pledge of the net revenues of the County's Water and Wastewater System and a first lien on and pledge of the connection charges of the system. Payment of principal and interest on the bonds is guaranteed under a noncancellable insurance policy. \$ 6,445,000

\$26,785,000 Water and Sewer Revenue Refunding Bonds, Series 2003 were issued to pay for refunding all of the County's outstanding Water and Sewer Revenue Bonds, Series 1993A and Water and Sewer Revenue Refunding Bonds, Series 1993B maturing on and after October 1, 2003. The annual installments range from \$830,000 to \$4,120,000 through October 1, 2013; with interest rates from 2.000% to 5.000% payable semi-annually on April 1 and October 1 of each year. The bonds are not general obligations of the County and are secured by a first lien on and pledge of the net revenues of the County's Water and Sewer system and a first lien on and pledge of the connection charges of the system. \$ 12,080,000

\$28,265,000 Water and Sewer Revenue Refunding Bonds, Series 2004 were issued to pay for the refunding of the County's Water and Sewer Revenue Bonds, Series 1995 maturing on and after October 1, 2006. The annual installments range from \$3,985,000 to \$5,270,000 through April 1, 2011; with interest rates from 3.000% to 5.000% payable semi-annually on April 1 and October 1 of each year. The bonds are not general obligations of the County and are secured by a first lien on and pledge of the net revenues of the County's Water and Sewer system and a first lien on and pledge of the connection charges of the system. \$ 14,280,000

\$125,850,000 Water and Wastewater Revenue Bonds, Series 2006A were issued to pay a portion of the costs of constructing certain additions and improvements to the County's water and wastewater facilities and acquisition of certain water and wastewater assets from the Village of Royal Palm Beach, Florida. The annual installments range from \$2,110,000 to \$7,760,000 through October 1, 2036; with interest rates from 3.500% to 5.000% payable semi-annually on April 1 and October 1 \$ 123,815,000

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of each year. The bonds are not general obligations of the County and are secured by a first lien on and pledge of the net revenues of the County's Water and Wastewater System and a first lien on and pledge of the connection charges of the system.

\$12,485,000 Water and Sewer Revenue Refunding Bonds, Series 2006B were issued to pay for the refunding of the County's Water and Sewer Revenue Bonds, Series 1998 maturing on and after October 1, 2012. The annual installments range from \$45,000 to \$2,245,000 through October 1, 2017; with interest rates from 3.500% to 4.250% payable semi-annually on April 1 and October 1 of each year. The bonds are not general obligations of the County and are secured by a first lien on and pledge of the net revenues of the County's Water and Sewer system and a first lien on and pledge of the connection charges of the system. Payment of principal and interest on the bonds is guaranteed under a noncancellable insurance policy.

\$ 12,410,000

\$6,473,000 Water and Sewer Revenue Refunding Bonds, Series 2008 were issued to pay for refunding all of the County's outstanding Water and Sewer Revenue Bonds, Series 1985. The annual installments range from \$1,400,000 to \$1,928,000 through October 1, 2011; with an interest rate of 3.250% payable semi-annually on April 1 and October 1 of each year. The bonds are not general obligations of the County and are secured by a first lien on and pledge of the net revenues of the County's Water and Sewer system and a first lien on and pledge of the connection charges of the system.

\$ 6,473,000

\$83,965,000 Airport System Revenue Refunding Bonds, Series 2001 were issued to refund the Airport System Revenue Bonds, Series 1991 maturing October 1, 2004 and October 1, 2010. The annual installments range from \$7,225,000 to \$7,975,000 through October 1, 2010; with interest rates from 4.000% to 5.500% payable semi-annually on April 1 and October 1 of each year. The bonds are not general obligations of the County and are payable solely from and secured from the net revenues available for Debt Service and the funds and accounts pledged under the bond resolution. Payment of principal and interest on the bonds is guaranteed under a noncancellable insurance policy.

\$ 22,735,000

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\$60,150,000 Airport System Revenue Refunding Bonds, Series 2002 were issued to refund the Airport System Revenue Bonds, Series 1992 maturing October 1, 2014. The annual installments range from \$10,270,000 to \$12,500,000 from October 1, 2011 through October 1, 2014; with an interest rate of 5.750% payable semi-annually on April 1 and October 1 of each year. The bonds are not general obligations of the County and are payable solely from and secured from the net revenues available for Debt Service and the funds and accounts pledged under the bond resolution. Payment of principal and interest on the bonds is guaranteed under a noncancellable insurance policy. \$ 45,410,000

\$69,080,000 Airport System Revenue Refunding Bonds, Series 2006A were issued to pay a portion of the costs of constructing certain facilities and improvements to the Airport System. The annual installments range from \$2,920,000 to \$6,055,000 from October 1, 2021 through October 1, 2036; with interest rates from 4.700% to 5.000% payable semi-annually on April 1 and October 1 of each year. The bonds are not general obligations of the County and are payable solely from and secured from the net revenues available for Debt Service and the funds and accounts pledged under the bond resolution. Payment of principal and interest on the bonds is guaranteed under a noncancellable insurance policy. \$ 69,080,000

\$16,855,000 Airport System Revenue Refunding Bonds, Series 2006B were issued to advance refund a portion of the Airport System Revenue Bonds, Series 2001 and a portion of the Airport System Revenue Bonds, Series 2002. The annual installments range from \$2,425,000 to \$3,225,000 from October 1, 2015 through October 1, 2020; with an interest rate of 5.905% payable semi-annually on April 1 and October 1 of each year. The bonds are not general obligations of the County and are payable solely from and secured from the net revenues available for Debt Service and the funds and accounts pledged under the bond resolution. Payment of principal and interest on the bonds is guaranteed under a noncancellable insurance policy. \$ 16,855,000

\$266,590,000 Solid Waste Authority Refunding Revenue Bonds, Series 1997A were issued to refund the Authority's Adjustable/Fixed Rate Revenue Bonds, Series 1984 maturing on and after July 1, 1998. The annual installments range from \$31,405,000 to \$37,025,000 through October 1, 2010; with an interest rate of 6.000% payable semi-annually on April 1 and October 1 of each year. The bonds are not general obligations of the County and are secured by a first lien upon and pledge of the net revenues of the Authority's solid waste disposal and resource recovery system. Payment of principal and interest is guaranteed under a noncancellable insurance policy. \$ 102,835,000

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\$36,405,432 Solid Waste Authority Refunding Revenue Bonds, Series 1998A were issued to refund certain of the Authority's Refunding Bonds, Series 1989. \$2,165,000 are Current Interest Series 1998A Bonds. The remaining annual installment is \$1,070,000 due October 1, 2008; with an interest rate of 4.300% payable semi-annually on April 1 and October 1. \$34,240,432 are Capital Appreciation series 1998A Bonds due in annual installments of \$2,550,830 to \$20,209,629 from October 1, 2011 through October 1, 2013; and shall accrue interest from their delivery date to appreciate at the approximate yields from 4.900% to 5.050%. The bonds are not general obligations of the County and are secured by a first lien upon and pledge of the net revenues of the Authority's solid waste disposal and resource recovery system. Payment of principal and interest is guaranteed under a noncancellable insurance policy.

\$ 35,310,432

\$39,869,386 Solid Waste Authority Improvement Revenue Bonds, Series 2002B were issued to refund a portion of the Authority's Refunding and Improvement Revenue Bonds, Series 1992. \$1,135,000 are Current Interest Series 2002B Bonds, which have matured. \$38,734,386 are Capital Appreciation Series 2002B Bonds due in annual installments ranging from \$12,003,800 to \$13,769,586 from October 1, 2014 through October 1, 2016; and shall accrue interest from their delivery date to appreciate at the approximate yields from 4.850% to 5.050%. The bonds are not general obligations of the County and are secured by a first lien upon and pledge of the net revenues of the Authority's solid waste disposal and resource recovery system. Payment of principal and interest is guaranteed under a noncancellable insurance policy.

\$ 38,734,386

\$34,385,000 Solid Waste Authority Refunding Revenue Bonds, Series 2004 were issued to advance refund the Authority's Improvement Revenue Bonds, Series 1997B due in annual installments ranging from \$45,000 to \$33,935,000 through October 1, 2011; with interest rates from 2.000% to 5.000% payable semi-annually on April 1 and October 1 of each year. The bonds are not general obligations of the County and are secured by a first lien upon and pledge of the net revenues of the Authority's solid waste disposal and resource recovery system. Payment of principal and interest is guaranteed under a noncancellable insurance policy.

\$ 34,070,000

Total face value of revenue bonds payable	\$ 540,532,818
Unamortized bond premiums	\$ 9,519,909
Unamortized loss on bond refinancing	\$ (7,888,506)
Net Revenue Bonds, Business-Type Activities	\$ 542,164,221

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Notes and Loans Payable

On March 15, 2006, the Department of Airports entered into an \$8,000,000 line of credit agreement with a financial institution to finance costs incurred in connection with the acquisitions, constructions, installation and equipping of certain facilities and improvements relating to the Airport System. Principal borrowed on the line of credit is due at maturity on June 30, 2011. Interest on the principal balance accrues at a rate equivalent to 77% of the one month LIBOR rate plus 46 basis points (approximately 2.370% at September 30, 2008) and is paid quarterly. Borrowings on the line of credit are payable from and secured by a pledge of the net revenues of the airport system, subordinate to the lien and pledge of net revenues for repayment of the Airport bonds. The Department had no outstanding balance on the loan payable as of September 30, 2008.

\$ 0

\$80,000,000 Solid Waste Authority Subordinated Improvement Revenue Note, Series 2008 was issued to finance costs incurred in connection with the relocation of facilities and the purchase of land for the development of a new landfill site. The annual installments are \$4,000,000 through October 1, 2027; with a variable rate of interest in effect of 3.200% payable semi-annually on April 1 and October 1 of each year. The note is not a general obligation of the County and is secured by a first lien upon and pledge of the net revenues of the Authority's solid waste disposal and resource recovery system.

\$ 80,000,000

Total notes and loans payable	\$ 80,000,000
Accrued interest payable on notes and capital appreciation bonds	\$ 35,083,526
Accrued landfill costs	\$ 25,246,685

Compensated absences

Compensated absences are liquidated by the business type fund incurring the expense.

Business-Type Fund		
Water Utilities Department	\$ 2,929,961	
Department of Airports	1,250,049	
Solid Waste Authority	<u>4,091,767</u>	
		\$ 8,271,777
OPEB		<u>\$ 69,585</u>
Total Business-Type Activities Long-Term Debt, including current portion		<u>\$ 690,835,794</u>

Annual debt service requirements to maturity for governmental activities long-term debt are as follows:

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Governmental Activities General Long-Term Debt

Year Ending September 30	General Obligation Bonds		Non-Ad Valorem Revenue Bonds		Loans Payable		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2009	\$ 20,260,000	\$ 14,394,297	\$ 52,187,385	\$ 37,938,087	\$ 2,940,709	\$ 1,485,793	\$ 129,206,271
2010	21,185,000	13,468,819	54,946,492	38,637,187	14,466,588	1,424,566	144,128,652
2011	22,240,000	12,416,423	55,171,950	36,394,566	2,903,884	1,064,617	130,191,440
2012	18,965,000	11,269,504	57,589,589	34,029,017	2,992,883	1,007,386	125,853,379
2013	19,885,000	10,350,093	60,459,693	31,485,581	3,089,884	948,426	126,218,677
2014-2018	102,175,000	36,456,253	219,013,605	117,923,330	17,042,419	3,794,152	496,404,759
2019-2023	68,545,000	12,229,809	162,605,981	76,211,822	19,414,419	2,037,140	341,044,171
2024-2028	17,155,000	1,389,658	117,904,307	39,433,317	12,643,419	422,208	188,947,909
2029-2033	-	-	53,350,000	19,266,250	-	-	72,616,250
2034-2038	-	-	48,775,000	7,554,250	-	-	56,329,250
Total	<u>\$ 290,410,000</u>	<u>\$ 111,974,856</u>	<u>\$ 882,004,002</u>	<u>\$ 438,873,407</u>	<u>\$ 75,494,205</u>	<u>\$ 12,184,288</u>	<u>\$ 1,810,940,758</u>

Annual debt service requirements to maturity for business-type activities long-term debt are as follows:

Business-type Activities Long-Term Debt

Year Ending September 30	Revenue Bonds		Loan and Note Payable		Total
	Principal	Interest	Principal	Interest	
2009	\$ 53,815,000	\$ 22,688,981	\$ 4,000,000	\$ 2,496,000	\$ 82,999,981
2010	56,675,000	19,779,744	4,000,000	2,368,000	82,822,744
2011	55,455,000	16,714,512	4,000,000	2,240,000	78,409,512
2012	53,733,830	16,196,705	4,000,000	2,112,000	76,042,535
2013	36,559,629	32,623,433	4,000,000	1,984,000	75,167,062
2014-2018	107,574,359	97,216,765	20,000,000	8,000,000	232,791,124
2019-2023	32,955,000	40,108,609	20,000,000	4,800,000	97,863,609
2024-2028	40,545,000	30,892,538	20,000,000	1,600,000	93,037,538
2029-2033	51,735,000	19,412,138	-	-	71,147,138
2034-2038	51,485,000	5,197,160	-	-	56,682,160
Total	<u>\$ 540,532,818</u>	<u>\$ 300,830,585</u>	<u>\$ 80,000,000</u>	<u>\$ 25,600,000</u>	<u>\$ 946,963,403</u>

COMPONENT UNITS:

Metropolitan Planning Organization (MPO) Changes in Long-Term Liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	<u>\$ 209,363</u>	<u>\$ -</u>	<u>\$ 2,939</u>	<u>\$ 206,424</u>	<u>\$ 1,445</u>

Westgate/Belvedere Homes Community Redevelopment Agency (CRA) Changes in Long-Term Liabilities:

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	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	\$ 2,230,000	\$ -	\$ 160,000	\$ 2,070,000	\$ 170,000
Loans payable	2,549,072	-	238,595	2,310,477	248,929
Mortgage payable	199,136	-	9,837	189,299	10,548
Mortgage payable	465,000	-	209,964	255,036	255,036
Mortgage payable	260,000	-	-	260,000	-
Total	\$ 5,703,208	\$ -	\$ 618,396	\$ 5,084,812	\$ 684,513

Bond obligation - Redevelopment Revenue Refunding and Improvement Bonds, Series 1999 authorized issue dated March 1, 1999, was \$3,380,000. Bonds outstanding at September 30, 2008 were \$2,070,000 and interest rates range from 3.1% to 4.8%.

Loan payable – On November 28, 2005, the CRA was approved by a bank for a loan in the amount of \$3,038,300 with a maturity of August 1, 2016 and interest set at 4.15%. The proceeds of the loan will be used for street improvements and acquisition of property in the Westgate/Belvedere Community.

Mortgage payable – The mortgage is payable in monthly installment payments of \$1,955 including interest with a maturity of August 3, 2010 and interest rate of 7%. The mortgage is secured by the building.

Mortgage payable – The mortgage is payable in monthly installment payments of \$2,519, interest only, with a maturity of September 30, 2009 and interest rate of 6.5%. The mortgage is secured by the building.

Mortgage payable – The mortgage is payable in monthly installment payments of \$1,625, interest only, with a maturity of September 28, 2010 and interest rate of 7.5%. The mortgage is secured by the building.

Annual debt service requirements to maturity for CRA long-term debt are as follows:

Year Ending September 30	Bond Obligation		
	Principal	Interest	Total
2009	\$ 170,000	\$ 89,858	\$ 259,858
2010	175,000	82,570	257,570
2011	185,000	74,917	259,917
2012	190,000	66,760	256,760
2013	200,000	58,180	258,180
2014-2018	1,150,000	140,830	1,290,830
Total	\$ 2,070,000	\$ 513,115	\$ 2,583,115

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Year Ending September 30	Loan Payable		
	Principal	Interest	Total
2009	\$ 248,929	\$ 97,216	\$ 346,145
2010	259,403	86,742	346,145
2011	270,317	75,828	346,145
2012	281,515	64,630	346,145
2013	956,777	81,658	1,038,435
2014-2016	293,536	52,609	346,145
Total	<u>\$ 2,310,477</u>	<u>\$ 458,683</u>	<u>\$ 2,769,160</u>

Year Ending September 30	Mortgage Payable		
	Principal	Interest	Total
2009	\$ 10,548	\$ 10,917	\$ 21,465
2010	178,751	11,172	189,923
Total	<u>\$ 189,299</u>	<u>\$ 22,089</u>	<u>\$ 211,388</u>

Year Ending September 30	Mortgage Payable		
	Principal	Interest	Total
2009	\$ 255,036	\$ 16,163	\$ 271,199
Total	<u>\$ 255,036</u>	<u>\$ 16,163</u>	<u>\$ 271,199</u>

Year Ending September 30	Mortgage Payable		
	Principal	Interest	Total
2009	\$ -	\$ 19,500	\$ 19,500
2010	260,000	19,500	279,500
Total	<u>\$ 260,000</u>	<u>\$ 39,000</u>	<u>\$ 299,000</u>

CONDUIT DEBT

Primary Government: The County issues Industrial Development Bonds to provide financial assistance to not-for-profit and private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The County is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. During the current reporting period, three series of Industrial Development Bonds were issued with an aggregate par value of \$101,180,000. As of September 30, 2008, there were thirty-seven series of Industrial Development Bonds outstanding, with an estimated aggregate principal amount payable of \$577,105,000.

Component Unit: The Housing Finance Authority of Palm Beach County (HFA) is authorized to issue bonds to fulfill their corporate purpose. The HFA and the County are

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not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2008, the HFA has \$264 million of bonds outstanding that were originally issued in the aggregate principal amount of \$362 million.

18. CONTINGENCIES

Litigation

The County is involved in various lawsuits arising in the ordinary course of operations. Although the outcome of these matters is not presently determinable, it is the opinion of management of the County based upon consultation with legal counsel, that the outcome of these matters will not materially affect the financial position of the County.

State and Federal Grants

Grant monies received and disbursed by the County are for specific purposes and are subject to audit by the grantor agencies. Such audits may result in requests for reimbursements due to disallowed expenditures. Based upon prior experience, management does not believe that such disallowances, if any, would have a material adverse effect on the financial position of the County.

Interlocal Agreement

On September 22, 1992 the Board of County Commissioners approved an interlocal agreement between the County and the Westgate/Belvedere Homes Community Redevelopment Agency (Agency), whereby the County has agreed to fund any deficiency in the reserve fund of the Agency's Redevelopment Revenue Bonds. The Agency is required to notify the County on or before May 2nd of each year of any deficiency amount that the Agency expects to exist on the next succeeding November 1st. At present, the County has not been made aware of any deficiency amount.

Bond Guaranty

On October 17, 2000 the Board of County Commissioners approved a trust agreement between the County and Suntrust Bank, (the Trustee), whereby the County has agreed to fund any deficiency in the reserve fund of the Palm Beach County, Florida, Industrial Development Revenue Bonds (South Florida Fair project), Series 2000. The Trustee is required to notify the County after June 1st and on or before June 5th of each year of the deficiency amount, if any, as of such date. At present, the County has not been made aware of any deficiency amount.

Letters of credit have been arranged in lieu of debt service reserve surety insurance policies where credit ratings of the insurers declined below the rating required by the bond covenants. Additional information on the letters of credit may be found in the note for long-term debt.

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Solid Waste Authority (SWA)

Environmental Liabilities: SWA, in cooperation with other state and local regulatory agencies, maintains an extensive monitoring program for potential environmental contaminants at each of its sites and facilities. These monitoring programs have not identified any contaminants caused by landfill leachate or other operations of SWA. In the event that any environmental contaminants are identified, SWA may be financially responsible for the environmental assessment and cleanup costs, as well as potential fines imposed by governmental regulatory agencies.

19. PLEDGED REVENUES

The County has pledged a portion of future non-ad valorem revenues to repay \$956 million in revenue bonds, notes and loans issued between July 1, 1990 and August 28, 2008. A ten year history of the pledged revenues are reported in statistical table X. Proceeds from the debt provided financing for capital additions, improvements, and expansion of County facilities, equipment and infrastructure. The bonds are payable solely from available non-ad valorem revenues and are payable through May 1, 2038. Total principal and interest remaining to be paid on the bonds is \$1.4 billion with annual requirements ranging from \$11 million in fiscal year 2034 to \$110 million in fiscal year 2010. The pledged non-ad valorem revenues, from which the appropriations will be made, have averaged \$308 million per year over the last 10 years. Principal and interest paid for the current year and total pledged non-ad valorem revenues were \$81 million and \$344 million, respectively.

The County has pledged future airport revenues net of specified operating expenses, to repay \$154 million in airport revenue bonds issued between July 3, 2001 and May 17, 2006. Proceeds from the bonds provided financing for the addition, improvements and expansion of the airport facilities, equipment and infrastructure. The bonds are payable solely from the airport net revenues and are payable through October 1, 2036. Total principal and interest remaining to be paid on the bonds is \$254 million with annual requirements ranging from \$6 million in fiscal year 2037 to \$17 million in fiscal year 2015. Annual principal and interest payments on the bonds are expected to require less than 34% of projected future net revenues. Principal and interest paid for the current year and net operating income before interest expense were \$15 million and \$27 million, respectively.

The County has pledged future water utility revenues net of specified operating expenses, to repay \$176 million in water & sewer revenue bonds issued between June 24, 1998 and March 31, 2008. Proceeds from the bonds provided financing for the addition, improvements and expansion of the water and sewer facilities, equipment and infrastructure. The bonds are payable solely from the water utility net revenues and are payable through October 1, 2036. Total principal and interest remaining to be paid on the bonds is \$291 million with annual requirements ranging from \$8 million in fiscal year 2036 to \$22 million in fiscal year 2010. Annual principal and interest payments on the bonds are expected to require less than 28% of projected future net revenues. Principal and interest paid for the current year and net operating income before interest expense were \$22 million and \$50 million, respectively.

PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

The Solid Waste Authority (SWA) has pledged future revenues net of specified operating expenses, to repay \$326 million in SWA revenue bonds issued between March 15, 1997 and January 9, 2008. Proceeds from the bonds and note provided financing for the addition, improvements and expansion of the SWA facilities, equipment and infrastructure. The bonds and note are payable solely from the SWA net revenues and are payable through October 1, 2027. Total principal and interest remaining to be paid on the bonds and note is \$375 million with annual requirements ranging from \$4 million in fiscal year 2018 to \$45 million in fiscal year 2013. Annual principal and interest payments on the bonds are expected to require less than 100% of projected future net revenues. Principal and interest paid for the current year and net operating income before interest expense were \$39 million and \$55 million, respectively.

20. DEFICIT FUND EQUITY

Internal Service Funds – The Graphics internal service fund had deficit net assets of \$261,449 as of September 30, 2008. Rates charged to other funds and external customers will be reviewed in future years to eliminate the deficit.

21. SUBSEQUENT EVENTS

On October 7, 2008, the County entered into an agreement with a developer for mutual release and termination of commitments for the convention center hotel and parking garage. Under the terms of the agreement, the County and developer release all claims against one another as well as their rights to pursue legal action.

On December 2, 2008, the County approved an Interlocal Agreement with the City of Riviera Beach where the County agreed to share 20% of the cost capped at \$7,020,000 for the Singer Island Erosion Control Project with reimbursement of eligible project costs retroactive to May 3, 2005. A feasibility study conducted in 2002 identified offshore breakwaters as the best alternative for shoreline protection to mitigate critically eroded shoreline along the north end of Singer Island. Eligible costs include project management, engineering and design, permitting, construction, mitigation, and environmental and project performance monitoring.

Water Utilities Department:

On October 21, 2008, the County approved an agreement to allow the Cities of Belle Glade, Pahokee, and South Bay (Cities) to defer payment of capital cost reimbursement related to the Lake Region Water Treatment Plant for a period not to exceed twelve months beginning with the October, 2008 billing. The agreement is part of an effort to provide temporary financial assistance to the Cities until a Glades Utility Authority (Authority) can be created to combine the Cities' three utility systems. The Authority would assume the existing utility debt from the Cities, prioritize and implement repairs and upgrades to the existing infrastructure, bill utility customers, and correct regulatory deficiencies in the systems.

A maximum of \$785,000 will be deferred if the payments are deferred for the full twelve-month period. During the deferral period, interest will continue to accrue. The capital cost

PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

reimbursement payments will be reinstated once the Authority is established, the concept of the Authority is abandoned, or twelve months have passed, whichever occurs first.

Debt Issuance:

On November 13, 2008, the County issued \$94,235,000 Public Improvement Revenue Bonds, Series 2008-2 for the purpose of (i) funding a portion of the County's obligation to distribute funds to Max Planck Florida Corporation (MPFC) pursuant to the terms of a written grant agreement between the County and MPFC relating to the establishment of a biomedical research facility within the County by MFPC; and (ii) providing funds, together with other legally available funds of the County, to refinance the obligations of the County to the Sunshine State Governmental Financing Commission related to its Commercial Paper Revenue Notes, Series J. Interest is paid semi-annually at rates ranging from 4.000% to 5.375% and principal is paid annually beginning November 1, 2009.

PALM BEACH COUNTY, FLORIDA
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the fiscal year ended September 30, 2008
(Required Supplementary Information)

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues:				
Taxes (net of discount)	\$ 703,409,947	\$ 700,909,947	\$ 674,913,810	\$ (25,996,137)
Licenses and permits	4,507,200	4,507,200	3,885,447	(621,753)
Intergovernmental	32,143,130	29,084,105	31,708,356	2,624,251
Charges for services	62,755,948	63,126,456	69,059,861	5,933,405
Fines and forfeitures	1,719,750	1,719,750	1,399,126	(320,624)
Investment income	12,693,650	12,693,650	17,060,682	4,367,032
Miscellaneous	5,375,426	5,377,309	7,373,862	1,996,553
Less 5% anticipated revenues	(41,250,253)	(41,142,093)	-	41,142,093
Total revenues	781,354,798	776,276,324	805,401,144	29,124,820
Expenditures:				
Current:				
General government	281,232,166	294,455,701	123,616,503	170,839,198
Public safety	35,021,876	35,572,178	33,598,692	1,973,486
Physical environment	14,555,161	14,569,374	13,456,825	1,112,549
Transportation	6,998,810	7,138,929	7,065,807	73,122
Economic environment	29,308,051	29,288,051	28,671,979	616,072
Human services	56,128,202	57,104,469	54,722,884	2,381,585
Culture and recreation	63,252,383	62,734,253	60,394,430	2,339,823
Capital outlay	715,368	1,158,378	871,777	286,601
Total expenditures	487,212,017	502,021,333	322,398,897	179,622,436
Excess of revenues over expenditures	294,142,781	274,254,991	483,002,247	208,747,256
Other financing sources (uses):				
Transfers in	30,545,899	25,597,166	33,039,979	7,442,813
Transfers out	(531,066,566)	(540,616,961)	(538,231,869)	2,385,092
Total other financing sources (uses)	(500,520,667)	(515,019,795)	(505,191,890)	9,827,905
Net change in fund balances	(206,377,886)	(240,764,804)	(22,189,643)	218,575,161
Fund balances, October 1, 2007	206,377,886	240,764,804	242,836,817	2,072,013
(Decrease) in reserves, inventory	-	-	(73,374)	(73,374)
Fund balances, September 30, 2008	\$ -	\$ -	\$ 220,573,800	\$ 220,573,800

NOTE: The effective legal level of budget control is maintained at the department or fund level. A separate detailed report providing this information is available for inspection at the Office of Financial Management and Budget. Annual budgets are legally adopted for all governmental and proprietary fund types. Budgetary comparisons presented herein are on a basis consistent with GAAP.

PALM BEACH COUNTY, FLORIDA
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Fire Rescue Special Revenue Fund
For the fiscal year ended September 30, 2008
(Required Supplementary Information)

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues:				
Taxes (net of discount)	\$ 203,315,549	\$ 203,315,549	\$ 195,976,807	\$ (7,338,742)
Special assessments	314,245	314,245	303,720	(10,525)
Licenses and permits	2,000	2,000	4,077	2,077
Intergovernmental	223,112	233,942	381,715	147,773
Charges for services	27,958,487	27,958,487	30,897,059	2,938,572
Investment income	2,068,670	2,068,670	6,313,431	4,244,761
Miscellaneous	94,500	94,500	280,430	185,930
Less 5% anticipated revenues	(11,371,386)	(11,371,386)	-	11,371,386
Total revenues	222,605,177	222,616,007	234,157,239	11,541,232
Expenditures:				
Current:				
Public safety	272,579,401	287,895,458	209,244,939	78,650,519
Economic environment	1,000,000	1,000,000	917,082	82,918
Capital outlay	6,776,638	6,927,395	3,737,765	3,189,630
Total expenditures	280,356,039	295,822,853	213,899,786	81,923,067
Excess of revenues over (under) expenditures	(57,750,862)	(73,206,846)	20,257,453	93,464,299
Other financing sources (uses):				
Transfers in	8,604,998	8,930,998	7,056,212	(1,874,786)
Transfers out	(10,180,000)	(10,180,000)	(10,180,000)	-
Total other financing sources (uses)	(1,575,002)	(1,249,002)	(3,123,788)	(1,874,786)
Net change in fund balances	(59,325,864)	(74,455,848)	17,133,665	91,589,513
Fund balances, October 1, 2007	59,325,864	74,455,848	76,621,912	2,166,064
Increase in reserves, inventory	-	-	361,867	361,867
Fund balances, September 30, 2008	\$ -	\$ -	\$ 94,117,444	\$ 94,117,444

NOTE: The effective legal level of budget control is maintained at the department or fund level. A separate detailed report providing this information is available for inspection at the Office of Financial Management and Budget. Annual budgets are legally adopted for all governmental and proprietary fund types. Budgetary comparisons presented herein are on a basis consistent with GAAP.

PALM BEACH COUNTY, FLORIDA
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Sheriff Special Revenue Fund
For the fiscal year ended September 30, 2008
(Required Supplementary Information)

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ -	\$ -	\$ 1,858,607	\$ 1,858,607
Fines and forfeitures	-	-	126,728	126,728
Investment income	-	-	242,926	242,926
Miscellaneous	-	-	28,784	28,784
Total revenues	-	-	2,257,045	2,257,045
Expenditures:				
Current:				
General government	18,415,114	18,927,980	18,933,887	(5,907)
Public safety	387,737,384	395,900,858	380,967,983	14,932,875
Capital outlay	11,386,136	45,156,686	27,207,798	17,948,888
Debt service	5,700,000	-	-	-
Total expenditures	423,238,634	459,985,524	427,109,668	32,875,856
Excess of revenues over (under) expenditures	(423,238,634)	(459,985,524)	(424,852,623)	35,132,901
Other financing sources (uses):				
Transfers in	423,238,634	460,869,439	434,591,773	(26,277,666)
Transfers out	-	(883,915)	(8,615,725)	(7,731,810)
Total other financing sources (uses)	423,238,634	459,985,524	425,976,048	(34,009,476)
Net change in fund balances	-	-	1,123,425	1,123,425
Fund balances, October 1, 2007	-	-	4,882,520	4,882,520
Fund balances, September 30, 2008	\$ -	\$ -	\$ 6,005,945	\$ 6,005,945

NOTE: The effective legal level of budget control is maintained at the department or fund level. A separate detailed report providing this information is available for inspection at the Office of Financial Management and Budget. Annual budgets are legally adopted for all governmental and proprietary fund types. Budgetary comparisons presented herein are on a basis consistent with GAAP.

REQUIRED SUPPLEMENTARY INFORMATION

Palm Tran Pension Plan Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
1/1/06	\$38,539,860	\$44,962,920	\$ 6,423,060	85.7%	\$18,954,945	33.9%
1/1/07	42,001,404	50,729,230	8,727,826	82.8%	20,148,949	43.3%
1/1/08	47,083,495	56,979,616	9,896,121	82.6%	21,454,569	46.1%

Lantana Firefighter's Pension Plan Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
9/30/05	\$ 8,689,000	\$15,087,000	\$ 6,398,000	57.6%	\$ 2,559,000	250.1%
9/30/06	10,314,000	16,503,000	6,190,000	62.5%	2,579,000	240.0%
9/30/07	13,078,000	18,739,000	5,661,000	69.8%	2,726,000	207.7%

REQUIRED SUPPLEMENTARY INFORMATION

Palm Beach County Primary Government Healthcare Plans
Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
County 10/1/2007	\$0	\$14,638,000	\$14,638,000	0.0%	\$294,272,546	5.0%
Tax Collector 10/1/2007	\$0	\$1,533,513	\$1,533,513	0.0%	\$9,879,680	15.5%
Property Appraiser 10/1/2007	\$0	\$312,788	\$312,788	0.0%	\$14,237,382	2.2%
Clerk & Comptroller 10/1/2007	\$0	\$5,445,000	\$5,445,000	0.0%	\$35,775,864	15.2%
Sheriff 1/1/2008	\$0	\$169,700,000	\$169,700,000	0.0%	\$222,956,243	76.1%
Fire Rescue Union 10/1/2005	\$7,109,107	\$16,319,357	\$9,210,250	43.6%	\$102,075,035	9.0%

Palm Beach County Fire Rescue Taxing District Long Term Disability Plan
Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/1/2007	\$0	\$8,953,897	\$8,953,897	0.0%	\$116,586,776	7.7%



Section II

**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS-**

Solid Waste Authority



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

The Honorable Chair and Members of the
Solid Waste Authority Board
Solid Waste Authority of Palm Beach County
West Palm Beach, Florida

We have audited the financial statements of the Solid Waste Authority of Palm Beach County, Florida, a component unit of Palm Beach County, Florida, as of and for the year ended September 30, 2008, and have issued our report thereon dated February 2, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies 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 the financial statements of the Solid Waste Authority of Palm Beach County, Florida, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Governing Board and management of the Solid Waste Authority of Palm Beach County, Florida, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

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

February 2, 2009

Section III

**MANAGEMENT LETTER -
Board of County Commissioners**

McGladrey & Pullen

Certified Public Accountants

Management Letter Required By Chapter 10.550 of the Rules of the Auditor General of the State of Florida

To the Honorable Members of the Board
Of County Commissioners
Palm Beach County, Florida

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Palm Beach County, Florida (the County) as of and for the year ended September 30, 2008, and have issued our report thereon dated March 16, 2009. We did not audit the financial statements of the Solid Waste Authority, a major enterprise fund, which represents 31% of the total assets and 47% of total revenues of the business-type activities. We did not audit the financial statements of the Westgate Belvedere Homes Community Redevelopment Agency, a discretely presented component unit, which represents 31% of the total assets and 47% of the total revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the Housing Finance Authority, a discretely presented component unit, which represents 50% of the total assets and 13% of the total revenues of the aggregate discretely presented component units. 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 Solid Waste Authority, Westgate Belvedere Homes Community Redevelopment Agency, and Housing Finance Authority, is based on the reports of the other auditors. Our report does not address their respective internal control or compliance.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audit contained in the *Governmental 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 Independent Auditor's Report on Compliance and Internal Control over Financial Reporting, Independent Auditor's Report on Compliance and Internal Control over Compliance Applicable to each Major Federal Program and State Project, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 16, 2009, should be considered in conjunction with this management.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information.

The Rules of the Auditor General (section 10.554(1)(i)1) require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs, whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. During the course of our audit of the financial statements of the County we noted that appropriate action had been taken upon certain recommendations and suggested accounting procedures as outlined in the prior year's Management Letter. Those comments have not been repeated. Prior year comments that were not implemented or were only partially implemented in the current year have been repeated in Appendix B to this report.

As required by the Rules of the Auditor General (section 10.554(1)(i)2), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined the County complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(i)3) require that we address in the management letter any findings and recommendations to improve the County's financial management, accounting procedures, and internal controls. These recommendations are disclosed in Appendix A to this report.

The Rules of the Auditor General (Section 10.554(1)(i)4) require disclosure in the management letter of the following matters, if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs whether there were violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. These matters are disclosed in Appendix A of this report.

The Rules of the Auditor General (Section 10.554(1)(i)5) require disclosure in the management letter of the following matters if not already addressed in the auditor's reports on compliance and internal control or schedule of findings and questioned costs and are not cleared inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations and contractual provisions or abuse that have occurred or are likely to have occurred; (2) improper expenditures or illegal acts; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. No such conditions were noted during the audit. These matters are disclosed in Appendix A of this report.

The Rules of the Auditor General (Section 10.554(1)(i)6) also 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 the management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements.

As required by the Rules of the Auditor General (Section 10.554(1)(i)7.a), a statement must be included as to whether or not the local government entity has met one or more of the conditions described in the Section 218.503(1), Florida Statutes. In connection with our audit, we determined that the County is not in a state of financial emergency as a consequence of the conditions described by Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(i)7.b), we determined that the annual financial report for the County for the fiscal year ended September 30, 2007, 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, 2008.

As required by the Rules of the Auditor General (Section 10.554(1)(i)7.c) and 10.556(7), we applied financial assessment procedures. It is management's responsibility to monitor the entity'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 same.

This management letter is intended solely for the information of the County Commission, and management of the County, federal and state awarding agencies, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

West Palm Beach, Florida
March 16, 2009

Palm Beach County, Florida

Appendix A – Current Year Recommendations to Improve
Financial Management, Accounting Procedures
and Internal Controls

No.	Current Year's Observations
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Office of Financial Management & Budget

ML 08-1 OFMB: Internal Service Fund Net Assets

Appendix A – Current Year Recommendations to Improve
Financial Management, Accounting Procedures
and Internal Controls

CURRENT YEAR COMMENTS AND RECOMMENDATIONS

Office of Financial Management & Budget

ML 08-1 – OFMB: Internal Service Fund Deficits and Surpluses

Criteria: Internal service funds may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis.

Condition: As part of our testing in fiscal year 2008 we noted that three of the internal service funds being used by the County were accumulating large net asset balances. A fourth fund internal service fund had a net asset deficit.

Cause: The surpluses were caused by less than expected expenditures in the respective funds. The deficit was caused by the fund not effectively operating on a cost reimbursement basis.

Effect: The following internal service funds had a surplus of net assets: Fleet management (\$39,932,959), Combined Insurance Fund (\$37,481,682), and Information Support Services (ISS) (\$6,160,458). A fourth internal service fund, the Graphics fund, had a net asset deficit of \$261,449.

Recommendation: We recommend the County develop and implement budgetary actions that would allow for those internal service funds with surpluses to charge less to the other funds until their surplus is not longer in existence. We also recommend the County develop and implement budgetary actions that would increase the charges for services for the Graphics fund to relieve the net asset deficit.

Management Response: Management concurs with the comment and recommendation. The County has budgeted in FY 2009 & 2010 to reduce the amount of contributions from the other funds into the Fleet Management and Combined Insurance funds resulting in a spend down of the excess fund net assets. Management has addressed the deficit in the graphics fund by making a decision to collapse the graphics fund into the general fund as a department in fiscal year 2009 since it primarily serves the general fund and is not effectively operating on a cost reimbursement basis. Since the ISS fund provides services primarily to the departments of the general fund, the County intends to collapse the ISS fund into the general fund in fiscal year 2010.

Palm Beach County, Florida

Appendix B – Prior Year Recommendations to Improve
Financial Management, Accounting Procedures
and Internal Controls

<u>No.</u>	<u>Prior Year's Observations</u>	<u>Observation is Still Relevant</u>	<u>Observation Addressed or No Longer Relevant</u>
ML 07-1	DOA - Investment in Corporate Securities		X
ML 07-2	Risk Mgt - Documentation of Review of Claims Reserves		X
ML 07-3	Risk Mgt - Data Provided to the County's Actuary	X	
ML 07-4	Risk Mgt - Reimbursement Checks for Workers'		X
ML 07-5	WUD - Construction in Progress	X	
ML 07-6	WUD - Approval of Journal Entries		X
ML 06-1	ISS - Application Security	X	
ML 06-2	ISS - Data Security	X	

Palm Beach County, Florida

Appendix B – Prior Year Recommendations to Improve
Financial Management, Accounting Procedures
and Internal Controls

ML 07-3 Risk Management – Data Provided to the County's Actuary

Prior Year Observation: The workers' compensation data provided to the County's actuary was inaccurate. The report, with the data, provided to the actuary contained an additional number of days than the County's fiscal year. The report was run from 10/01/06 through 10/16/07, when the County's fiscal year end is 09/30/07, thus providing the actuary with an additional 16 days of data from fiscal year 2008.

Prior Year Recommendation: We recommend the County implement policies and procedures to ensure the data reported to actuary are accurate.

Prior Year Management Response: Existing procedure in this Department is for the Fiscal Manager to report data to the actuary at the end of each fiscal year period. A report is requested of the ISS Department limiting the data to the period of 10/1 to 9/30. However, it is apparent that staff failed to notice that the data provided to the actuary for the most recent fiscal year completed contained data through 10/16/07 (the date the report was completed by ISS). Although the payment amounts for the timeframe are considered immaterial in the large scope of the self-insured liability associated with the workers' compensation and property/casualty, we agree with the recommendation that a policy and procedure should be implemented to ensure the data reported to the actuary are strictly contained within the reporting period. This policy will be implemented immediately.

Current Year Status: In the current year, it was noted that the data provided to the actuary contained the right time period, however, it did not contain a complete listing of recoveries received by the County. Therefore, the observation is still relevant.

Current Year Management Response: Programming changes were implemented by ISS to ensure data reported are strictly contained within the reporting period. These changes were in response to the above-captioned Management Letter comment for the prior fiscal year, as data submitted for that year were not contained within the reporting period. The programming changes corrected this error, and data submitted for the latest reporting period were contained within that period. However, for the current period, the data was missing historical claims information upon submission.

An internal PPM requiring department director sign-off before data is submitted to the actuary was considered but not put into place. It is the inherent duty of the department's fiscal manager to ensure the accuracy of the data prior to submission, and failure to properly meet this responsibility is a matter to be resolved within the provisions of the County's Merit Rules. Additionally, the Director has recommended outsourcing the administration of its workers' compensation program to a third party administrator. This cost saving transition will include the replacement of the current information system with an improved system designed by experts in the field of workers' compensation. It is anticipated the new program will be in place by 10/1/09.

Palm Beach County, Florida

Appendix B – Prior Year Recommendations to Improve
Financial Management, Accounting Procedures
and Internal Controls

ML 07-5 Water Utilities Department – Construction in Progress

Prior Year Observation: The Water Utilities Department (“WUD”) has a number of control procedures in place related to construction projects but the review or approval process is not always documented.

Prior Year Recommendation: We recommend that WUD modify its procedures to provide evidence of the reviews that take place throughout the project’s process.

Prior Year Management Response: WUD concurs with the comment and will implement a procedural change to correct this comment.

Current Year Status: WUD has been working together with the County Information Support Services Department and has developed an application to better track construction projects and project related data and approvals. The system is project driven and maintains a history of approvals and actions taken throughout the life of a project. However the system is not integrated into the WUD accounting system and WUD separately reconciles and updates the construction work in process in the general ledger system. There is currently no formal process to ensure a proper review of this reconciliation and update process is done in the WUD system. Journal entries created based on the reconciliation are reviewed but the current review performed does not include going back to the source data used in the reconciliation process and currently relies on the accuracy of the reconciliation performed without independent verification.

Current Year Recommendation: We recommend that WUD modify its procedures to provide evidence of the reconciliation of the construction work in progress activity to ensure its completeness and allow for a review of the reconciliation process and related detail.

Current Year Management Response: The Water Utilities Department concurs with the audit finding relating to the need for a monthly reconciliation between the Department’s Capital Project System and Advantage. The Department will have an approved written procedure for reconciling the two systems by August 1, 2009.

Palm Beach County, Florida

Appendix B – Prior Year Recommendations to Improve
Financial Management, Accounting Procedures
and Internal Controls

ML 06-1 ISS – Application Security

Prior Year Observation: There were aspects of security management that needed improvement. Specific details of these issues are not disclosed in this report to avoid the possibility of compromising Board information in accordance with Florida Statute 281.301. However, appropriate personnel have been notified of these issues which included the following:

- Certain important security features available in the application software had not been utilized;
- Certain Board of County Commissioner (Board) staff had the capability to perform incompatible duties. We noted an instance of questionable employee access privileges that should be made more restrictive by the Board to enforce an appropriate segregation of duties. This issue was immediately addressed and corrected;
- An active application user account that may have had excessive privileges. This item has been reviewed and corrected.

Prior Year Recommendation: We recommend management implement the following corrective actions:

- Appropriate application security control features to enhance security over its data and programs;
- Review and enhance established procedures that periodically review the duties and access capabilities of staff and implement, to the extent practicable, proper segregation of duties and access levels to ensure that personnel are performing only those duties established for their respective jobs and positions.

Prior Year Management Response:

Information Support Services (ISS) Response: Management concurs with the recommendation and has contacted the application vendor who indicates that enabling identified security features will not adversely effect operations. ISS is in the process of determining the actions required to implement the recommendation.

Clerk Response: Management concurs with the recommendation. Current procedures require that at least once per year, Department Directors review their staff's access to the Financial and Payroll systems to validate the users in their departments and their access levels, to ensure that there is segregation of duties and appropriate access granted. Existing procedures will be reviewed to improve the frequency and scope of the reviews so that discrepancies, if any, can be found and corrected promptly.

Current Year Status: Observation is still relevant and resolution is pending conversion and testing of security features.

Current Year Management Response: As previously reported password encryption was activated but problems were experienced and reported to the system vendor. Repairs were provided, however, it was subsequently identified that encryption was not indicated on all of the application's pages (currently, only the login pages seem to be secured). As a result, management has contacted the system vendor in January 2009 to confirm that encryption is enabled on all application pages.

Palm Beach County, Florida

Appendix B – Prior Year Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls

ML 06-2 ISS – Data Security

Prior Year Observation: There were aspects of security management that needed improvement. Specific details of these issues are not disclosed in this report to avoid the possibility of compromising Board information in accordance with Florida Statute 281.301. However, appropriate personnel have been notified of these issues which included the following:

- Certain important security features available in the database software had not been utilized;
- Instances of active database user accounts they may not be required to perform existing operations.

Prior Year Recommendation: Management should implement the following corrective actions:

- Activate the identified database security control features to enhance security over its data and programs;
- The policies and procedures should be reviewed periodically and updated as needed for organizational and system-related changes to help ensure that management requirements are met by Board staff when performing assigned tasks.

Prior Year Management Response:

ISS Response: Management concurs with the auditor's first recommendation and will activate the identified security feature in both databases once testing in the development databases is complete. Additionally, ISS will increase auditing on critical tables in both applications and enable password parameters where supported by the applications. Management also concurs with the second recommendation and has confirmed operational accounts, has removed stale accounts, and is working with the Clerk and Comptroller's Office to finalize a procedure for maintaining user accounts. Additionally, user roles have been adjusted to minimize privileges, unnecessary database links have been removed, and table privileges will be granted to a role established for each application where applicable.

Clerk Response: This issue is the responsibility of ISS and no action is required by the Clerk and Comptroller.

Current Year Status: Observation is still relevant and resolution is pending conversion and testing of security features.

Current Year Management Response: As previously reported, the role change, database link, and related issues have been resolved. The auditing of critical vendor tables has not been implemented due to the impacts to the system performance. Previous efforts with the application vendor have not resulted in any significant improvements in performance. The Clerk and Comptroller's Office is now working with the vendor to reconfigure their security approach and they are considering transitioning from object based auditing to page based auditing which could improve performance adequately to implement vendor table auditing. Password parameters have not been enabled for read-only credentials in the application's production database. As previously reported, a number of alternatives were considered, most of which, were too complicated or costly to implement given the limited access of the users. However, another alternative is now feasible due to changes in the identity management environment implemented over the last year. Work is now underway to demonstrate the functionality of the alternative to use two services to provide password parameters to the report users in the application's database. ISS and the Clerk and Comptroller's Office have established procedures for maintaining user accounts in the financial and timekeeping systems and databases.

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Section IV

**MANAGEMENT LETTER -
Solid Waste Authority**



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Management Letter

The Honorable Chair and Members of the
Solid Waste Authority Board
Solid Waste Authority of Palm Beach County
West Palm Beach, Florida

We have audited the financial statements of the Solid Waste Authority of Palm Beach County, Florida, as of and for the years ended September 30, 2008 and 2007, and have issued our report thereon dated February 2, 2009.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated February 2, 2009, should be considered in assessing the results of our audit. Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in the management letter.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

The Rules of the Auditor General require disclosure in the management letter of the following matters if not already addressed in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, unless clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures; (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit for the year ended September 30, 2008 disclosed no such matters that are required to be disclosed. The Rules of the Auditor General also require that we address in the management letter any other findings or recommendations noted during our audit. Our audit as of and for the year ended September 30, 2008 disclosed no other findings or recommendations.

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

The Rules of the Auditor General require that we address in the management letter, if not already addressed in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, whether or not inaccuracies, shortages, defalcations, fraud, and/or

violations of laws, rules, regulations and contractual provisions reported in the preceding annual financial audit report have been corrected. Additionally, the Rules of the Auditor General require that we address in the management letter, if not already addressed in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, whether or not recommendations made in the preceding management letter have been followed or otherwise no longer apply. There were no comments in our management letter for the year ended September 30, 2007.

OTHER REQUIRED INFORMATION

Consideration of Financial Emergency Criteria

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit, we determined that the Solid Waste Authority of Palm Beach County, Florida, did not meet any of the criteria for a financial emergency during the fiscal year ended September 30, 2008 as a consequence of the conditions described in Section 218.503(1), Florida Statutes.

Financial Condition Assessment Procedures

In connection with our audit, we applied financial condition assessment procedures, pursuant to Rule 10.556(8), Rules of the Auditor General, for the year ended September 30, 2008. The results of our procedures disclosed no matters that are required to be reported.

Annual Financial Report

The Solid Waste Authority of Palm Beach County, Florida, is a dependent special district of Palm Beach County, Florida, and as such, the Authority will be included in the County's Annual Financial Report of Units of Local Government filed with the Department of Financial Services pursuant to Section 218.32, Florida Statutes, for the year ended September 30, 2008.

Investment of Public Funds

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Solid Waste Authority of Palm Beach County, Florida, complied with Section 218.415, Florida Statutes, for the year ended September 30, 2008.

This report is intended solely for the information and use of the Governing Board and management of the Solid Waste Authority of Palm Beach County, Florida, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

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

February 2, 2009

Section V

FEDERAL AND STATE FINANCIAL ASSISTANCE

Palm Beach County
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the year ended September 30, 2008

Grantor/ Pass-through Grantor/ Program Title	CFDA CSFA	Contract/Grant Number	Expenditures	Transfers
FEDERAL GRANTS				
<u>U.S. Department of Agriculture</u>				
Direct Programs:				
Wetlands Reserve Program Lox Slough/Sandhill Restoration	10.072	66-4209-77-7-07	\$ 406,000	\$ -
Wetlands Reserve Program Winding Waters	10.072	66-4209-77-7-06	562,113	-
Wildlife Habitat Incentive Program - High Ridge	10.914	724209070ZM	6,300	-
Wildlife Habitat Incentive Program - Hypoluxo	10.914	724209070ZO	5,460	-
Wildlife Habitat Incentive Program - Juno	10.914	724209070ZP	6,760	-
Wildlife Habitat Incentive Program - Seacrest	10.914	724209070L4	4,220	-
Wildlife Habitat Incentive Program - Yamato	10.914	724209070L3	8,813	-
Passed Through Florida Department of Health 07-08 Child and Adult Care Food Program	10.558	S-735	813,236	-
Passed Through Florida Department of Education Summer Food Service Program for Children - GY08	10.559	04-0781	302,731	-
Passed Through Florida Department of Agriculture & Consumer Svcs Cooperative Forestry Assistance - Planting Trees on C-18 Canal	10.664	11134	87,500	-
Total Department			2,203,133	-
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Community Development Block Grant/Entitlement Grants	14.218	B-00-UC-12-0004	52,000	52,000
Community Development Block Grant/Entitlement Grants	14.218	B-01-UC-12-0004	70,437	70,437
Community Development Block Grant/Entitlement Grants	14.218	B-02-UC-12-0004	86,314	86,314
Community Development Block Grant/Entitlement Grants	14.218	B-03-UC-12-0004	320,382	320,382
Community Development Block Grant/Entitlement Grants	14.218	B-04-UC-12-0004	1,223,506	1,223,506
Community Development Block Grant/Entitlement Grants	14.218	B-05-UC-12-0004	1,081,731	1,081,731
Community Development Block Grant/Entitlement Grants	14.218	B-06-UC-12-0004	1,990,904	1,561,723
Community Development Block Grant/Entitlement Grants	14.218	B-07-UC-12-0004	3,294,712	1,598,069
Community Development Block Grant/Entitlement Grants	14.218	B-98-UC-12-0004	224,596	224,596
Emergency Shelter Grants Program	14.231	S-06-UC-12-0016	750	750
Emergency Shelter Grants Program	14.231	S-07-UC-12-0016	267,969	267,969
Supportive Housing Program GY07	14.235	FL14B50-5003	135,130	-
Supportive Housing Program GY08	14.235	FL14B60-5007	338,885	-
Shelter Plus Care GY03	14.238	FL14C10-5001	96,850	-
Shelter Plus Care GY05	14.238	FL14C40-5001	152,073	-
Shelter Plus Care GY08	14.238	FL14C70-5018	33,916	-
HOME Investment Partnerships Program	14.239	M-01-UC-12-0215	200,000	200,000
HOME Investment Partnerships Program	14.239	M-02-UC-12-0215	99,903	99,903
HOME Investment Partnerships Program	14.239	M-03-UC-12-0215	783,698	783,698
HOME Investment Partnerships Program	14.239	M-04-UC-12-0215	223,897	223,897
HOME Investment Partnerships Program	14.239	M-05-UC-12-0215	12,732	-
HOME Investment Partnerships Program	14.239	M-06-UC-12-0215	616,781	604,641
HOME Investment Partnerships Program	14.239	M-07-UC-12-0215	1,733,461	1,394,362
Fair Housing Assistance Program--State & Local	14.401	FF204K014023	157,649	-
Fair Housing Assistance Program--State & Local	14.401	FF204K004023	254,514	-
Passed Through Florida Department of Community Affairs Community Development Block Grant/State's program & Non-Ent	14.228	06-DB-3C-10-60-01-W2	2,134,145	2,096,938
Community Development Block Grant/State's program & Non-Ent	14.228	07DB3V106001Z07	1,525,860	1,408,999
Community Development Block Grant/State's program & Non-Ent	14.228	08DBD3106001A07	8,600	8,600
Total Department			17,121,395	13,308,515
<u>U.S. Department of Interior</u>				
Direct Programs:				
Conservation Grants Private Stewardship for Imperiled Species	15.632	1448-40181-02-J-053	24,000	-
Total Department			24,000	-
<u>U.S. Department of Justice</u>				
Direct Programs:				
Enhanced Training and Service Elderly Abuse Training Project	16.528	OV007-003	103	-
National Institute of Justice -DNA Capacity Enhancement FY 06	16.560	2005-DA-BX-K075	11,743	-
National Institute of Justice - Cold Cases	16.560	2005-DN-BX-K031	61,998	-
National Institute of Justice - DNA Solving Cold Cases	16.560	2007-DN-BX-K023	6,318	-
National Institute of Justice - DNA Backlog Reduction FY 07	16.560	2005-DN-BX-K099	24,996	-
Crime Victim Assistance - Victims of Crime Act	16.575	V7238	35,973	-

Palm Beach County
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the year ended September 30, 2008

Grantor/ Pass-through Grantor/ Program Title	CFDA CSFA	Contract/Grant Number	Expenditures	Transfers
Multi-Agency Violent Crimes Strategy	16.580	2007-DD-BX-0617	\$ 834,706	\$ -
SMART FY 08 Office Support/Adam Walsh	16.580	2008-DD-BX-0060	13,132	-
Local Law Enforcement Block Grant - Comm Justice Serv Cntr	16.592	2006-DJ-BX-0816	28,123	-
Local Law Enforcement Block Grant - Combat & Re-Entry	16.592	2007-DJ-BX-1153	285,693	-
Bulletproof Vests Partnership Pgm FY 07	16.607	GII-4.0	49,888	-
Public Safety Partnership & Community Policing Grant - COPS Universal Hiring	16.710	2004-UL-WX-0001	168,555	-
Public Safety Partnership & Community Policing Grant - COPS in Schools 2004	16.710	2001SHWX0624	237	-
Forensic DNA Capacity Enhancement Program - K224	16.741	2006-DN-BX-K224	76,151	-
Forensic DNA Backlog Reduction Program	16.741	2006-DN-BX-K071	95,694	-
Forensic DNA Backlog Reduction Program	16.741	2007-DN-BX-K091	200,831	-
Paul Coverdell Forensic Sciences Improvement Grant Program - GY 07	16.742	2007-CD-BX-0002	25,273	-
Anti-Gang Imitative/Midnight Hoops Program for Fremd Village	16.744	PSN-2004-GP-BX-0047	31,362	-
Federal Equity Sharing	16.UNKNOWN	FL0500000	269,545	-
Passed Through Florida Department of Law Enforcement				
Residential Substance Abuse Treatment for State Prisoners - Drug Farm Phase 1	16.593	2008-RSAT-PALM1Q8002	36,312	-
Residential Substance Abuse Treatment for State Prisoners - Drug Farm Phase 1	16.593	2009-RSAT-PALM-1-T9	9,673	-
Edward Byrne Memorial Justice Assistance Grant Program - West Palm Beach	16.738	2007JAGCPALM4P3107	92,246	-
Edward Byrne Memorial Justice Assistance Grant Program - West Palm Beach	16.738	2008JAGCPALM2Q9222	309,243	-
Edward Byrne Memorial Justice Assistance Grant Program - Drug Court	16.738	2008JAGCPALM4Q9213	38,476	-
Edward Byrne Memorial Justice Assistance Grant Program - Forensic Account	16.738	2008JAGCPALM6Q9066	40,565	-
Edward Byrne Memorial Justice Assistance Grant Program -Domestic Violence	16.738	2008JAGCPALMSQ9065	60,000	-
Paul Coverdell Forensic Sciences Improvement Grant Program - GY 06	16.742	2006-DN-BX-0041	13,140	-
Passed Through State Attorney's Office				
Crime Victims Assistance - VOCA	16.575	V7193	149,275	-
Passed Through City of West Palm Beach				
Community Capacity Development Office-Gramercy Village Weed & Seed	16.595	2007-WS-Q7-0243	18,688	-
Total Department			2,987,939	-
<u>U.S. Department of Labor</u>				
Passed Through Florida Department of Education				
07-08 Farmwork Jobs and Education Program	17.264	760-4058A-8CFJ1	212,705	-
08-09 Farmwork Jobs and Education Program	17.264	760-4059A-9CFJ1	88,086	-
Total Department			300,791	-
<u>U.S. Department of Transportation</u>				
Direct Programs:				
Airport Improvement Program - Pahokee Taxi Rehab and Apron Imp	20.106	3-12-0060-002-2008	59,568	-
Airport Improvement Program - Construct Emergency Ops Center	20.106	3-12-0085-044-2005	571,543	-
Airport Improvement Program - Repairs to Terminal PBI	20.106	3-12-0085-045-2006	1,379,156	-
Airport Improvement Program - Conduct Env. Impact Statement (EIS)	20.106	3-12-0085-046-2006	770,279	-
Airport Improvement Program - Part 2 Conduct Env. Impact Statement (EIS)	20.106	3-12-0085-047-2007	591,823	-
Airport Improvement Program - PBI Airfield Signage Improve	20.106	3-12-0085-048-2008	10,984	-
Airport Improvement Program - Lantana Runway 33 Threshold Imp.	20.106	3-12-0086-007-2007	130,044	-
Airport Improvement Program - Lantana Airfield Signage Improve	20.106	3-12-0086-008-2008	38,262	-
Airport Improvement Program - NC Taxiway, Apron, Seg Circle	20.106	3-12-0113-013-2008	27,119	-
Highway Planning & Construction - CMAQ Tri Rail Feeder Buses	20.205	FL-90-X640	812	-
Federal Transit Formula Grants - FY2006 Section 5309	20.500	FL-04-0002	339,599	-
Fed. Transit Capital Investment - FY08 Section 5309	20.500	FL-04-0060	137,525	-
Federal Transit Formula Grants - FY2002 Section 5307	20.507	FL-90-X438	3,934	-
Federal Transit Formula Grants - FY2004 Section 5307	20.507	FL-90-X520	92,661	-
Federal Transit Formula Grants - FY2005 Section 5307	20.507	FL-90-X551	240,175	-
Federal Transit Formula Grants - FY2006 Section 5307	20.507	FL-90-X571	370,364	-
Federal Transit Formula Grants - FY2006 Section 5307	20.507	FL-90-X625	3,544,168	-
Federal Transit Formula Grants - Intermodal Site	20.507	FL-90-X627	253,197	-
Fed. Transit Formula Grant - FY08 Section 5307	20.507	FL-90-X673	2,217,491	-
Passed Through Florida Department of Transportation				
Highway Planning & Construction - Computerized Traffic Signals	20.205	229253-1-54-03/AI599	388,739	-
Highway Planning & Construction - Section 112	20.205	PL-0097(45)/A5359	1,262,557	-
Fed Transit Metro Plan Grants - Fed Transit Authority 5303	20.505	FL-80-X014/ANO76	235,645	-
Formula Grants Non Urbanized Areas - Rural Operating FY 2007	20.509	FL-18-X025	235,042	-
State and Comm Hwy Safety - Bicycle Safety Initiative	20.600	PS-08-08-03/A0Z33	88,745	-
State and Comm Hwy Safety - I-95 Task Force Project	20.600	SC-08-13-06/APO27	35,894	-
Development and Promo of Ports & Intermodal Trans Water Taxi	20.801	FL-72-001-R/ANO90	29,624	-
Total Department			13,054,950	-

Palm Beach County
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the year ended September 30, 2008

Grantor/ Pass-through Grantor/ Program Title	CFDA CSFA	Contract/Grant Number	Expenditures	Transfers
<u>U.S. Department of Treasury</u>				
Direct Programs:				
Equitable Sharing	21.UNKNOWN	FL0500000	\$ 59,351	\$ -
Total Department			<u>59,351</u>	<u>-</u>
<u>U.S. Elections Assistance Commission</u>				
Passed Through Florida Department of State				
Ballot on Demand	90.401	NO GRANT #	486,260	-
Federal Elections Activity	90.401	NO GRANT #	146,541	-
Optical Scan Voting Equipment	90.401	NO GRANT #	4,416,000	-
Poll Worker Training	90.401	NO GRANT #	70,824	-
Voter Education - HAVA	90.401	NO GRANT #	141,647	-
Total Department			<u>5,261,272</u>	<u>-</u>
<u>U.S. Department of Health and Human Services</u>				
Direct Programs:				
07-08 Early Head Start	93.600	04CH3046/42	1,719,500	-
07-08 Head Start	93.600	04CH3046/42	12,477,482	5,442,875
07-08 Head Start T & TA	93.600	04CH3046/42	125,328	-
07-08 HIV Emergency Relief Project Grants MAI	93.914	H3MHA08466-01	438,831	438,831
07-08 HIV Emergency Relief Project Grant Formula	93.914	H89HA00034-14	2,428,751	2,223,207
07-08 HIV Emergency Relief Project Grant Supplemental	93.914	H89HA00034-14	1,622,192	1,424,250
08-09 HIV Emergency Relief Project Grant Formula	93.914	H89HA00034-14	2,203,249	1,943,756
08-09 HIV Emergency Relief Project Grant Supplemental	93.914	H89HA00034-14	434,391	434,391
Passed Through Florida Department of Elder Affairs				
Special Programs for the Aging: Title III, Part B GY07	93.044	IA007-1	201,900	-
Special Programs for the Aging: Title III, Part B GY08	93.044	IA008-1	526,799	-
Special Programs for the Aging - Transportation FY06	93.044	IA008-21	363,523	363,523
Special Programs for the Aging: Title III, Part C1 GY07	93.045	IA007-1	189,538	-
Special Programs for the Aging: Title III, Part C2 GY07	93.045	IA007-1	301,188	-
Special Programs for the Aging: Title III, Part C1 GY08	93.045	IA008-1	366,938	-
Special Programs for the Aging: Title III, Part C2 GY08	93.045	IA008-1	466,704	-
National Family Caregiver Support: Title III GY07	93.052	IA007-1	80,139	-
National Family Caregiver Support: Title III GY08	93.052	IA008-1	106,215	-
07-08 Nutrition Services Incentive Program (NSIP) (USDA)	93.053	IU008-9500	352,120	-
07-08 Emergency Home Energy Assistance for the Elderly Progr	93.568	IP007-9500	4,689	-
08-09 Emergency Home Energy Assistance for the Elderly Progr	93.568	IP008-9500	10,002	-
Passed Through Florida Department of Revenue				
Child Support Enforcement	93.563	CD350	661,643	-
Passed Through Florida Department of Children & Families				
Access and Visitation Programs - Justice Services Family Conn.	93.597	I9FS04	24,615	-
Access & Visitation Prgm - Children & Family Connections	93.597	FSSA006-09	8,663	-
Passed Through Florida Department of Community Affairs				
Low Income Home Energy Assistance - GY07	93.568	07EA-6J-10-60-01-023	514,579	-
08-09 Low-Income Home Energy Assistance	93.568	08EA-7B-10-60-01-023	384,722	-
2007 Community Services Block Grant	93.569	08SB-6I-11-60-01-023	911,471	-
Total Department			<u>26,925,172</u>	<u>12,270,833</u>
<u>U.S. Department of Homeland Security</u>				
Direct Programs:				
Emergency Food & Shelter National Board Program	97.024	25-1686-00-019	1,536	-
Emergency Food & Shelter National Board Program	97.024	25-1686-00-019	37,584	-
Nat'l Explosives Det. Canine Trn Prgm-Transp. Sec. Admin.	97.072	HSTS02-06-H-CAN078	245,572	-
Passed Through Florida Department of Community Affairs				
Public Assistance Grants - Hurricane Jeanne & Frances	97.036	05-G%-10-60-02-987	868,150	-
Public Assistance Grants - Wilma	97.036	06-WL-&K-10-60-01-616	2,697,547	-
Public Assistance Grants - Fay	97.036	08-PA-B9-10-60-13-636	233,901	-
Hazard Mitigation Grant-Bridge Houses Storm Impact Windows	97.039	07HM-4@-10-60-01-015	25,368	-
Emergency Mgmt Perf. - EM Preparedness & Assistance	97.042	08BG-24-10-60-01-226	104,518	-
Homeland Sec. Grant Prgm - Office of Domestic Preparedness	97.067	07DS-5N-10-60-01-300	88,368	-
Homeland Security Grant - Citizen Corp	97.067	08CC-64-10-60-01-116	11,600	-
Homeland Security Grnt-Enforcement Exchange (FLEX) Project	97.067	07DS5N106023431	11,172	-

Palm Beach County
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the year ended September 30, 2008

Grantor/ Pass-through Grantor/ Program Title	CFDA CSFA	Contract/Grant Number	Expenditures	Transfers
Passed Through Florida Department of Law Enforcement				
Homeland Security Grnt-FL Domestic Security Strategic Plan	97.067	2007SHSPPALM1Q5041	\$ 54,226	\$ -
Homeland Security Grant - Bomb & SWAT Build out	97.067	2007SHSPPALM2Q5048	32,932	-
Homeland Security Grant - Forensic Response Team Buildout	97.067	2008SHSPPALM1S4017	45,422	-
Homeland Security Grant - SWAT & EOD Build Out	97.067	2008SHSPPALM2S4018	189,575	-
Homeland Security Grant - Enhance Critical Infra	97.067	2008LETPPALM1S3034	38,658	-
Homeland Security Grant - Law Enforcement Terror Prevention	97.067	2007LETPPALM1Q4053	99,731	-
Passed Through Florida Division of Emergency Management				
Hazard Mitigation Grant - Westgate/Belvedere CRA L-2 & L-2B	97.039	07HM-6@-10-60-01-028	109,974	-
Hazard Mitigation Grant-Grove Street Drainage	97.039	07HM-6@-10-60-01-047	48,750	-
PBCDowntown Govt Complex Wind Retrofit	97.039	08HM-6G-10-60-01-020	387,027	-
Passed Through City of Miramar				
Homeland Security Grant Prgm - UASI 2006-2007	97.067	07DS-5S-11-16-02-259	182,179	163,385
Homeland Security Grant Prgm - UASI 2007-2008	97.067	08DS-62-11-16-02-296	25,670	-
Homeland Security Grnt-UASI Initiative FY 07	97.067	07DS5N111602259	603,285	-
Passed Through Florida Department of Financial Services				
Homeland Security Grant - SFM FM235 USAR	97.067	FM235	10,800	-
Passed Through Florida Fish and Wildlife				
Homeland Security Grant - Waterborne Response Team Vessel	97.067	06-DS-3W-13-00-16344	25,783	-
Total Department			6,179,328	163,385
<u>Office of National Drug Control Policy</u>				
Direct Programs:				
Operation Two Doors Down	07.UNKNOWN	UNKNOWN	11,928	-
Operation Gangland Express	07.UNKNOWN	UNKNOWN	5,474	-
South Florida HIDTA Initiative FY 2008	07.UNKNOWN	UNKNOWN	56,102	-
Operation Second Chance	07.UNKNOWN	UNKNOWN	16,098	-
Total Department			89,602	-
<u>United States Environmental Protection Agency</u>				
Direct Programs:				
Statewide Surface Water Res. & Wastewater Project LRWTP	66.202	XP-964667-07	768,300	-
Total Department			768,300	-
Total Federal Grants - All Departments			\$ 74,975,233	\$ 25,742,733
STATE GOVERNMENT GRANTS				
<u>Florida Executive Office of the Governor</u>				
Direct Programs:				
OTTED-Office Depot Off-Site Roadway Improvements	31.002	OT07-058/06-00258	\$ 910,251	\$ -
Total Department			910,251	-
<u>Florida Department of Environmental Protection</u>				
Direct Programs:				
Beach Erosion Control - Singer Isl.	37.003	06PB2	74,225	-
Beach Erosion Control - PB Countywide Monitoring	37.003	06PB3	29,927	-
Beach Erosion Control - Storm Andrea, Noel Dune Restoration	37.003	07PB2	973,063	-
Beach Erosion Control - SLWI Mgme	37.003	99PB1	158,708	-
Beach Erosion Control - Jupiter Carlin Nourishment	37.003	07PB4	66,442	-
Petroleum Contamination Site Cleanup	37.024	GC629	741,254	-
Statewide Surf Wtr Rest & Wstwtr - Limestone Creek Greenway	37.039	4600000690	306,600	-
Statewide Surf. Water Rest. & Wstewtr Prjts - LW Lagoon	37.039	LP6046	544,619	314,912
Statewide Surf.Wtr.Rest. 7 Wstewtr Prjt - Chain of Lakes	37.039	LP6077	656,192	-
Statewide Surf.Wtr.Rest.&Wstewtr Prj - Cypress Creek Tract	37.039	4600000681	65,000	-
Statewide Surf Wtr Rest & Wstr - Limestone Creek Ph III	37.039	4600001245	22,573	-
Statewide Greenways - Lake Okeechobee Scenic Trail	37.053	S0266	162,159	-
Passed Through Florida Recreation Development Assistance Program				
FL Recreation Development Assistance Program-Glades Pioneer	37.017	F8012	2,001	-
Passed Through South Florida Water Mgmt District				
Statewide Surface Water Res. & Wastewater Project LRWTP	37.066	4600001139	1,500,000	-
Total Department			5,302,763	314,912

Palm Beach County
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the year ended September 30, 2008

Grantor/ Pass-through Grantor/ Program Title	CFDA CSFA	Contract/Grant Number	Expenditures	Transfers
<u>Florida Department of Agriculture and Consumer Services</u>				
Passed Through Bureau/Entomology/Pest Control				
Mosquito Control - FY08	42.003	13062	\$ 37,000	\$ -
Total Department			<u>37,000</u>	<u>-</u>
<u>Florida Department of State and Secretary of State</u>				
Passed Through Division of Library & Information Services				
Public Library Construction Program	45.020	08-PLC-21	500,000	-
State Aid to Libraries	45.030	08-ST-53	1,216,617	-
Total Department			<u>1,716,617</u>	<u>-</u>
<u>Florida Department of Community Affairs</u>				
Direct Programs:				
Cypress Ck Ph III				
FL Local Update of Census Addresses	52.002	07-010-FF7	6,595,500	-
	52.038	08DDJ3106001021	13,020	-
Passed Through Florida Communities Trust				
FFA-FCT Dubois Park	52.002	07-CT-1E-06-F6-A1-04	1,813,972	-
Passed Through Florida Division of Emergency Management				
Emergency Mgmt. Prgrms - EM Preparedness & Assistance (EMPA)	52.008	08BG-24-10-60-01-226	102,959	-
Emergency Management Projects Sara-Hazardous Waste Grant	52.023	08CP-04-10-60-01-140	23,582	-
Total Department			<u>8,549,033</u>	<u>-</u>
<u>Florida Housing Finance Corp</u>				
Direct Programs:				
State Housing Initiatives Partnership Prgm - 05	52.901	HFC01	1,203,780	867,665
State Housing Initiatives Partnership Prgm - 06	52.901	HFC01	2,231,532	2,201,671
State Housing Initiatives Partnership Prgm - 07	52.901	HFC01	5,419,308	4,717,904
State Housing Initiatives Partnership Prgm - 08	52.901	HFC01	391,784	391,784
Hurricane Housing Recovery Program - 05	52.902	HFC01	2,240,960	1,972,655
Total Department			<u>11,487,364</u>	<u>10,151,679</u>
<u>Florida Department of Transportation</u>				
Direct Programs:				
Aviation Dev Grant - Replace Lighting and Segmented Circle	55.004	424429-1-94-01-AP445	68	68
Aviation Dev Grant - Airfield Signage Lantana	55.004	424428-1-94-01-AP446	480	480
Aviation Dev Grant - Pavement Rehab North County	55.004	422875-1-94-01-AOS68	645	645
Aviation Dev Grant - Pahokee Taxilane Rehab	55.004	422876-1-94-01-AO565	1,568	1,568
Aviation Dev Grant - Lantana Runway 33 Threshold Imp.	55.004	422877-1-94-01-AO566	3,422	3,422
Aviation Dev Grants - Rehab Terminal Air	55.004	412396-1-94-01-ANA50	5,407	5,407
Aviation Dev Grant - Const Taxiway Exits RW 13/31 and 9L/27R	55.004	412712-1-94-01-AOJ38	6,214	6,214
Aviation Dev Grant - Const Taxiway Exits RW 9L/27R	55.004	412716-1-94-01-AOJ39	7,421	7,421
Aviation Dev Grant - Rehab and Expand Apron	55.004	412717-1-94-01-AOJ49	12,652	12,652
Aviation Dev Grants - Expand Apron a pbia	55.004	416304-1-94-01-AOI91	21,276	21,276
Aviation Dev Grant - Lantana Construct Hangars	55.004	414565-1-94-01-AOY68	93,022	93,022
Aviation Dev Grant - Relocate Communications Center	55.004	416305-1-94-01-AO212	95,257	95,257
Aviation Dev Grant - Taxiway Pavement Rehab PBIA	55.004	407689-1-94-01-AOE38	96,743	96,743
Aviation Dev Grants - Construct Apron PBIA	55.004	407711-1-94-01-ANO68	127,637	127,637
Aviation Dev Grant - Extend Taxiway F at PBIA	55.004	420347-1-94-01-AOY71	155,111	155,111
Aviation Dev Grant - North County Construct Hangars	55.004	414566-1-94-01-AOY70	177,652	177,652
Aviation Dev Grants - Pahokee Construct Hangars	55.004	236525-1-94-01-ANO67	237,612	237,612
Aviation Dev Grant - Relocate Comm Center at PBIA	55.004	405835-1-94-01-AK636	776,470	776,470
County Incentive Grant Pgm-Forest Hill & Congress Intersection Impr	55.008	421785-1-38-01	42,981	-
County Incentive Grant Pgm-Okeechobee-SR 7/Fl Tpke	55.008	409701-1-54-01/AL563	118,379	-
County Incentive Grant Pgm-Lyons Rd/N of Atlantic to S of Boynton	55.008	421786-1-38-01	182,522	-
Public Transit Block Grant - Operating	55.010	ANQ71	3,681,479	-
Public Transit Service Development - Maintenance Training	55.012	AOJ19	1,750	-
Public Transit Service Development - Marketing Campaign	55.012	ANU43	1,976	-
Public Transit Service Development - Travel Training	55.012	ANU45	2,450	-
Public Transit Service Development - Marketing to new reside	55.012	ANU46	31,964	-
Public Transit Service Development - System Assess	55.012	AO702	37,440	-
Public Transit Service Development - Nitrogen Inflation Syst	55.012	AO465	65,000	-
Public Transit Service Development - Clewiston Service	55.012	AL615	95,592	-
Public Transit Service Development - Route Deviation	55.012	AOJ20	117,766	-
Intermodal Development Program-WPB Intermodal Facility	55.014	AL744	57,348	-
State Highway Project Reimbursement-Okeechobee/W of Clear Lke	55.023	229755-1-58-01	50,000	-

Palm Beach County
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the year ended September 30, 2008

Grantor/ Pass-through Grantor/ Program Title	CFDA CSFA	Contract/Grant Number	Expenditures	Transfers
State Highway Project Reimbursement Small Projects	55.023	229765-2-54-01	\$ 55,803	\$ -
State Highway Project Reimbursement-Blue Heron & Congress Intersect	55.023	417062-2-A8-01	110,451	-
State Highway Project Reimbursement-W. Atl./Lyons/FL Trpk.	55.023	229658-3-48-01/ANH96	597,140	-
State Highway Project Reimbursement-Intelligent Transportation Sys	55.023	231930-1-A8-01/AN554	761,410	-
Transportation Regional Incentive Pgm-Okeechobee/SR 7 to Turnpike	55.026	409701-1-58-01	2,226,129	-
Passed Through Florida Commission/Transportation Disadvantaged Commission for the Transportation Disadvantaged-FY08	55.001	AOT87	2,047,242	2,047,242
Comm for the Transportation Disadvantaged Plan	55.002	AOR96	43,915	-
Total Department			<u>12,147,394</u>	<u>3,865,899</u>
<u>Florida Department of Children & Families</u>				
Direct Programs:				
Homeless Challenge Grant	60.014	IFZ11	100,000	-
Homeless Housing Assistance Grant	60.015	IFZ10	463,500	-
07-08 Homeless Prevention Grant	60.021	IF-185	67,068	-
08-09 Homeless Prevention Grant	60.021	IF-188	13,277	-
DCF Re-Entry Case Manager	60.053	C15 SAMH	17,074	-
Adult Comm Mental Health - Re-Entry Case Mgr Program	60.053	NO GRANT #	15,079	-
DCF - Criminal Justice Mental Health Substance Abuse Local	60.115	LHZ22	18,438	-
Total Department			<u>694,436</u>	<u>-</u>
<u>Florida Department of Health</u>				
Direct Programs:				
County Grant Award-EMS Grant	64.005	V6050	334,179	311,795
Passed Through the Florida Council Against Sexual Violence				
Rape Crisis Center - 07	64.061	07RCP26	38,343	-
Rape Crisis Center - 08	64.061	07RCP26	14,055	-
Rape Crisis Center - 07	64.069	07OAG26	1,827	-
Rape Crisis Center - 08	64.069	08OAG26	4,236	-
Total Department			<u>392,640</u>	<u>311,795</u>
<u>Florida Department of Elder Affairs</u>				
Passed Through the Area Agency on Aging				
07-08 Home Care for the Elderly	65.001	IH007-9500	5,189	-
08-09 Home Care for the Elderly	65.001	IH008-9500	2,001	-
07-08 Alzheimer's Disease Initiative	65.004	IZ007-9500	205,463	-
08-09 Alzheimer's Disease Initiative	65.004	IZ008-9500	59,509	-
07-08 Respite for Elders Living in Everyday Families	65.006	IR007-9500	83,623	-
08-09 Respite for Elders Living in Everyday Families	65.006	IR008-9500	18,111	-
07-08 Community Care for the Elderly	65.010	IC007-9500	896,469	-
08-09 Community Care for the Elderly	65.010	IC008-9500	315,982	-
Total Department			<u>1,586,347</u>	<u>-</u>
<u>Florida Department of Law Enforcement</u>				
Direct Programs:				
Statewide Criminal Analysis Lab System	71.002	N/A	229,328	-
Violent Crime Investigations -SUR 13 Investigation	71.004	VC-07/08-2	20,000	-
Violent Crime Investigations - Operation Gangland Express	71.004	N/A	1,308	-
Drug Control/Money Laundering Investigations	71.005	N/A	9,533	-
Total Department			<u>260,169</u>	<u>-</u>
<u>Florida Fish and Wildlife Conservation Commission</u>				
Direct Programs:				
FBIP-FFWCC Light Harbor Marina	77.006	07080	224,010	-
Artificial Reef Grants Pgm - Reef Monitoring	77.007	6122	10,788	-
Aquatic Habitat Conservation and Restoration Projects	77.016	6186	231,814	-
Total Department			<u>466,612</u>	<u>-</u>
Total State Grants - All Departments			<u>\$ 43,550,626</u>	<u>\$ 14,644,285</u>
TOTAL FEDERAL AND STATE GRANTS			<u>\$ 118,525,859</u>	<u>\$ 40,387,018</u>

Palm Beach County, Florida

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance Year Ended September 30, 2008

1. General

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") presents the activity of all federal award programs and state financial assistance projects of Palm Beach County, Florida (the County) for the year ended September 30, 2008. The County's structure is described in Note 1 to the basic financial statements. Federal awards and state financial assistance received directly from federal and state agencies, as well as those passed through other government agencies are included in the accompanying Schedule.

2. Basis of Presentation

The Schedule includes the activities of all federal programs and state financial assistance projects of Palm Beach County, Florida ("the County"), and is presented using the modified accrual basis of accounting for expenditures accounted for in the governmental fund types and on the accrual basis of accounting for expenses of the proprietary fund types. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations and Chapter 10.550, Rules of the Auditor General. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

McGladrey & Pullen

Certified Public Accountants

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

Honorable Chair and Members of
the Board of County Commissioners
Palm Beach County, Florida

Honorable Ric L. Bradshaw
Sheriff

Honorable Sharon R. Bock
Clerk and Comptroller

Honorable Susan Bucher
Supervisor of Elections

Honorable Gary R. Nikolits
Property Appraiser

Honorable Anne Gannon
Tax Collector

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Palm Beach County, Florida ("the County") as of and for the year ended September 30, 2008, and have issued our report thereon dated March 16, 2009. We did not audit the financial statements of the Solid Waste Authority, a major enterprise fund, which represents 31% of the total assets and 47% of total revenues of the business-type activities. We did not audit the financial statements of the Westgate Belvedere Homes Community Redevelopment Agency, a discretely presented component unit, which represents 48% of the total assets and 60% of the total revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the Housing Finance Authority, a discretely presented component unit, which represents 50% of the total assets and 13% of the total revenues of the aggregate discretely presented component units. 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 Solid Waste Authority, Westgate Belvedere Homes Community Redevelopment Agency, and Housing Finance Authority, is based on the reports of the other auditors. Our report does not address their respective internal control or compliance. 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.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2, to be significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 matters that we have reported to management of the County in a separate letter dated March 16, 2009.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of County Commissioners, federal and state awarding agencies and pass-through entities, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

West Palm Beach, Florida
March 16, 2009

McGladrey & Pullen

Certified Public Accountants

**Independent Auditor's Report
on Compliance With Requirements Applicable to Each
Major Federal Program and State Project and on Internal
Control Over Compliance in Accordance With OMB
Circular A-133 and Chapter 10.550, Rules of the Auditor General**

Honorable Chair and Members of
the Board of County Commissioners
Palm Beach County, Florida

Honorable Ric L. Bradshaw
Sheriff

Honorable Sharon R. Bock
Clerk and Comptroller

Honorable Susan Bucher
Supervisor of Elections

Honorable Gary R. Nikolits
Property Appraiser

Honorable Anne Gannon
Tax Collector

Compliance

We have audited the compliance of Palm Beach County, Florida ("the County") with the types of compliance requirements described in the U. S. Office of Management and Budget ("OMB") Circular A-133, *Compliance Supplement*, and the requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement*, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2008. The County's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects is the responsibility of the County's management. Our responsibility is to express an opinion on the County'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* and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the County'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 on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and Chapter 10.550 and which is described in the accompanying schedule of findings and questioned costs as item 2008-6.

Internal Control Over Compliance

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

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2008-3 through 2008-5 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedules of findings and questioned costs to be material weaknesses.

Schedule of Expenditures of Federal Awards and State Financial Assistance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County as of and for the year ended September 30, 2008, and have issued our report thereon dated March 16, 2009. Our report was modified to include a reference to other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of County Commissioners, federal and state awarding agencies and pass-through entities, and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

West Palm Beach, Florida
March 16, 2009

Palm Beach County, Florida

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued:		Unqualified
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> X </u> Yes	_____ None Reported
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_____ Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> X </u> Yes	_____ None Reported

Type of auditor's report issued on compliance for major programs:		Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<u> X </u> Yes	_____ No

The program tested as major included the following:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant / Disaster Recovery Initiative
14.239	Home Investment Partnership Program Grant
20.106	Airport Improvement Program
90.401	Optical Scan Voting Equipment Grant
93.044/93.045/93.053	Aging Cluster
93.600	Head Start
93.914	HIV Emergency Relief Project Grant

Dollar threshold used to distinguish between type A and type B programs:	\$ 2,249,257
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Auditee qualified as low-risk auditee?	_____ Yes	<u> X </u> No
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(Continued)

Palm Beach County, Florida

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

State Financial Assistance

Internal control over major projects:

Material weakness(es) identified? X No

Significant deficiency(ies) identified that are not
considered to be material weakness(es)? X Yes None Reported

Type of auditor's report issued on compliance for
major projects:

Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Chapter 10.550, *Rules*
of the Auditor General?

 X Yes No

The project tested as major included the following:

<u>CSFA Number(s)</u>	<u>Name of State Financial Assistance Project</u>
37.066	Water Protection and Substability Program
52.002	Florida Forever Act
52.901	State Housing Initiatives Partnership (SHIP) Program
52.902	Hurricane Housing Recovery Program
55.023	State Highway Project Reimbursement
55.026	Transportation Regional Incentive Program

Dollar threshold used to distinguish between type
A and type B projects:

\$ 1,306,519

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

II – Financial Statements Findings

2008-1 – Reporting Budgeted Amounts as Expenditures

Criteria: The County's Policy and Procedures Manual (PPM# CW-F-044) over interdepartmental billings states that the service providing department will invoice the requesting department based on actual costs incurred.

Condition: We noted approximately \$2.5 million of interdepartmental billings related to capital outlay recorded in the general ledger which was based on estimated project costs instead of actual costs incurred.

Context: This condition is considered to be systemic in nature.

Effect: At the fund level, revenues and expenditures were overstated. At the governmental activities level, capital assets and state capital grant revenues were overstated.

Cause: There appears to be a lack of adherence to the policies and procedures established by the County through its policy and procedures manual. This was due to a decision to apply a process not specifically allowed in the County PPM's.

Recommendation: The County should take actions to ensure the various departments are aware of and understand the PPM's relating to interdepartmental billings. A policy should be established to require any department electing to depart from standard County PPM's to obtain documented approval from the County Administrator or Director of the Office of Financial Management and Budget.

Views of responsible officials and planned corrective action: Management concurs with the findings and recommendations and OFMB will provide training to departments to ensure understanding of the County's PPM relating to interdepartmental billings. Departments have been advised that charge-offs must reflect actual costs, not estimated or budgeted. In addition, OFMB will implement a more thorough review of department prepared reconciliations prior to submittal to the auditors.

2008-2 – Schedule of Expenditures of Federal Awards and State Financial Assistance

Criteria: The County's Policy and Procedure Manual (PPM# CW-F-003) directs the grant administering departments to maintain their accounting records for the grant in accordance with the grant agreements and generally accepted accounting principles. This same PPM stipulates that the departments have to submit final grant reconciliations and supporting documents within a specified time frame.

Condition: During our testing of federal and state awards, the schedule of expenditures was changed by the County on several occasions. We also noted several of the supporting grant reconciliations were not prepared correctly and had to be redone by the respective department.

Context: This condition is considered to be systemic in nature.

Effect: The schedule of expenditures submitted to the auditor was not prepared in accordance with the County's policies and procedures and did not appropriately reflect the grant activities of the County, which could result in noncompliance with federal and state single audit or program requirements.

Palm Beach County, Florida

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

Cause: There appears to be a lack of adherence to the policies and procedures implemented by the County through its policy and procedures manual.

Recommendation: The County should take actions to ensure the various departments are aware of and understand the PPM's relating to the administration of grants. Training should be provided to the individuals responsible for administration of grants on an as needed basis.

View of responsible officials and planned corrective actions: Management concurs with the findings and recommendations and OFMB will provide training to individuals responsible for the administration of grants to ensure understanding of the County's PPM as it relates to grant administration and reporting. In addition, OFMB will implement a more thorough review of department prepared reconciliations prior to submittal to the auditors.

III –Federal Awards and State Financial Assistance Findings and Questioned Costs

2008-3

Reporting
U.S. Department of Health and Human Services

<u>Title:</u> Aging Cluster	<u>CFDA#:</u> 93.044 / 93.045 / 93.053
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Criteria: OMB Circular A-133 stipulates adequate and effective internal controls must be in place over the applicable compliance requirements.

Condition: The County does not have control activities in place to ensure the annual Service Cost Report is reviewed and approved by someone other than the preparer prior to submittal to the granting agency.

Questioned costs: Not applicable.

Context: This condition is considered to be systemic in nature.

Effect: Failure to maintain effective internal controls over reporting could result in noncompliance with the reporting requirements of the program which could result in disallowed costs by the grantor agency.

Cause: Lack of adequate administrative oversight as required by the program control procedures.

Recommendation: We recommend the County implement policies and procedures to ensure that the annual report submitted to the granting agency is reviewed and approved by someone other than the report preparer prior to submittal.

Views of responsible officials and planned corrective actions: Management concurs with the findings and recommendations and policies and procedures will be implemented to ensure that the annual Service Cost Report submitted to the Area Agency on Aging (AAA, Grantor) is reviewed and approved by someone other than the report preparer prior to submittal.

Palm Beach County, Florida

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

2008-4

Eligibility
U.S. Department of Health and Human Services

Title:
Aging Cluster

CFDA#:
93.044 / 93.045 / 93.053

Criteria: OMB Circular A-133 stipulates adequate and effective internal controls must be in place over the applicable compliance requirements. One of the County's controls over eligibility requirements is that the Department of Elder Affairs assessment instrument DOE Form 701C is completed and approved by Division of Senior Services (DOSS) personnel to assess eligibility of participants.

Condition: We noted that 10 out of the 23 DOE Form 701C we sampled (all ten in the congregate meals program) were not signed by a DOSS assessor and there was no indication that DOSS personnel had reviewed the forms or that the required eligibility determination was performed.

Questioned costs: Not applicable.

Context: This condition is considered to be systemic in nature.

Effect: Failure to maintain effective internal controls over this compliance requirement could result in participants receiving benefits that they are not eligible to receive. As a result, the costs associated with providing those benefits could be disallowed by the grantor agency.

Cause: Lack of adequate administrative oversight as required by the program control procedures.

Recommendation: We recommend the County take actions to ensure DOSS personnel are aware of and understand the County's policies and procedures in place over the eligibility determination process for this grant. Benefits should not be provided until the DOE Form 701C has been completed and approved and the individual has met the eligibility requirements

View of responsible officials and planned corrective actions: Management concurs with the findings and recommendations and the Community Services Department will develop a written policy whereby the Congregate Meal Site Manager will review the completed Congregate Meal registration form (DOEA 701C) for accuracy and eligibility. Once reviewed, the Site Manager will sign the completed DOEA 701C forms, attesting to their accuracy, and then forward them to the DOSS Nutrition Office. The Nutrition Office will review the 701C for completeness including the signature of the Site Manager. If the document is complete, a Nutrition Office staff member will initial and date as reviewed and then enter the 701C into the County's database (STARS) and the State database (CIRTS).

Palm Beach County, Florida

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

2008-5

Subrecipient Monitoring
U.S. Department of Health and Human Services

Title:
HIV Emergency Relief

CFDA#:
93.914

Criteria: OMB Circular A-133 stipulates adequate and effective internal controls must be in place over the applicable compliance requirements. One of the County's controls over sub recipient monitoring is that the County staff that performs the monitoring fills out a checklist for the procedures performed.

Condition: We noted several of the checklists sampled were not complete and / or signed by the County staff performing the monitoring. We also noted the checklists do not go through another review by the staff supervisor. There is also no specific procedure in place to ensure the appropriate program fund recipients are being monitored as required by the grant program.

Questioned costs: Not applicable

Context: This condition is considered to be systemic in nature.

Effect: The County's internal control over sub recipient monitoring is not being followed. This could result in the misuse of funds by sub recipients and eventual loss of funds from the granting agency.

Cause: Lack of adequate administrative oversight as required by the program control procedures.

Recommendation: We recommend the County implement a policy that a supervisor reviews the monitoring checklists after monitoring procedures are performed. Procedures should also be established to ensure that all subrecipients requiring monitoring are subjected to the monitoring procedures.

Views of responsible officials and planned corrective actions: Management concurs with the findings and recommendation and the Community Services Department will develop a written policy outlining the procedures that are to be followed for the monitoring of contracted agencies. It will stipulate that the staff performing the monitoring will complete and sign the checklist for the procedures performed. The completed checklists and reports for the monitoring of all contracted agencies will be reviewed and signed by the program and fiscal supervisory staff.

Palm Beach County, Florida

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

2008-6

Special Tests & Provisions
Florida Housing Finance Corporation

<u>Title:</u> State Housing Initiatives Partnership Program	<u>CSFA#:</u> 52.901
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Criteria: The grant agreement with the County stipulates that the County will determine eligibility for first time home buyers based on HUD income levels. The amount of funding the participant receives is based on the income level determined by the County. Based on these income levels, the program has a special test and provision which requires the County to set aside a certain minimum amount of the total grant funding for individuals who meet the low and very low income classifications.

Condition: We noted two participants classified in the incorrect income level for eligibility. One of these participants was rated as very low income, however based on household income and size the participant should have been rated as low income. Another participant was rated as low income, however based on their household income and size the participant should have been rated as moderate income.

Questioned costs: None

Context: This condition is considered to be systemic in nature.

Effect: We noted in both instances that the participants did not receive the maximum benefit for that income level, which would have resulted in over payment of benefits to the participants. Though the instances do not appear to indicate the participants received too much assistance, it does appear the County is not in compliance with determining participant eligibility in accordance with the HUD guidelines. As a result the County is at risk to not properly meet the minimum set aside requirements of this program which may result in disallowed costs by the grantor agency.

Cause: Lack of administrative oversight in regards to the eligibility determination process.

Recommendation: The County should ensure that all participants are accurately screened for eligibility, and that a thorough review is performed.

Views of responsible officials and planned corrective actions: Management concurs with the findings and recommendations and the Housing and Community Development department has amended its policies and procedures by adding a step whereby senior SHIP staff will review and attest to eligibility determinations made by subordinate staff. In addition, the entire SHIP staff attended a mandatory SHIP income certification training conducted by The Florida Housing Coalition, which is authorized to provide technical assistance to all local SHIP jurisdictions.

Palm Beach County, Florida

Summary Schedule of Prior Year Audit Findings
Year Ended September 30, 2008

Federal Awards Programs:

**2007-01 U.S. Department of Housing and Urban Development, Community Planning and Development:
CFDA 14.239 – Home Investment Partnerships Program**

Finding: We noted that the County did not collect program income in accordance with resale provisions established in its Action Plan submitted to HUD.

Corrective Action Taken: Planned corrective actions have been implemented.

**2007-02 U.S. Department of Housing and Urban Development, Community Planning and Development:
CFDA 14.239 – Home Investment Partnerships Program**

Finding: We noted the County did not have adequate control procedures in place to ensure that the results of the housing quality standards reviews are communicated and follow up is performed as required by the grant program.

Corrective Action Taken: Planned corrective actions have been implemented.

**2007-03 U.S. Department of Health and Human Services:
CFDA 93.600 – Head Start**

Finding: We noted the County did not have adequate control procedures in place to ensure expenditures obtained an adequate approval from the Head Start management.

Corrective Action Taken: Planned corrective actions have been implemented.

**2007-04 U.S. Department of Transportation Federal Highway Administration
CFDA 20.205 – Highway Planning and Construction**

Finding: We noted the County did not have adequate control procedures in place to ensure expenditures from prior years being reported in the current year schedule of expenditures.

Corrective Action Taken: Planned corrective actions have been implemented.

Palm Beach County, Florida

Summary Schedule of Prior Year Audit Findings
Year Ended September 30, 2008

**2007-05 Florida Housing Finance Corporation:
CSFA 52.901 – State Housing Initiatives Partnership Program**

Finding: We noted the County was not in compliance with the SHIP grant agreement over preparation of an adequate annual report.

Corrective Action Taken: Planned corrective actions have been implemented.

**2007-06 Florida Housing Finance Corporation:
CSFA 52.901 – State Housing Initiatives Partnership Program**

Finding: We noted the County does not maintain adequate documentation to provide reasonable assurance that the County collected the appropriate amount of program income.

Corrective Action Taken: Planned corrective actions have been implemented.

**2007-07
CSFA 55.023 – State Highway Project Reimbursement**

Finding: We noted the County reported \$60,000 as expenditures; however, these were not actual expenditures, only budget estimates.

Corrective Action Taken: In the current year, we noted the County reported approximately \$2.1 million as expenditures; however these were not actual expenditures, only budget estimates. Although corrective action did not occur in 2008, management has implemented corrective actions in fiscal year 2009. See financial statement finding 2008-1 for description of current year finding and corrective actions taken by management.

Section VI

TAX COLLECTOR

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

The Honorable Anne M. Gannon
Tax Collector
Palm Beach County, Florida

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the Tax Collector of Palm Beach County, Florida (the "Tax Collector"), as of and for the year ended September 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Tax Collector's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1 to the financial statements, the accompanying financial statements were prepared for the purpose of complying with Section 218.39, *Florida Statutes*, and Section 10.557(3), *Rules of the Auditor General for Local Government Entity Audits*. These financial statements are not intended to be a complete presentation of the financial position of the Tax Collector as of September 30, 2008, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the Tax Collector as of September 30, 2008, and the respective changes in financial position 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 June 15, 2009 on our consideration of the Tax Collector's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison schedule and schedule of funding progress are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements. The Statement of Changes in Assets and Liabilities – Agency Fund is presented for purposes of additional analysis and is not a required part of the financial statements. The Statement of Changes in Assets and Liabilities – Agency Fund has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Tax Collector, management of the Palm Beach County, Florida Tax Collector's office and the Auditor General, of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

West Palm Beach, Florida
June 15, 2009

PALM BEACH COUNTY, FLORIDA
TAX COLLECTOR
BALANCE SHEET - GENERAL FUND
September 30, 2008

ASSETS

Cash and cash equivalents	\$ 48,127,046
Accounts receivable	86,215
Due from other governments	208
Other assets	815,000
<hr/>	
Total assets	\$ 49,028,469
<hr/> <hr/>	

LIABILITIES AND FUND BALANCE

Vouchers payable and accrued liabilities	\$ 917,378
Due to other county funds	41,355,995
Due to other governments	5,682,887
Deferred and unearned revenue	1,072,209
<hr/>	
Total liabilities	49,028,469
<hr/>	
Fund balance	-
<hr/>	
Total liabilities and fund balance	\$ 49,028,469
<hr/> <hr/>	

The notes to the financial statements are an integral part of this statement.

PALM BEACH COUNTY, FLORIDA
TAX COLLECTOR
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
For the fiscal year ended September 30, 2008

Revenues:	
Charges for services	\$ 65,133,926
Less - excess fees paid out	(46,539,258)
Investment income	1,151,068
<hr/>	
Total revenues	19,745,736
<hr/>	
Expenditures:	
Current:	
General government	19,602,071
Capital outlay	143,665
<hr/>	
Total expenditures	19,745,736
<hr/>	
Excess of revenues over (under) expenditures	-
<hr/>	
Net change in fund balance	-
<hr/>	
Fund balance, October 1, 2007	-
<hr/>	
Fund balance, September 30, 2008	\$ -
<hr/> <hr/>	

The notes to the financial statements are an integral part of this statement.

PALM BEACH COUNTY, FLORIDA
TAX COLLECTOR
STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUND
September 30, 2008

ASSETS

Cash and cash equivalents	\$ 43,488,457
Accounts receivable, net	116,252
<hr/>	
Total assets	\$ 43,604,709
<hr/> <hr/>	

LIABILITIES

Vouchers payable and accrued liabilities	\$ 383,866
Due to other governments	34,380,126
Due to individuals	8,840,717
<hr/>	
Total liabilities	\$ 43,604,709
<hr/> <hr/>	

The notes to the financial statements are an integral part of this statement.

**PALM BEACH COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting principles and policies used in the preparation of the accompanying financial statements:

Reporting Entity

The Palm Beach County Tax Collector (the Tax Collector) is a separately elected county official established pursuant to the Constitution of the State of Florida. The Tax Collector's financial statements do not purport to reflect the financial position or the results of operations of Palm Beach County, Florida (the County) taken as a whole.

Section 10.556(6), *Rules of the Auditor General for Local Governmental Entity Audits*, requires the Palm Beach County, Florida, Tax Collector financial statements to only present fund financial statements. Accordingly, due to the omission of government-wide financial statements and related disclosures including a management's discussion and analysis, these financial statements do not constitute a complete presentation of the financial position of the Palm Beach County, Florida, Tax Collector as of September 30, 2008 and the changes in financial position for the year then ended, in conformity with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, but otherwise constitute financial statements prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

The financial activities of the Tax Collector, as a constitutional officer, are included in the Palm Beach County, Florida Comprehensive Annual Financial Report.

Basis of Presentation

The accounting records of the Tax Collector are organized on the basis of funds as prescribed by GAAP applicable to governments as established by the GASB. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Government 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 various types and funds used by the Tax Collector are described as follows:

- *The General Fund*, a governmental fund, is used to account for all revenues and expenditures applicable to the general operations of the Tax Collector that are not required either legally or by GAAP to be accounted for in another fund.

PALM BEACH COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

- *The Agency Fund*, a fiduciary fund, is custodial in nature and does not involve measurement of results of operations (assets equal liabilities). The Agency Fund is used (1) to account for collection of motor vehicle registration receipts and the subsequent remittance of those receipts to the State of Florida and (2) to account for the collection and distribution of local property tax monies and funds generated from the sale of miscellaneous licenses.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The modified accrual basis of accounting is utilized by governmental funds. Under this basis, revenues are recognized if they are susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. For this purpose, the Tax Collector considers revenues to be available if they are collected within 60 days of the current fiscal period. Primary revenue sources susceptible to accrual include charges for services and interest. Expenditures are recognized when the related fund liability is incurred. Exceptions to this general rule include accumulated sick and vacation pay, which are not recorded as expenditures because these amounts will not be paid from expendable available resources.

Governmental funds are accounted for on a “spending” or “financial flow” measurement focus. Generally, only current assets and current liabilities are included on the balance sheet. The operating statement reports increases and decreases in net current assets. Agency funds are custodial in nature (assets equal liabilities) and do not measure the results of operations, but assets and liabilities are measured on the accrual basis of accounting.

Encumbrances

Encumbrances outstanding at year-end represent the estimated amounts of expenditures ultimately to be paid for goods on order or unperformed contracts in process at year-end. Because appropriations lapse at year-end, it is the Tax Collector’s policy to liquidate open encumbrances and reappropriated such amounts at the beginning of the next fiscal year.

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting periods. Actual results could differ from those estimates.

**PALM BEACH COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

Deposits

All deposits are held in qualified public depositories pursuant to the Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act" and are covered by either federal depository insurance or collateral held by the Chief Financial Officer of Florida.

In the event of a default by a qualified public depository, all claims for government deposits would be satisfied by the Chief Financial Officer of Florida 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.

Cash Equivalents

Highly liquid investments with maturities of three months or less when purchased are reported as cash equivalents.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. Expenditures for insurance and similar services extending over more than one accounting period are accounted for as expenditures of the period of acquisition.

Capital Assets

Upon acquisition, capital assets are recorded as expenditures in the General Fund of the Tax Collector and capitalized at cost in the governmental activities of the basic financial statements of the County. The Tax Collector maintains custodial responsibility for the capital assets used by his office. Capital assets are depreciated using the straight-line method over a period ranging from three to seven years. The depreciation expense is recorded in the statement of activities as part of the basic financial statements of the County.

Compensated Absences

Employees of the Tax Collector may accumulate unused Paid Time Off (PTO) up to a maximum of 480 hours. Any unused PTO is paid to the employees at the rate of pay on the date of termination or retirement.

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the Tax Collector determines the liability for compensated absences, as well as certain other salary related costs associated with the payment of compensated absences that are reported by the County in the basic financial statements. For governmental fund reporting, a liability and expenditure for compensated absences is recognized as payments come due each period upon the occurrence of relevant events, such as employee resignations and retirements. For reporting

**PALM BEACH COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

within governmental activities of the County's basic financial statements, PTO leave is accrued as a liability when benefits are earned by the employee. The obligation is reported in Note 3.

2. CASH AND CASH EQUIVALENTS

As of September 30, 2008, the Tax Collector's cash, deposits and investments were as follows:

Cash and cash equivalents:

Deposits with financial institutions	\$91,395,316
Local Government Investment Pool Fund B	203,779
Cash on hand	<u>16,408</u>
Total cash and cash equivalents	<u>\$91,615,503</u>

The breakdown for financial statement purposes was as follows:

Governmental Funds	\$48,127,046
Fiduciary Funds	<u>43,488,457</u>
Total cash and cash equivalents	<u>\$91,615,503</u>

The Tax Collector's cash, deposits and investments are classified as cash and cash equivalents in the accompanying financial statements.

Deposits: The Tax Collector's policy is to follow Florida Statutes, which authorize the deposit of funds in demand deposits or time deposits of financial institutions approved by the State Treasurer. These are defined as public deposits. All of the County's deposits are held in qualified public depositories pursuant to Florida Statutes, Chapter 280, "Florida Security of Public Deposits Act." Under the Act, every qualified public depository shall deposit with the Treasurer eligible collateral equal to or in excess of the required collateral of the depository to be held subject to his or her order. The Treasurer, by rule, shall establish minimum required collateral pledging levels. The pledging level may range from 50% to 125% of the average monthly balance of public deposits depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral, and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

Authorized Investments: The Tax Collector's policy for investments is to follow Florida Statutes.

Local Government Investment Pool and Fund B: The Florida State Board of Administration Local Government Investment Pool and Fund B is not a registrant with the Securities and Exchange Commission (SEC); however, its board has adopted operating procedures consistent with the requirements for a 2a-7 fund. On November 29, 2007 the Board of Trustees of the State Board of Administration (SBA) closed the LGIP to all redemptions by participants due to

**PALM BEACH COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

substantial withdrawals from the LGIP over the two preceding weeks that severely reduced the overall liquidity of the LGIP. The withdrawals were in response to published press reports concerning the exposure of the LGIP investments to potential losses from sub-prime mortgage investments. On December 4, 2007 the Board of Trustees approved a restructuring plan for the LGIP and engaged a new investment manager for the LGIP.

The restructuring divided the LGIP into two separate pools, the LGIP and Fund B representing approximately 86% and 14%, respectively, of the original LGIP assets. The LGIP was designated as the ongoing fund consisting of only short-term, money market assets of the highest quality. On December 6, 2007, the LGIP re-opened to accept new deposits from participants and allow restricted withdrawals. Fund B retained all securities from the original LGIP that had defaulted, were in default or had extended payment terms or potentially elevated credit risk. Fund B is closed to deposits and withdrawals and is generally expected to hold all assets to their ultimate maturity and to distribute funds to participants as they become available. The Fund B investment is recorded at fair value based on the net asset value of the Fund B assets reported by the SBA.

The ultimate realizable value and the date when the LGIP Fund B investment will be available to the participant cannot be determined at this time. Additional information on the current status of the LGIP may be obtained from the State Board of Administration.

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. There is no formal policy, but it is the Tax Collector's practice to structure its investment portfolio so that securities mature to meet cash requirements for operations, thereby avoiding the need to sell securities in the open market prior to maturity.

Information about the sensitivity of the fair values of the Tax Collector's investments to market interest rate fluctuations of its debt type investments using the segmented time distribution model is as follows:

Summary of Investments and Interest Rate Risk	Fair Value	Investment Maturities (In Years) 3 Years But Less Than 10 Years
Local Government Investment Pool Fund B	\$203,779	\$203,779
Total	<u>\$203,779</u>	<u>\$203,779</u>

Credit risk: Generally, credit risk is the risk that an insurer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The SBA Pool B is unrated.

**PALM BEACH COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

Concentration of credit risk: There is no formal policy, but it is the Tax Collector's practice to limit investments in equities and fixed income securities to no more than 5 % in any one issuer with the exception of SBA funds and U.S. Government and Agency obligations, which have no limit.

3. ACCUMULATED COMPENSATED ABSENCES

Compensated absences are reported by the County in its basic financial statements. The following is a summary of changes in the compensated absences liability during fiscal year 2008:

Long-term obligations payable at October 1, 2007	\$634,657
Increase in accrued compensated absences	1,100,678
Decrease in accrued compensated absences	<u>(929,429)</u>
Long-term obligations payable at September 30, 2008	<u>\$ 805,906</u>

4. PENSION PLAN

FLORIDA RETIREMENT SYSTEM

Plan Description - The Tax Collector participates in the Florida Retirement System (FRS), a non-contributory, cost-sharing, multi-employer, public employee retirement system administered by the Florida Department of Management Services, Division of Retirement. The FRS was created December 1, 1970. FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. These benefits are established by Florida Statutes, Chapter 121, and may only be amended by the Florida Legislature.

The Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for FRS. The report may be obtained by writing to the Florida Division of Retirement, Research, Education & Policy Section, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32315-9000 or calling 1-850-488-5706 or accessing their website at: http://dms.myflorida.com/human_resource_support/retirement.

Beginning July 1, 2002, the FRS became one plan with two primary options, a defined benefit option known as the FRS Pension Plan and an alternative defined contribution option known as the FRS Investment Plan. The two options are described in detail below.

The FRS Pension Plan provides for vesting of benefits after 6 years of creditable service. Benefits are based on age, average final compensation and years-of-service credit. Average final compensation is the average of the five highest fiscal years of earnings. Members are eligible for normal retirement when they have met the minimum requirements established by their membership class. Regular Class members are eligible for normal retirement if they are vested and age 62 or if they have 30 years of creditable service regardless of age. Early

**PALM BEACH COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

retirement may be taken any time after vesting. However, there is a 5% reduction of benefits for each year prior to normal retirement age or date. The percentage level of employees' payroll contribution rates is determined using the frozen entry age actuarial cost method.

Beginning July 1, 1998, the FRS implemented the Deferred Retirement Option Program (DROP), which is a program within the FRS Pension Plan that allows members to retire without terminating their employment for up to five years while their retirement benefits accumulate and earn interest compounded monthly at an effective annual rate of 6.5%. Members may participate in DROP when they are vested and have reached their normal retirement date. When the DROP period ends, members must terminate employment. At that time, members will receive their accumulated DROP benefits and begin receiving their monthly retirement benefit.

The FRS Investment Plan, formally created as the Public Employee Optional Retirement Program (PEORP), is a participant-directed 401(a) program selected by employees in lieu of participation in the defined benefit option of the Florida Retirement System. Benefits accrue in individual accounts that are participant-directed, portable, and funded by employer contributions. Participants and beneficiaries bear the investment risks that result when they exercise control over investments in their accounts. The Investment Plan offers a diversified mix of low-cost investment options that span the risk-return spectrum and give participants the opportunity to accumulate retirement benefits. Members are vested after completing one year of creditable service.

Funding Policy - The contribution requirements of the Tax Collector are established and may be amended by the Florida Legislature. The Tax Collector's contributions to the FRS for the years ended September 30, 2008, 2007, and 2006 were approximately \$1.1 million, \$1.0 million, and 0.8 million, respectively, equal to the required contributions for each year.

The following membership classes and rates, which apply to both the FRS Pension Plan and the FRS Investment Plan, were in effect at September 30, 2008:

<u>Membership Class</u>	<u>Rates</u>
Regular	9.85%
Special Risk	20.92%
Judges	19.56%
Legislators	14.48%
Governor/Lieutenant Governor/Cabinet	14.48%
State Attorney/Public Defender	14.48%
County, City, Special District Elected Officers	16.53%
Special Risk Administrative Support	12.55%
IFAS Supplemental	18.75%
Senior Management	13.12%
Deferred Retirement Option Program	10.91%

**PALM BEACH COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

5. COMMITMENTS

Outstanding Purchase Orders and Contracts

Purchase orders and contracts had been executed, but certain goods and services were not received for approximately \$72,553. Because the budget authority for these amounts lapses at fiscal year-end, they are not shown as either encumbrances or liabilities. Funds are reappropriated at the beginning of each fiscal year to provide for these commitments.

6. RISK MANAGEMENT

The Tax Collector is covered by the BOCC self-insurance programs for its casualty insurance and workers' compensation exposures and maintains commercial insurance policies for its health and dental programs.

Casualty and Workers' Compensation Insurance

The Tax Collector participates in the BOCC's casualty and workers' compensation self-insurance programs. These types of insurance limits the Tax Collector's exposure to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; natural disasters and employee injuries. Payments are made by the Tax Collector to the BOCC based on estimates of the amounts needed to ultimately settle claims. However, the Tax Collector does not retain any risk beyond premiums paid to the BOCC.

Settled claims have not exceeded commercial insurance coverage in any of the last three years.

For the fiscal year ended September 30, 2008, the BOCC charged the Tax Collector \$8,500 and \$40,000, respectively, for casualty insurance and workers' compensation insurance.

7. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Healthcare Plan for the Tax Collector of Palm Beach County.

Plan Description: The defined benefit post employment healthcare plan provides medical benefits to eligible retired employees and their dependents. The plan is a single employer plan which is administered by the Tax Collector.

Funding Policy: The contribution requirements of plan members and the Tax Collector are established and may be amended by the Tax Collector. The Tax Collector is required by Florida Statute 112.0801 to allow their retirees (and eligible participants) to continue participation in the group insurance plan. Retirees must be offered the same coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees which results in an implicit subsidy as defined by GASB 45. At September 30, 2008, retirees receiving benefits contributed \$519 to \$1,901 monthly for medical coverage.

**PALM BEACH COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

OPEB Cost and Net OPEB Obligation: The annual other post employment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the annual OPEB cost for the year, the amount contributed to the plan, and changes in the net OPEB obligation as of fiscal year ended September 30, 2008:

Annual required contribution	\$ 169,979
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	169,979
Contributions made	0
Increase in net OPEB obligation	169,979
Net OPEB obligation- beginning of year	0
Net OPEB obligation- end of year	<u>\$ 169,979</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current fiscal year:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2008	\$169,979	0.0%	\$169,979

Funded Status and Funding Progress: The plan is financed on a „pay-as-you-go’ basis. The funded status of the plan as of September 30, 2008, was as follows:

Actuarial accrued liability (AAL)	\$1,533,513
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	<u>\$1,533,513</u>
Funded ratio (actuarial value of plan / AAL)	0.0%
Covered payroll (active plan members)	\$9,879,680
UAAL as a percentage of covered payroll	15.5%

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. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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

**PALM BEACH COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

Actuarial valuation date	10/1/2007
Actuarial cost method	Entry Age Normal Actuarial Cost Method
Amortization method	Level percentage of salary at beginning of fiscal year
Remaining amortization period	30 years
Asset valuation method	not applicable
Actuarial assumptions:	
Investment rate of return	5%
Projected salary increases	4%
Healthcare inflation rate	9% initial 5% ultimate

**PALM BEACH COUNTY, FLORIDA
TAX COLLECTOR
SEPTEMBER 30, 2008**

Required Supplemental Information (RSI)

Other Post Employment Benefits (OPEB)

Healthcare Plan for Tax Collector of Palm Beach County
Scheduling of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2007	\$0	\$1,533,513	\$1,533,513	0.0%	\$9,879,680	15.5%

PALM BEACH COUNTY, FLORIDA
TAX COLLECTOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the fiscal year ended September 30, 2008

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ 62,959,200	\$ 61,339,200	\$ 65,133,926	\$ 3,794,726
Less - excess fees paid out	(43,276,478)	(41,356,478)	(46,539,258)	(5,182,780)
Investment income	1,500,000	1,200,000	1,151,068	(48,932)
Total revenues	21,182,722	21,182,722	19,745,736	(1,436,986)
Expenditures:				
Current:				
General government	\$ 20,852,947	\$ 20,944,267	19,602,071	1,342,196
Capital outlay	329,775	238,455	143,665	94,790
Total expenditures	21,182,722	21,182,722	19,745,736	1,436,986
Excess of revenues (under) expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, October 1, 2007	-	-	-	-
Fund balance, September 30, 2008	\$ -	\$ -	\$ -	\$ -

Section 195.087, Florida Statutes, governs the preparation, adoption, and administration of the budget of the Tax Collector. On or before a legally designated date each year, the Tax Collector shall submit to the Florida Department of Revenue a budget for the ensuing fiscal year. A copy of such budget shall be furnished at the same time to the Board of County Commissioners. Final approval of the budget is given by the Florida Department of Revenue. The budget is adopted for the general fund on a basis consistent with GAAP. The level of budgetary control is at the fund level.

PALM BEACH COUNTY, FLORIDA
TAX COLLECTOR
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
For the fiscal year ended September 30, 2008

	Balance 10/1/2007	Additions	Deductions	Balance 9/30/2008
ASSETS				
Cash and cash equivalents	\$ 29,225,541	\$ 3,257,305,959	\$ 3,243,043,043	\$ 43,488,457
Accounts receivable, net	183,658	7,143,933	7,211,339	116,252
Due from other governments	-	156	156	-
Total assets	\$ 29,409,199	\$ 3,264,450,048	\$ 3,250,254,538	\$ 43,604,709
LIABILITIES				
Vouchers payable and accrued liabilities	\$ 131,752	\$ 1,139,142	\$ 887,028	\$ 383,866
Due to other governments	26,292,260	2,328,585,443	2,320,497,577	34,380,126
Due to individuals	2,985,187	1,006,083,868	1,000,228,338	8,840,717
Total liabilities	\$ 29,409,199	\$ 3,335,808,453	\$ 3,321,612,943	\$ 43,604,709

McGladrey & Pullen

Certified Public Accountants

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

The Honorable Anne M. Gannon
Tax Collector
Palm Beach County, Florida

We have audited the financial statements of the major fund and the aggregate remaining fund information of the Tax Collector of Palm Beach County, Florida (the Tax Collector), as of and for the year ended September 30, 2008, and have issued our report thereon dated June 15, 2009. These financial statements were prepared to comply with Section 218.39(2), Florida Statutes and Section 10.557(3), Rules of the Auditor General for Local Government Entity Audits. 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.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses, 2008-01, to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency in internal control over financial reporting described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tax Collector'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 matters that we reported to management of the Tax Collector's office in a separate letter dated June 15, 2009.

The Tax Collector's response to the finding identified in our audit and is described in the accompanying schedule of findings and responses. We did not audit the Tax Collector's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Tax Collector, management of the Palm Beach County, Florida Tax Collector's office, and the Auditor General, State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

West Palm Beach, Florida
June 15, 2009

Tax Collector, Palm Beach County

Schedule of Findings and Responses Year Ended September 30, 2008

IC 2008-01 – Significant Issues Documentation

Criteria: Internal control policies and procedures should provide reasonable assurance regarding the reliability of the financial reporting process, including the accurate recording and accounting of routine transactions as well as significant and unusual transactions.

Condition: The Tax Collector's Office purchased a tax software application license at the end of the fiscal year which based on the terms of the contract benefited a future period. We noted that the Tax Collector's Office recorded an expenditure for the entire amount of the software purchase in the fiscal year ended September 30, 2008, instead of recording the purchase as a prepaid item. The related timing of the expenditure recognition resulted in an audit adjustment to the financial statements.

Context: This condition is systemic in nature.

Effect: Increase the risk of material misstatement of the financial statements.

Cause: Lack of formalized policies and procedures to ensure adequate research and documentation is appropriate.

Recommendation: The Tax Collector's Office may periodically be faced with various complex transactions which require a rigorous analysis of the facts and adequate accounting research. We recommend that management establish an effective review procedure to ensure that all non-routine and significant transactions are properly reported in the financial statements.

Views of responsible officials and planned corrective action: We will review our existing procedures and make the necessary changes, to these procedures, to ensure that all transactions are properly reported in the financial statements.

McGladrey & Pullen

Certified Public Accountants

Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

The Honorable Anne M. Gannon
Tax Collector
Palm Beach County, Florida

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the Tax Collector of Palm Beach County, Florida (the "Tax Collector"), as of and for the year ended September 30, 2008, and have issued our report thereon dated June 15, 2009, which was prepared to comply with State of Florida reporting requirements.

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. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated June 15, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports:

Section 10.554(1)(i)1., Rules of the Auditor General, requires 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. The recommendations made in the preceding annual financial report have been addressed in Appendix B to this report.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Tax Collector complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve the Tax Collector's financial management, accounting procedures and internal controls. The recommendations to improve the Tax Collector's financial management, accounting procedures and internal controls have been addressed in Appendix A to this report.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statements amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Sections 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred and (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 of the Tax Collector's financial statements.

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 requires us to indicate that this letter is intended solely for the information and use of the Tax Collector, management of Palm Beach County, Florida Tax Collector's Office and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than the specified parties.

McGladrey & Pullen, LLP

West Palm Beach, Florida
June 15, 2009

Tax Collector of Palm Beach County, Florida

Appendix A
Current Year Recommendations to Improve Financial Management,
Accounting Procedures and Internal Controls

No.	Current Year's Observations
ML 08-01	Application Access Security
ML 08-02	Time card Approval

Appendix A
Current Year Recommendations to Improve Financial Management,
Accounting Procedures and Internal Controls

ML 08-1 – Application Access Security

Criteria: Effective application access security relies on a security structure that includes the use of the following:

- Available access security features in the software;
- Security administration procedures developed and documented for the granting, revoking and reviewing of data and resource access.

Condition: There were aspects of security management that needed improvement. Specific details of these issues are not disclosed in this report to avoid the possibility of compromising The Tax Collector's Office (TCO) information in accordance with Florida Statute 281.301. However, appropriate personnel have been notified of these issues which included the following:

- Certain TCO staff had the capability to perform incompatible duties within the payroll function. We noted an instance where employee access privileges should be made more restrictive by the TCO to enforce an appropriate segregation of duties.

Cause: Lack of enforcement of policies to support proper restriction of access.

Effect:

- Unauthorized access to the application;
- Segregation of incompatible duties is fundamental to the reliability of an organization's internal controls;
- Appropriate segregation of duties can assist in the detection of mistakes or errors and potential fraud;
- An appropriate division of roles and responsibilities prevents the possibility of a single individual subverting a critical process.

Context: The finding is considered systemic in nature.

Recommendation: We recommend management implement the following corrective actions:

- Appropriate application security control features to enhance security over its data and programs;
- Review and enhance established procedures that periodically review the duties and access capabilities of staff and implement, to the extent practicable, proper segregation of duties and access levels to ensure that personnel are performing only those duties established for their respective jobs and positions.

Management Response: We concur with the recommendation and implemented appropriate application security controls. We also reviewed duties and access capabilities of staff and made the appropriate changes.

Appendix A
Current Year Recommendations to Improve Financial Management,
Accounting Procedures and Internal Controls

ML 08-2 – Time Card Approval

Criteria: The Tax Collector's Office policies state that employee time cards are to be reviewed and approved by department supervisors to ensure the accuracy of the time worked.

Condition: During testing of payroll controls, it was noted that employee time cards are not being approved by department supervisors on a consistent basis. Our testing procedures identified one instance where an employee time card was not approved by a supervisor, based on further discussion with management it was determined that this deficiency was pervasive throughout the entity.

Cause: Lack of implementation of control.

Effect: Potential errors on employee time cards not detected could lead to incorrect payroll amounts and the over or under recording of payroll related expenditures in addition to the providing of opportunity for employees to overstate hours worked.

Context: The finding is considered systemic in nature.

Recommendation: We recommend that management enforce the policies that are in place which require that each employee time card be approved by a department supervisor.

Management Response: We agree with the recommendation and have taken the necessary action to ensure that each employee's time card is approved by a supervisor.

Tax Collector of Palm Beach County, Florida

Appendix B
Prior Year Recommendations to Improve Financial Management,
Accounting Procedures and Internal Controls

No.	Prior Year's Observations	Observation is Still Relevant	Observation Addressed or No Longer Relevant
ML 06-04	Formal Security Programs		X
ML 06-05	System Upgrades/Modifications		X
ML 06-07	Security Training		X

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Section VII

PROPERTY APPRAISER

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

The Honorable Gary R. Nikolits
Property Appraiser
Palm Beach County, Florida

We have audited the accompanying financial statements of the major fund of the Property Appraiser of Palm Beach County, Florida, (the "Property Appraiser") as of and for the year ended September 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Property Appraiser's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the accompanying financial statements were prepared for the purpose of complying with Section 218.39, *Florida Statutes*, and Section 10.557(3), *Rules of the Auditor General for Local Government Entity Audits*. These financial statements are not intended to be a complete presentation of the financial position of the Property Appraiser as of September 30, 2008, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the major fund of the Property Appraiser of Palm Beach County, Florida, as of September 30, 2008, and the changes in financial position 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 a report dated June 15, 2009 on our consideration of the Property Appraiser's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison schedule and schedule of funding progress are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

This report is intended solely for the information and use of the Property Appraiser, management of the Palm Beach County, Florida Property Appraiser's office and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than the specified parties.

McGladrey & Pullen, LLP

West Palm Beach, Florida
June 15, 2009

PALM BEACH COUNTY, FLORIDA
PROPERTY APPRAISER
BALANCE SHEET - GENERAL FUND
September 30, 2008

ASSETS	
Cash and cash equivalents	\$ 4,097,438
Other assets	32,781
<hr/>	
Total assets	\$ 4,130,219
<hr/> <hr/>	
LIABILITIES AND FUND BALANCE	
Vouchers payable and accrued liabilities	\$ 1,249,696
Due to Board of County Commissioners	2,241,843
Due to other County agencies	301,205
Deferred revenue	337,475
<hr/>	
Total liabilities	4,130,219
<hr/>	
Fund balance	-
<hr/>	
Total liabilities and fund balance	\$ 4,130,219
<hr/> <hr/>	

The notes to the financial statements are an integral part of this statement.

PALM BEACH COUNTY, FLORIDA
PROPERTY APPRAISER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
For the fiscal year ended September 30, 2008

Revenues:	
Charges for services	\$ 24,090,253
Less - excess fees paid out	(2,446,944)
Investment income	151,615
<hr/>	
Total revenues	21,794,924
<hr/>	
Expenditures:	
Current:	
General government	21,734,541
Capital outlay	55,799
Debt Service	4,584
<hr/>	
Total expenditures	21,794,924
<hr/>	
Excess of revenues over (under) expenditures	-
<hr/>	
Net change in fund balance	-
<hr/>	
Fund balance, October 1, 2007	-
<hr/>	
Fund balance, September 30, 2008	\$ -
<hr/> <hr/>	

The notes to the financial statements are an integral part of this statement.

**PALM BEACH COUNTY, FLORIDA
PROPERTY APPRAISER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting principles and policies used in the preparation of the accompanying financial statements:

Reporting Entity

The Palm Beach County Property Appraiser (the Property Appraiser) is a separately elected county official established pursuant to the Constitution of the State of Florida. The Property Appraiser's financial statements do not purport to reflect the financial position or the results of operations of Palm Beach County, Florida (the County) taken as a whole.

Section 10.556(6), *Rules of the Auditor General for Local Governmental Entity Audits*, requires the Palm Beach County, Florida, Property Appraiser financial statements to only present fund financial statements. Accordingly, due to the omission of government-wide financial statements and related disclosures including a management's discussion and analysis, these financial statements do not constitute a complete presentation of the financial position of the Palm Beach County, Florida, Property Appraiser as of September 30, 2008 and the changes in financial position for the year then ended, in conformity with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, but otherwise constitute financial statements prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

The financial activities of the Property Appraiser, as a constitutional officer, are included in the Palm Beach County, Florida Comprehensive Annual Financial Report.

Basis of Presentation

The accounting records of the Property Appraiser are organized on the basis of funds as prescribed by GAAP applicable to governments as established by the GASB. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Government 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 Property Appraiser utilizes the following fund type:

- *The General Fund*, a governmental fund, is used to account for all revenues and expenditures applicable to the general operations of the Property Appraiser.

**PALM BEACH COUNTY, FLORIDA
PROPERTY APPRAISER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The modified accrual basis of accounting is utilized by governmental funds. Under this basis, revenues are recognized if they are measurable and available for use during the year. For this purpose, the Property Appraiser considers revenues to be available if they are collected within 60 days of year-end. Primary revenue sources susceptible to accrual include charges for services and interest. Expenditures are recognized when the related fund liability is incurred, except for interest on capital leases, which is recognized when paid, and compensated absences, which are not recorded as expenditures because these amounts will not be paid from expendable available resources.

Governmental funds are accounted for on a “spending” or “financial flow” measurement focus. Generally, only current assets and current liabilities are included on the balance sheet. The operating statement reports increases and decreases in net current assets.

Encumbrances

Encumbrances outstanding at year-end represent the estimated amounts of expenditures ultimately to be paid for goods on order or unperformed contracts in process at year-end. Because appropriations lapse at year-end, it is the Property Appraiser’s policy to liquidate open encumbrances and reappropriate such amounts at the beginning of the next fiscal year.

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting periods. Actual results could differ from those estimates.

Deposits

All deposits are held in qualified public depositories pursuant to the Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act" and are covered by either federal depository insurance or collateral held by the Chief Financial Officer of Florida.

In the event of a default by a qualified public depository, all claims for government deposits would be satisfied by the Chief Financial Officer of Florida 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.

**PALM BEACH COUNTY, FLORIDA
PROPERTY APPRAISER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

Cash Equivalents

Highly liquid investments with maturities of three months or less when purchased are reported as cash equivalents.

Investments

State statutes authorize investments in obligations of the U.S. Government, its agencies and instrumentalities, repurchase agreements, interest-bearing time deposits, savings accounts, the Local Government Surplus Funds Trust Fund (State Board of Administration), the Florida Local Government Investment Trust (FLGIT), collateralized mortgage obligations (CMO), and certain corporate securities.

All investments are reported at fair value except for the following which are reported at amortized cost which approximates fair value as permitted by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*:

Local Government Surplus Funds Trust Fund (State Board of Administration),
Money Market Mutual Funds.

The following external investment pool is not SEC-registered:

The Local Government Surplus Funds Trust Fund (State Board of Administration of Florida or SBA) is an external investment pool operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Regulatory oversight of the State Board of Administration is provided by three elected officials who are accountable to the electorate: the Governor of the State of Florida, as Chairman; the Chief Financial Officer of Florida, as Treasurer; and the State Comptroller, as Secretary. External oversight of the State Board of Administration is provided by the Investment Advisory Council which reviews the investments made by the staff of the Board of Administration and makes recommendations to the Board regarding investment policy, strategy, and procedures. Audit oversight is provided by the Florida Auditor General's Office. The SBA fund consists of two Pools, A and B. The share price of the investment in Pool A represents the fund's amortized cost as permitted for a 2a7-like pool. The Pool B investment is recorded at fair value based on the net asset value of the Fund B assets reported by the SBA.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. Expenditures for insurance and similar services extending over more than one accounting period are accounted for as expenditures of the period of acquisition.

PALM BEACH COUNTY, FLORIDA
PROPERTY APPRAISER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

Capital Assets

Upon acquisition, capital assets are recorded as expenditures in the General Fund of the Property Appraiser and capitalized at cost in the governmental activities of the basic financial statements of the County. The Property Appraiser maintains custodial responsibility for the capital assets used by its office. Capital assets are depreciated using the straight-line method over a period ranging from three to seven years. The depreciation expense is recorded in the statement of activities as part of the basic financial statements of the County.

Compensated Absences

The Property Appraiser's employees may accumulate unused personal Time Off (PTO) up to a maximum of 900 hours. Upon termination, any unused PTO is paid at 75% of the then current hourly rate.

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the Property Appraiser determines the liability for compensated absences, as well as certain other salary related costs associated with the payment of compensated absences that are recorded and reported by the County in the basic financial statements. For governmental fund reporting, a liability and expenditure for compensated absences is recognized as payments come due each period upon the occurrence of relevant events, such as employee resignations and retirements. For reporting within governmental activities of the County's basic financial statements, PTO leave is accrued as a liability when benefits are earned by the employee. The obligation is reported in Note 3.

2. CASH AND INVESTMENTS

As of September 30, 2008, the Property Appraiser was invested in the Local Government Surplus Funds Trust Fund (State Board of Administration or SBA) in two pool funds. The Local Government Investment Pool had a carrying value of \$1,530,153 and SBA Pool Fund B had a carrying value of \$86,260. This is an external 2a7-like investment pool. The Property Appraiser was also invested in Federated Investors Money Market Mutual Fund with a carrying value of \$2,155,501.

Local Government Investment Pool and Fund B: On November 29, 2007 the Board of Trustees of the State Board of Administration (SBA) closed the LGIP to all redemptions by participants due to substantial withdrawals from the LGIP over the two preceding weeks that severely reduced the overall liquidity of the LGIP. The withdrawals were in response to published press reports concerning the exposure of the LGIP investments to potential losses from sub-prime mortgage investments. On December 4, 2007 the Board of Trustees approved a restructuring plan for the LGIP and engaged a new investment manager for the LGIP.

PALM BEACH COUNTY, FLORIDA
PROPERTY APPRAISER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

The restructuring divided the LGIP into two separate pools, the LGIP and Fund B representing approximately 86% and 14%, respectively, of the original LGIP assets. The LGIP was designated as the ongoing fund consisting of only short-term, money market assets of the highest quality. On December 6, 2007, the LGIP re-opened to accept new deposits from participants and allow restricted withdrawals. Fund B retained all securities from the original LGIP that had defaulted, were in default or had extended payment terms or potentially elevated credit risk. Fund B is closed to deposits and withdrawals and is generally expected to hold all assets to their ultimate maturity and to distribute funds to participants as they become available. The Fund B investment is recorded at fair value based on the net asset value of the Fund B assets reported by the SBA.

The ultimate realizable value and the date when the LGIP Fund B investment will be available to the participant cannot be determined at this time. Additional information on the current status of the LGIP may be obtained from the State Board of Administration.

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. There is no formal policy but it is the Property Appraiser's practice to limit its interest rate risk for investments in the portfolio by structuring its investment portfolio so that securities mature to meet cash requirements for operations, thereby avoiding the need to sell securities in the open market prior to maturity. The weighted average maturity for the underlying investments of the external investment pool (SBA) was 8.5 days, for Pool B the weighted average maturity was 9.36 years. For the money market mutual fund it was 43.19 days.

Credit risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Local Government Surplus Funds Trust Fund is not rated. The Federated Investors Money Market Mutual Fund is rated AAAM, Aaa, AAA by Standard & Poor's, Moody's, and Fitch respectively.

Concentration risk:

In accordance with its investment policy, the Property Appraiser requires diversification to the extent practicable to control the risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument dealer or bank. Diversification strategies are reviewed quarterly by the Property Appraiser.

**PALM BEACH COUNTY, FLORIDA
PROPERTY APPRAISER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

3. ACCUMULATED COMPENSATED ABSENCES AND OTHER GENERAL OBLIGATIONS

Compensated absences and other general obligations payable are reported by the County in its basic financial statements. The following is a summary of changes in the compensated absences liability and other general obligations payable during fiscal year 2008:

Long-term obligations at October 1, 2007	\$2,200,661
Decrease in other general obligations payable	(3,842)
Increase in accrued compensated absences	1,630,348
Decrease in accrued compensated absences	<u>(1,506,569)</u>
 Long-term obligations at September 30, 2008	 <u><u>\$2,320,598</u></u>

4. PENSION PLAN

FLORIDA RETIREMENT SYSTEM

Plan Description - The Property Appraiser participates in the Florida Retirement System (FRS), a non-contributory, cost-sharing, multi-employer, public employee retirement system administered by the Florida Department of Management Services, Division of Retirement. The FRS was created December 1, 1970. FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. These benefits are established by Florida Statutes, Chapter 121, and may only be amended by the Florida Legislature.

The Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for FRS. The report may be obtained by writing to the Florida Division of Retirement, Research, Education & Policy Section, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32315-9000 or calling 1-850-488-5706 or accessing their website at: http://dms.myflorida.com/human_resource_support/retirement.

Beginning July 1, 2002, the FRS became one plan with two primary options, a defined benefit option known as the FRS Pension Plan and an alternative defined contribution option known as the FRS Investment Plan. The two options are described in detail below.

The FRS Pension Plan provides for vesting of benefits after 6 years of creditable service. Benefits are based on age, average final compensation and years-of-service credit. Average final compensation is the average of the five highest fiscal years of earnings. Members are eligible for normal retirement when they have met the minimum requirements established by their membership class. Regular Class members are eligible for normal retirement if they are vested and age 62 or if they have 30 years of creditable service regardless of age. Early retirement may be taken any time after vesting. However, there is a 5% reduction of benefits for

**PALM BEACH COUNTY, FLORIDA
PROPERTY APPRAISER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

each year prior to normal retirement age or date. The percentage level of employees' payroll contribution rates is determined using the frozen entry age actuarial cost method.

Beginning July 1, 1998, the FRS implemented the Deferred Retirement Option Program (DROP), which is a program within the FRS Pension Plan that allows members to retire without terminating their employment for up to five years while their retirement benefits accumulate and earn interest compounded monthly at an effective annual rate of 6.5%. Members may participate in DROP when they are vested and have reached their normal retirement date. When the DROP period ends, members must terminate employment. At that time, members will receive their accumulated DROP benefits and begin receiving their monthly retirement benefit.

The FRS Investment Plan, formally created as the Public Employee Optional Retirement Program (PEORP), is a participant-directed 401(a) program selected by employees in lieu of participation in the defined benefit option of the Florida Retirement System. Benefits accrue in individual accounts that are participant-directed, portable, and funded by employer contributions. Participants and beneficiaries bear the investment risks that result when they exercise control over investments in their accounts. The Investment Plan offers a diversified mix of low-cost investment options that span the risk-return spectrum and give participants the opportunity to accumulate retirement benefits. Members are vested after completing one year of creditable service.

Funding Policy - The contribution requirements of the Property Appraiser are established and may be amended by the Florida Legislature. The Property Appraisers' contributions to the FRS for the years ended September 30, 2008, 2007, and 2006 were approximately \$1.5 million, \$1.4 million, and \$1.1 million, respectively, equal to the required contributions for each year.

The following membership classes and rates, which apply to both the FRS Pension Plan and the FRS Investment Plan, were in effect at September 30, 2008:

<u>Membership Class</u>	<u>Rates</u>
Regular	9.85%
Special Risk	20.92%
Judges	19.56%
Legislators	14.48%
Governor/Lieutenant Governor/Cabinet	14.48%
State Attorney/Public Defender	14.48%
County, City, Special District Elected Officers	16.53%
Special Risk Administrative Support	12.55%
IFAS Supplemental	18.75%
Senior Management	13.12%
Deferred Retirement Option Program	10.91%

**PALM BEACH COUNTY, FLORIDA
PROPERTY APPRAISER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

5. LEASES

The Property Appraiser has entered into various leases which are classified as capital or operating leases for accounting purposes. Capital leases are recorded as capital assets in the statement of net assets of the County. Total operating lease and rent expense for equipment for fiscal year ended September 30, 2008 amounted to \$12,828. Interest paid on capital leases amounted to \$742 for the current fiscal year.

Future minimum rental and lease payments under noncancellable operating leases as of September 30, 2008 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2009	<u>\$ 2,138</u>
Total	<u>\$ 2,138</u>

6. COMMITMENTS

Purchase orders and contracts had been executed, but certain goods and services were not received for approximately \$556. Because the budget authority for these amounts lapses at fiscal year-end, they are not shown as either encumbrances or liabilities. Funds are reappropriated at the beginning of each fiscal year to provide for these commitments.

7. RISK MANAGEMENT

The Property Appraiser is covered by the BOCC self-insurance program for workers' compensation exposure and maintains a fully insured program for its employee group health insurance program.

Casualty Insurance

The Property Appraiser maintains separate commercial automobile insurance and is covered by the BOCC for other casualty liabilities.

Workers' Compensation Insurance

The Property Appraiser participates in the BOCC's workers' compensation self-insurance program. Payments are made by the Property Appraiser to the BOCC based on estimates of the amounts needed to pay prior and current year claims.

For the fiscal year ended September 30, 2008, the BOCC charged the Property Appraiser \$40,000 for workers compensation insurance.

**PALM BEACH COUNTY, FLORIDA
PROPERTY APPRAISER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

Employee Group Health Insurance

The Property Appraiser is fully insured and provides health insurance for its employees and eligible dependents through commercial insurance.

Settled claims have not exceeded insurance coverage for any of the insurance programs noted above in the past three fiscal years.

8. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Healthcare Plan for the Property Appraiser of Palm Beach County:

Plan Description: The defined benefit post employment healthcare plan provides medical benefits to eligible retired employees and their beneficiaries. The plan is a single employer plan which is administered by the Property Appraiser.

Funding Policy: The contribution requirements of plan members and the Property Appraiser are established and may be amended by the Property Appraiser. The Property Appraiser is required by Florida Statute 112.0801 to allow their retirees (and eligible participants) to continue participation in the group insurance plan. Retirees must be offered the same coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees which results in an implicit subsidy as defined by GASB 45. At September 30, 2008, retirees receiving benefits contributed \$477 to \$2,219 monthly for medical coverage and \$23 to \$150 for dental.

OPEB Cost and Net OPEB Obligation: The annual other post employment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation as of fiscal year ended September 30, 2008:

Annual required contribution	\$ 29,562
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	29,562
Contributions made	0
Increase in net OPEB obligation	29,562
Net OPEB obligation- beginning of year	0
Net OPEB obligation- end of year	\$ 29,562

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year:

**PALM BEACH COUNTY, FLORIDA
PROPERTY APPRAISER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2008	\$29,562	0.0%	\$29,562

Funded Status and Funding Progress: The plan is financed on a „pay-as-you-go’ basis. The funded status of the plan as of September 30, 2008, was as follows:

Actuarial accrued liability (AAL)	\$312,788
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	<u>\$312,788</u>
Funded ratio (actuarial value of plan / AAL)	0.0%
Covered payroll (active plan members)	\$14,237,382
UAAL as a percentage of covered payroll	2.2%

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. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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 is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

Actuarial valuation date	10/1/2007
Actuarial cost method	Entry Age Normal Actuarial Cost Method
Amortization method	Level percentage of salary at beginning of fiscal year
Remaining amortization period	30 years
Asset valuation method	not applicable
Actuarial assumptions:	
Investment rate of return	5%
Projected salary increases	4%
Healthcare inflation rate	9% initial 5% ultimate

**PALM BEACH COUNTY, FLORIDA
PROPERTY APPRAISER
SEPTEMBER 30, 2008**

Required Supplemental Information (RSI)

Other Post Employment Benefits (OPEB)

Healthcare Plan for Property Appraiser of Palm Beach County
Scheduling of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2007	\$0	\$312,788	\$312,788	0.0%	\$14,237,382	2.2%

PALM BEACH COUNTY, FLORIDA
PROPERTY APPRAISER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the fiscal year ended September 30, 2008

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ 24,021,614	\$ 24,021,614	\$ 24,090,253	\$ 68,639
Less - excess fees paid out	-	-	(2,446,944)	(2,446,944)
Investment income	-	-	151,615	151,615
Total revenues	24,021,614	24,021,614	21,794,924	(2,226,690)
Expenditures:				
Current:				
General government	23,955,280	23,955,280	21,734,541	2,220,739
Capital outlay	61,750	61,750	55,799	5,951
Debt service	4,584	4,584	4,584	-
Total expenditures	24,021,614	24,021,614	21,794,924	2,226,690
Excess of revenues (under) expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, October 1, 2007	-	-	-	-
Fund balance, September 30, 2008	\$ -	\$ -	\$ -	\$ -

Section 195.087, Florida Statutes, governs the preparation, adoption, and administration of the budget of the Property Appraiser. On or before a legally designated date each year, the Property Appraiser shall submit to the Florida Department of Revenue a budget for the ensuing fiscal year. A copy of such budget shall be furnished at the same time to the Board of County Commissioners. Final approval of the budget is given by the Florida Department of Revenue. The budget is adopted for the general fund on a basis consistent with GAAP. The level of budgetary control is at the fund level.

McGladrey & Pullen

Certified Public Accountants

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

The Honorable Gary R. Nikolits
Property Appraiser
Palm Beach County, Florida

We have audited the financial statements of the major fund of the Property Appraiser of Palm Beach County, Florida (the "Property Appraiser"), as of and for the year ended September 30, 2008, and have issued our report thereon dated June 15, 2009. These financial statements were prepared to comply with Section 218.39(2), Florida Statutes and Section 10.557(3), Rules of the Auditor General for Local Government Entity Audits. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Property Appraiser'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 the Property Appraiser's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Property Appraiser's internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies 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 the Property Appraiser's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Property Appraiser's office in a separate letter dated June 15, 2009.

This report is intended solely for the information and use of the Property Appraiser, management of Palm Beach County, Florida Property Appraiser's office, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than the specified parties.

McGladrey & Pullen, LLP

West Palm Beach, Florida
June 15, 2009

McGladrey & Pullen

Certified Public Accountants

Management Letter in Accordance with the
Rules of the Auditor General of the State of Florida

The Honorable Gary R. Nikolits
Property Appraiser
Palm Beach County, Florida

We have audited the accompanying financial statements of the major fund of the Property Appraiser of Palm Beach County, Florida, (the Property Appraiser) as of and for the year ended September 30, 2008, and have issued our report thereon dated June 15, 2009, which was prepared to comply with State of Florida reporting requirements.

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. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated June 15, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports:

Section 10.554(1)(i)1., Rules of the Auditor General, requires 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. The recommendation in the preceding annual financial audit report has been addressed in Appendix A to this report.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Property Appraiser complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve the Property Appraiser's financial management, accounting procedures and internal controls. There are no recommendations to improve financial management, accounting procedures, and internal controls for the current annual financial audit report.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statements amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Sections 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred and (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 of the Property Appraiser's financial statements.

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 requires us to indicate that this letter is intended solely for the information and use of the Property Appraiser, management of Palm Beach County, Florida Property Appraiser's Office and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than the specified parties.

McGladrey & Pullen, LLP

West Palm Beach, Florida
June 15, 2009

Property Appraiser of Palm Beach County, Florida

Appendix A
Prior Year Recommendations to Improve Financial Management,
Accounting Procedures and Internal Controls
Year Ended September 30, 2008

No.	Prior Year's Observations	Observation is Still Relevant	Observation Addressed or No Longer Relevant
ML 07-01	Review of Journal Entries		X

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Section VIII

SHERIFF

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

Honorable Ric L. Bradshaw
Sheriff
Palm Beach County, Florida

We have audited the accompanying financial statements of each major fund, and the aggregate remaining fund information of the Sheriff, Palm Beach County, Florida (the "Sheriff"), as of and for the year ended September 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Sheriff's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1 to the financial statements, the accompanying financial statements were prepared for the purpose of complying with Section 218.39, *Florida Statutes*, and Section 10.557(3), *Rules of the Auditor General for Local Government Entity Audits*. These financial statements are not intended to be a complete presentation of the financial position of the Sheriff as of September 30, 2008, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the Sheriff, as of September 30, 2008, and the respective changes in financial position 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 June 15, 2009 on our consideration of the Sheriff's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information and the schedule of funding progress are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements. The Statement of Changes in Assets and Liabilities – Agency Fund is presented for purposes of additional analysis and is not a required part of the financial statements. The Statement of Changes in Assets and Liabilities- Agency Fund has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Sheriff, management of the Sheriff's office and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

West Palm Beach, Florida
June 15, 2009

PALM BEACH COUNTY, FLORIDA
SHERIFF
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2008

	Major Funds		Total Governmental Funds
	General Fund	Special Revenue Fund	
ASSETS			
Cash and cash equivalents	\$ 50,795,842	\$ 8,159,404	\$ 58,955,246
Accounts receivable, net	218,241	104,253	322,494
Investments	1,305	-	1,305
Due from other county funds	-	563,235	563,235
Due from other governments	134,147	841,517	975,664
Inventory	2,587,993	-	2,587,993
Other assets	85,978	25,734	111,712
Total assets	\$ 53,823,506	\$ 9,694,143	\$ 63,517,649
LIABILITIES			
Vouchers payable and accrued liabilities	\$ 31,060,217	\$ 1,490,358	\$ 32,550,575
Due to other county funds	8,538,325	3,913,857	12,452,182
Due to other governments	2,595,209	871,976	3,467,185
Insurance claims payable	1,307,282	-	1,307,282
Other liabilities	7,734,480	-	7,734,480
Total liabilities	51,235,513	6,276,191	57,511,704
FUND BALANCES			
Reserved for inventory	2,587,993	-	2,587,993
Unreserved	-	3,417,952	3,417,952
Total fund balances	2,587,993	3,417,952	6,005,945
Total liabilities and fund balances	\$ 53,823,506	\$ 9,694,143	\$ 63,517,649

The notes to the financial statements are an integral part of this statement.

PALM BEACH COUNTY, FLORIDA
SHERIFF
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the fiscal year ended September 30, 2008

	Major Funds		Total Governmental Funds
	General Fund	Special Revenue Fund	
Revenues:			
Charges for services	\$ -	\$ 1,858,607	\$ 1,858,607
Fines and forfeitures	-	126,728	126,728
Investment income	-	242,926	242,926
Miscellaneous	-	28,784	28,784
Total revenues	-	2,257,045	2,257,045
Expenditures:			
Current:			
General government	18,927,979	5,908	18,933,887
Public safety	371,098,814	9,869,169	380,967,983
Capital outlay	19,252,952	7,954,846	27,207,798
Total expenditures	409,279,745	17,829,923	427,109,668
Deficiency of revenues over expenditures	(409,279,745)	(15,572,878)	(424,852,623)
Other financing sources (uses):			
Transfer from Board of County Commissioners	418,475,467	16,116,306	434,591,773
Transfers to Board of County Commissioners	(8,558,613)	(57,112)	(8,615,725)
Total other financing sources	409,916,854	16,059,194	425,976,048
Net change in fund balances	637,109	486,316	1,123,425
Fund balances, October 1, 2007	1,950,884	2,931,636	4,882,520
Fund balances, September 30, 2008	\$ 2,587,993	\$ 3,417,952	\$ 6,005,945

The notes to the financial statements are an integral part of this statement.

PALM BEACH COUNTY, FLORIDA
SHERIFF
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
September 30, 2008

ASSETS

Accounts receivable, net	\$ 379,916
Due from other governments	461,674
Other assets	349
<hr/>	
Total assets	\$ 841,939
<hr/>	

LIABILITIES

Vouchers payable and accrued liabilities	\$ 54,281
Due to other governments	275,632
Due to individuals	512,026
<hr/>	
Total liabilities	\$ 841,939
<hr/>	

The notes to the financial statements are an integral part of this statement.

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PALM BEACH COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting principles and policies used in the preparation of the accompanying financial statements:

Reporting Entity

The Palm Beach County Sheriff (the Sheriff) is a separately elected county official established pursuant to the Constitution of the State of Florida. The Sheriff's financial statements do not purport to reflect the financial position or the results of operations of Palm Beach County, Florida (the County) taken as a whole.

Section 10.556(6), *Rules of the Auditor General for Local Governmental Entity Audits*, requires the Palm Beach County, Florida, Sheriff financial statements to only present fund financial statements. Accordingly, due to the omission of government-wide financial statements and related disclosures including a management's discussion and analysis, these financial statements do not constitute a complete presentation of the financial position of the Palm Beach County, Florida, Sheriff as of September 30, 2008 and the changes in financial position for the year then ended, in conformity with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, but otherwise constitute financial statements prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

The financial activities of the Sheriff, as a constitutional officer, are included in the Palm Beach County, Florida Comprehensive Annual Financial Report.

Basis of Presentation

The accounting records of the Sheriff are organized on the basis of funds as prescribed by GAAP applicable to governments as established by the GASB. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Government 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 various types and funds used by the Sheriff are described as follows:

Major Funds:

General Fund – The General Fund is a governmental fund type and is used to account for all revenue and expenditures applicable to the general operations of the Sheriff that are not required either legally or by GAAP to be accounted for in another fund.

PALM BEACH COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

Special Revenue Fund – This fund is a governmental fund type and is used to account for revenues which are restricted by outside sources, and include Inmate Canteen and Welfare, Grants, Parking Enforcement, 911, Public Law Enforcement Insurance Combating Auto Theft (PLICAT), Law Enforcement Trust (LETf), and Law Enforcement Technology Project .

Fiduciary Fund:

Agency Fund – This Fund accounts for assets held by the Sheriff as an agent for individuals, organizations or other governments for cash bonds, inmate funds and civil trusts.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The modified accrual basis of accounting is utilized by governmental funds. Under this basis, revenues are recognized if they are susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. For this purpose, the Sheriff considers revenues to be available if they are collected within 60 days of year-end. Primary revenue sources susceptible to accrual include charges for services, fines and forfeitures, and interest. Expenditures are recognized when the related fund liability is incurred, except for interest on capital leases, which is recognized when paid. Expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Governmental funds are accounted for on a “spending” or “financial flow” measurement focus. Generally, only current assets and current liabilities are included on the balance sheet. The operating statement reports increases and decreases in net current assets. Agency funds are custodial in nature (assets equal liabilities) and do not measure the results of operations, but assets and liabilities are measured on the accrual basis of accounting.

Encumbrances

Encumbrances outstanding at year-end represent the estimated amounts of expenditures ultimately to be paid for goods on order or unperformed contracts in progress at year-end. Because appropriations lapse at year-end, it is the Sheriff’s policy to liquidate open encumbrances and re-appropriate such amounts at the beginning of the next fiscal year.

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure

PALM BEACH COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting periods. Actual results could differ from those estimates.

Deposits

All deposits are held in qualified public depositories pursuant to the Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act" and are covered by either federal depository insurance or collateral held by the Chief Financial Officer of Florida.

In the event of a default by a qualified public depository, all claims for government deposits would be satisfied by the Chief Financial Officer of Florida 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.

Cash Equivalents

Highly liquid investments with maturities of three months or less when purchased are reported as cash equivalents. The funds' investments in the County's internal investment pool are reported in the fund financial statements as cash equivalents. For the entity-wide Statement of Net Assets, the primary government's investment in the internal investment pool is reported separately from investments held outside the pool.

Internal Investment Pool

The County maintains an investment pool for substantially all cash and cash equivalents and investments of all funds. All money market investments and participating interest earning investment contracts with a remaining maturity at time of purchase of ninety days or less are recorded at amortized cost plus accrued interest. All other investments are carried at fair value as determined from quoted market prices. Each fund's portion of the pool is presented as "cash and cash equivalents", "investments" or "restricted assets" as appropriate. Earnings are allocated to each fund based on average daily balances of cash and investments. The County considers cash and cash equivalents to be cash on hand, demand deposits, investments and equity in the County's cash management internal investment pool. The internal investment pool is reported as a cash equivalent in accordance with GASB 9 footnote 5 and the 2008 GASB Comprehensive Implementation Guide, paragraph 2.13.1.

Investments

State statutes and local ordinances authorize investments in obligations of the U.S. Government, its agencies and instrumentalities, repurchase agreements, interest-bearing time deposits, savings accounts, the Local Government Surplus Funds Trust Fund (State Board of Administration), the

PALM BEACH COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

Florida Local Government Investment Trust (FLGIT), collateralized mortgage obligations (CMO), certain corporate securities, bankers acceptances, and money market mutual funds.

The following external investment pool is not SEC-registered:

The *Florida Local Government Investment Trust* (FLGIT) is a local government investment pool developed jointly by the Florida Association of Court Clerks and the Florida Association of Counties. The FLGIT has no regulatory oversight, but has been recognized by an Internal Revenue Service private letter ruling as a tax-exempt organization, received a Standard and Poor's rating and is governed by a six member Board of Trustees. The share price of this investment represents the fair value of the fund's underlying investments.

Inventory and Prepaid Items

Inventory consists primarily of materials and supplies that are stated at average cost. Under average costing, the unit cost of an item is the average value of all receipts of that item to inventory, on a per unit basis. The Sheriff accounts for purchases of inventory under the consumption method. Under this method, inventory is reported as an expenditure when consumed in the operations of the Sheriff's Office.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. Expenditures for insurance and similar services extending over more than one accounting period are accounted for as expenditures of the period of acquisition.

Capital Assets

Capital assets, which include furniture, fixtures and equipment, are recorded as capital outlay expenditures in the Governmental Funds at the time goods are received and a liability is incurred. These assets are then capitalized at cost in the statement of net assets as part of the basic financial statements of the County. Capital assets acquired under capital leases are capitalized at cost in the statement of net assets of the County at the time the assets are received. Donated and confiscated capital assets are recorded in the statement of net assets of the County at fair value at the time received. Capital assets are depreciated using the straight-line method over a period ranging from three to fifteen years. The depreciation expense is recorded in the statement of activities as part of the basic financial statements of the County.

Compensated Absences

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the Sheriff accrues a liability for compensated absences, as well as certain other salary-related costs associated with the payment of compensated absences. Employees of the Sheriff may accumulate unused vacation and sick leave in varying amounts based primarily on length of service and position.

PALM BEACH COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

Up to 1,200 hours of sick leave and 750 hours of accumulated vacation leave are payable to employees upon termination or retirement. Employees may defer up to a maximum of 120 hours each in compensatory and holiday leave. Accumulated vacation, sick leave, compensatory and holiday leave are payable at the rate of pay on the date used or the date of termination or retirement.

For governmental fund reporting a liability and expenditure for compensated absences is recognized as payments come due each period upon the occurrence of relevant events, such as employee resignations and retirements. For reporting within governmental activities of the County's basic financial statements, vacation, compensatory and holiday leave are accrued as a liability when benefits are earned by the employees, that is, the employees have rendered services that give rise to the liability and it is probable the Sheriff will compensate the employees in cash upon termination or retirement. The Sheriff uses the vesting method in accruing sick leave liability. The vesting method accrues sick leave liability for employees who are currently eligible to receive termination payments upon separation as well as those expected to become eligible in the future. The obligation is reported in Note 4.

Transfers In

In accordance with Florida Statutes, the Board of County Commissioners is required to fund certain operations of the Sheriff. These County appropriations are reported as transfers in.

Transfers Out

In accordance with Florida Statutes, all revenues and other financial sources in excess of expenditures (unexpended appropriations) are owed to the Board of County Commissioners and other governmental units. Unexpended appropriations returned to the Board of County Commissioners are reported as transfers out.

2. CASH AND INVESTMENTS

At September 30, 2008 the Sheriff was invested in the County's internal investment pool with a fair value of \$58,955,246.

The Sheriff participates in the County's pooled cash system to maximize earnings and facilitate cash management. The County's pooled cash fund is a highly liquid investment pool of approximately \$1.8 billion as of September 30, 2008, of which approximately 86% is invested in U.S. Government and Agency obligations. The County's investment policy for the internal investment pool requires that all securities be insured or registered in the name of the County and held by a third party custodial institution, with capital and surplus stock of at least \$500 million and a separate custody account at the Federal Reserve Bank (FED) specifically designated by the FED as restricted for the safekeeping of the member-bank's customer-owned securities only. All securities purchased or sold are transferred "delivery versus payment" (D.V.P.) or "payment versus delivery" to ensure that funds or securities are not released until all criteria relating to the

**PALM BEACH COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

specific transactions are met. The equity in the County pooled cash system is available to the Sheriff on a demand basis. See the County-wide financial statements for disclosures relating to its interest rate risk, credit risk, custodial credit risk and concentration of credit risk.

3. CAPITAL ASSETS

A summary of capital assets are reported at cost in the statement of net assets as part of the government-wide financial statements of the County as follows:

	Balance <u>10/01/07</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>09/30/08</u>
Furniture, fixtures and equipment	\$107,439,205	\$27,581,021	\$(11,245,455)	\$123,774,771
Accumulated depreciation	<u>(61,274,637)</u>	<u>(12,470,770)</u>	<u>9,960,052</u>	<u>(63,785,355)</u>
Capital assets, net	<u>\$46,164,568</u>	<u>\$15,110,251</u>	<u>\$(1,285,403)</u>	<u>\$59,989,416</u>

4. ACCUMULATED COMPENSATED ABSENCES AND OTHER GENERAL OBLIGATIONS

Compensated absences and other obligations payable (which consists of claims and judgments related to self-insurance program – see Note 7) are reported by the County in its government-wide financial statements. The following is a summary of changes in the amount not due and payable from current available resources:

Compensated absences at October 1, 2007	\$54,858,153	
Increase in accrued compensated absences	37,830,737	
Decrease in accrued compensated absences	<u>(30,671,233)</u>	
Compensated absences at September 30, 2008		62,017,657
Claims and judgments at October 1, 2007	32,290,958	
Increase in claims and judgments	9,480,562	
Decrease in claims and judgments	<u>(10,666,424)</u>	
Claims and judgments at September 30, 2008		<u>31,105,096</u>
Total		<u>\$93,122,753</u>

5. RETIREMENT PLANS

FLORIDA RETIREMENT SYSTEM

Plan Description. The Sheriff participates in the Florida Retirement System (FRS), a non-contributory, cost-sharing, multi-employer, public employee retirement system administered by the Florida Department of Management Services, Division of Retirement. The FRS was created December 1, 1970. FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. These benefits are established by Florida Statutes, Chapter 121, and may only be amended by the Florida Legislature.

PALM BEACH COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

The Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for FRS. The report may be obtained by writing to the Florida Division of Retirement, ATTN: Research, Education & Policy Section, P.O. Box 9000, Tallahassee, Florida 32315-9000, calling 1-850-488-5706 or accessing their website at <http://dms.myflorida.com>.

Beginning July 1, 2002, the FRS became one plan with two primary options, a defined benefit option known as the FRS Pension Plan and an alternative defined contribution option known as the FRS Investment plan. The two plans are described in detail below.

The FRS Pension Plan provides for vesting of benefits after 6 years of creditable service. Benefits are based on age, average final compensation and years-of-service credit. Average final compensation is the average of the five highest fiscal years of earnings. Members are eligible for normal retirement when they have met the minimum requirements established by their membership class. Regular Class members are eligible for normal retirement if they are vested and age 62 or if they have 30 years of creditable service regardless of age. Early retirement may be taken any time after vesting. However, there is a 5% reduction of benefits for each year prior to normal retirement age or date. The percentage level of employees' payroll contribution rates is determined using the frozen entry age actuarial cost method.

Beginning July 1, 1998, the FRS implemented the Deferred Retirement Option Program (DROP), which is a program within the FRS Pension Plan that allows members to retire without terminating their employment for up to five years while their retirement benefits accumulate and earn interest compounded monthly at an effective annual rate of 6.5%. Members may participate in DROP when they are vested and have reached their normal retirement date. When the DROP period ends, members must terminate employment. At that time, members will receive their accumulated DROP benefits and begin receiving their monthly retirement benefit.

The FRS Investment Plan, formally created as the Public Employee Optional Retirement Program (PEORP), is a participant-directed 401(a) program selected by employees in lieu of participation in the defined benefit option of the Florida Retirement System. Benefits accrue in individual accounts that are participant-directed, portable, and funded by employer contributions. Participants and beneficiaries bear the investment risks that result when they exercise control over investments in their accounts. The Investment Plan offers a diversified mix of low-cost investment options that span the risk-return spectrum and give participants the opportunity to accumulate retirement benefits. Members are vested after completing one year of creditable service.

Funding policy- The contribution requirements of the Sheriff are established and may be amended by the Florida Legislature. The Sheriff's contributions to FRS for the years ended September 30, 2008, 2007, and 2006 were \$39.7 million, \$37.2 million, and \$29.9 million, respectively, equal to the required contributions for each year.

PALM BEACH COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

The following membership classes and rates, which apply to both the FRS Pension Plan and the FRS Investment Plan, were in effect at September 30, 2008:

<u>Membership Class</u>	<u>Rates</u>
Regular	9.85%
Special Risk	20.92%
Judges	19.56%
Legislators	14.48%
Governor/Lieutenant Governor/Cabinet	14.48%
State Attorney/Public Defender	14.48%
County, City, Special District Elected Officers	16.53%
Special Risk Administrative Support	12.55%
IFAS Supplemental	18.75%
Senior Management	13.12%
Deferred Retirement Option Program	10.91%

6. LEASES

The Sheriff has entered into various leases which are classified as operating leases for accounting purposes. Total operating lease expense for facilities for fiscal year ended September 30, 2008 amounted to \$710,502. There are no future minimum leases or rental payments.

7. RISK MANAGEMENT

The Sheriff's Office maintains a general liability self-insurance program, a workers' compensation self-insurance program and a commercially insured employee health insurance program. The amount expected to be paid from current available resources of the general liability and workers' compensation self-insurance liabilities are accounted for in the Sheriff's General Fund in the amount of \$1,307,282. The amount not due and payable from current available resources is reported in the governmental activities in the County's basic financial statements in the amount of \$31,105,096. The following is a brief description of each of the Sheriff's insurance programs.

General Liability Insurance

The Sheriff's Office is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; and natural disasters. The claims liability reported for general liability at September 30, 2008 is \$12,907,299. This amount is based on the requirements of GASB 10 which specifies that a liability for claims be reported 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. The liability is discounted at a rate of 4% per annum using the discounted method.

**PALM BEACH COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

During claim years 2008 and 2007, changes recorded to the claims liability for general liability were as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-end
2007	\$11,492,510	\$6,494,703	\$(3,918,117)	\$14,069,096
2008	14,069,096	2,935,585	(4,097,382)	12,907,299

Workers' Compensation Insurance

The Sheriff's Office is self-funded for its workers' compensation exposure. The claims liability reported at September 30, 2008 is \$19,505,079. This amount is the actuarially determined claims liability based on the requirements of GASB 10 which specifies that a liability for claims be reported 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. The liability is discounted at a rate of 4% per annum using the discounted method.

During claim years 2008 and 2007, changes recorded to the claims liability for workers' compensation were as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-end
2007	\$22,953,059	\$2,942,863	\$(6,327,083)	\$19,568,839
2008	19,568,839	6,505,282	(6,569,042)	19,505,079

Settled claims have not exceeded insurance coverage for any of the insurance programs noted above in the past three fiscal years.

8. CONTINGENCIES

Litigation

The Sheriff's Office is involved in various lawsuits arising in the ordinary course of operations. Although the outcome of these matters is not presently determinable, it is the opinion of the management of the Sheriff's Office based upon consultation with legal counsel, that the outcome of these matters will not materially affect the financial position of the Sheriff's Office.

**PALM BEACH COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

9. OTHER POST EMPLOYMENT BENEFITS

Healthcare Plan for the Palm Beach County Sheriff's Office (PBSO):

Plan Description: The defined benefit post-employment healthcare plan provides medical benefits to eligible retired employees and their dependents. The plan is a single employer plan which is administered by the PBSO.

Funding Policy: The contribution requirements of plan members and the PBSO are established and may be amended by the PBSO. The PBSO is required by Florida Statute 112.0801 to allow their retirees (and eligible participants) to continue participation in the group insurance plan. Retirees must be offered the same coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees which results in an implicit subsidy as defined by GASB 45. In addition to the „implicit' benefit, the PBSO provides a subsidy that retirees can use to partially or fully offset the cost of health insurance. At September 30, 2008, retirees receiving benefits contributed \$354 to \$1,978 monthly for medical coverage and \$22 to \$85 monthly for dental.

OPEB Cost and Net OPEB Obligation: The annual other post employment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the annual OPEB cost for the year, the amount contributed to the plan, and changes in the net OPEB obligation as of fiscal year ended September 30, 2008:

Annual required contribution (ARC)	\$ 15,300,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	15,300,000
Contributions made	(4,300,000)
Increase in net OPEB obligation	11,000,000
Net OPEB obligation- beginning of year	-
Net OPEB obligation- end of year	<u>\$ 11,000,000</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current fiscal year:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2008	\$ 15,300,000	28.1%	\$ 11,000,000

**PALM BEACH COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

Funded Status and Funding Progress: The plan is financed on a „pay-as-you-go’ basis. The funded status of the plan as of September 30, 2008, was as follows:

Actuarial accrued liability (AAL)	\$ 169,700,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 169,700,000</u>
Funded ratio (actuarial value of plan / AAL)	0.0%
Covered payroll (active plan members)	\$ 222,956,243
UAAL as a percentage of covered payroll	76.1%

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. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

Actuarial valuation date	1/1/2008
Actuarial cost method	Unit credit actuarial cost method
Actuarial amortization method	Level percentage of salary at beginning of fiscal year
Remaining amortization period	30 years
Asset valuation method	Not applicable
Actuarial assumptions:	
Investment rate of return	5%
Projected salary increases	4%
Healthcare inflation rate- initial	11%
Healthcare inflation rate- ultimate	5%

PALM BEACH COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

10. SIGNIFICANT DEVELOPMENTS

Capital Project Fund

The Sheriff launched the Law Enforcement and Corrections Information Technology Enhancement and Mobile Data Project. This project encompasses the implementation of new Computer Aided Dispatch, Report and Records Management (RMS), Jail Management, Mobile Data, Field Reporting, Crime Analysis, Automatic Vehicle Location and other critical systems and technologies.

In December 18, 2007 BOCC meeting, a resolution was adopted authorizing the issuance of \$35,100,000 Public Improvement Revenue Bonds for the Law Enforcement Technology Project. The capital project fund was established to record the transfers from the County and all related transactions including expenditures and interest earnings.

Mergers

On October 1, 2008, a merger with the Town of Lake Worth was finalized. The merger is intended to enhance the police protection in the community and provide continuity of investigative processes.

**PALM BEACH COUNTY, FLORIDA
SHERIFF
SEPTEMBER 30, 2008**

Required Supplemental Information (RSI)

Other Post Employment Benefits (OPEB)

Healthcare Plan for PBSO
Scheduling of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2008	\$0	\$169,700,000	\$169,700,000	0.0%	\$222,956,243	76.1%

PALM BEACH COUNTY, FLORIDA
SHERIFF
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the fiscal year ended September 30, 2008

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	-	-	-
Expenditures:				
Current:				
General government	18,415,114	18,927,980	18,927,979	1
Public safety	387,737,384	375,008,912	371,098,814	3,910,098
Capital outlay	11,386,136	23,668,410	19,252,952	4,415,458
Debt service	5,700,000	-	-	-
Total expenditures	423,238,634	417,605,302	409,279,745	8,325,557
Excess of revenues over (under) expenditures	(423,238,634)	(417,605,302)	(409,279,745)	8,325,557
Other financing sources (uses):				
Transfers from Board of County Commissioners	423,238,634	418,475,467	418,475,467	-
Transfers to Board of County Commissioners	-	(870,165)	(8,558,613)	(7,688,448)
Total other financing sources (uses)	423,238,634	417,605,302	409,916,854	(7,688,448)
Net change in fund balance	-	-	637,109	637,109
Fund balance, October 1, 2007	-	-	1,950,884	1,950,884
Fund balance, September 30, 2008	\$ -	\$ -	\$ 2,587,993	\$ 2,587,993

Section 30.49, Florida Statutes, governs the preparation, adoption and administration of the Sheriff's annual budget. By May 1 each year, the Sheriff shall certify to the Board a proposed budget of expenditures for performing the duties of his office for the ensuing fiscal year. The Sheriff's budget is legally adopted by Board of County Commission action for the fiscal year beginning October 1 for the general and special revenue funds on a basis consistent with accounting principles generally accepted in the United States. The legal level of budgetary control is at the fund level by functional category.

PALM BEACH COUNTY, FLORIDA
SHERIFF
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
For the fiscal year ended September 30, 2008

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ -	\$ -	\$ 1,858,607	\$ 1,858,607
Fines and forfeitures	-	-	126,728	126,728
Investment income	-	-	242,926	242,926
Miscellaneous	-	-	28,784	28,784
Total revenues	-	-	2,257,045	2,257,045
Expenditures:				
Current:				
General government	-	-	5,908	(5,908)
Public safety	-	20,891,946	9,869,169	11,022,777
Capital outlay	-	21,488,276	7,954,846	13,533,430
Total expenditures	-	42,380,222	17,829,923	24,550,299
Excess of revenues over (under) expenditures	-	(42,380,222)	(15,572,878)	26,807,344
Other financing sources:				
Transfers from Board of County Commissioners	-	42,393,972	16,116,306	(26,277,666)
Transfers to Board of County Commissioners	-	(13,750)	(57,112)	(43,362)
Total other financing sources	-	42,380,222	16,059,194	(26,321,028)
Net change in fund balance	-	-	486,316	486,316
Fund balance, October 1, 2007	-	-	2,931,636	2,931,636
Fund balance, September 30, 2008	\$ -	\$ -	\$ 3,417,952	\$ 3,417,952

Section 30.49, Florida Statutes, governs the preparation, adoption and administration of the Sheriff's annual budget. By May 1 each year, the Sheriff shall certify to the Board a proposed budget of expenditures for performing the duties of his office for the ensuing fiscal year. The Sheriff's budget is legally adopted by Board of County Commission action for the fiscal year beginning October 1 for the general and special revenue funds on a basis consistent with accounting principles generally accepted in the United States. The legal level of budgetary control is at the fund level by functional category.

PALM BEACH COUNTY, FLORIDA
SHERIFF
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
For the fiscal year ended September 30, 2008

	Balance 10/1/2007	Additions	Deductions	Balance 9/30/2008
ASSETS				
Cash and cash equivalents	\$ -	\$ 249,311,993	\$ 249,311,993	\$ -
Accounts receivable, net	939,501	8,985,495	9,545,080	379,916
Due from other county funds	-	11,912,724	11,912,724	-
Due from other governments	163,919	39,016,170	38,718,415	461,674
Other assets	452	892	995	349
Total assets	\$ 1,103,872	\$ 309,227,274	\$ 309,489,207	\$ 841,939
LIABILITIES				
Vouchers payable and accrued liabilities	\$ 77,308	\$ 90,084,389	\$ 90,107,416	\$ 54,281
Due to other county funds	-	70,508,236	70,508,236	-
Due to other governments	20,581	384,860	129,809	275,632
Due to individuals	1,005,983	7,412,885	7,906,842	512,026
Other liabilities	-	42,427,230	42,427,230	-
Total liabilities	\$ 1,103,872	\$ 210,817,600	\$ 211,079,533	\$ 841,939

McGladrey & Pullen

Certified Public Accountants

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

To the Honorable Ric L Bradshaw
Sheriff
Palm Beach County, Florida

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Sheriff, Palm Beach County, Florida (the "Sheriff") as of and for the year ended September 30, 2008, and have issued our report thereon dated June 15, 2009. These financial statements were prepared to comply with Section 218.39 (2), Florida Statutes and Section 10.557(3), Rules of the Auditor General for Local Government Entity Audits. 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.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies 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 the Sheriff'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 matters that we reported to management of the Sheriff's office in a separate letter dated June 15, 2009.

This report is intended solely for the information and use of the Honorable Sheriff, management of Palm Beach County, Florida Sheriff's office, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

West Palm Beach, Florida
June 15, 2009

McGladrey & Pullen

Certified Public Accountants

Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

The Honorable Ric L Bradshaw
Sheriff
Palm Beach County, Florida

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Sheriff of Palm Beach County, Florida ("the Sheriff"), as of and for the year ended September 30, 2008, and have issued our report thereon dated June 15, 2009, which was prepared to comply with State of Florida reporting requirements.

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. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, if any, which is dated June 15, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The recommendations made in the preceding annual financial audit report have been addressed in Appendix A to this report.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Sheriff complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. There are no recommendations to improve financial management, accounting procedures, and internal controls for the current annual financial audit report.

Section 10.554(1)(i)4. Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on profession judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The information is disclosed in Note 1 to the financial statements.

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 letter is intended solely for the information and use of the Sheriff, management of the Palm Beach County, Florida Sheriff's Office, and the Florida Auditor General, and is not intended to be and should not be used by another other than these specified parties.

West Palm Beach, Florida
June 15, 2009

Sheriff of Palm Beach County Sheriff

Appendix A - Prior Year Recommendations to Improve
Financial Management, Accounting Procedures
and Internal Controls

No.	Prior Year's Observations	Observation is Still Relevant	Observation Addressed or No Longer Relevant
ML 06-01	Application Security		X
ML 06-02	Data Security		X
ML 06-03	Security Controls		X
ML 06-04	IT User Access		X
ML 06-05	Data Center Access		X
ML 06-06	IT Security Awareness		X

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Section IX

CLERK & COMPTROLLER

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

The Honorable Sharon R. Bock
Clerk & Comptroller
Palm Beach County, Florida

We have audited the accompanying financial statements of each major fund, and the aggregate remaining fund information of the Clerk & Comptroller, Palm Beach County, Florida (the "Clerk"), as of and for the year ended September 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Clerk's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements referred to above have been prepared for the purpose of complying with Section 218.39, *Florida Statutes*, and Section 10.557 (3), *Rules of the Auditor General for Local Governmental Entity Audits*. These financial statements are not intended to be a complete presentation of the financial position of the Clerk as of September 30, 2008, and changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and aggregate remaining fund information of the Clerk as of September 30, 2008, and the respective changes in financial position, 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 June 15, 2009 on our consideration of the Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison schedules and schedule of funding progress are not a required part of the financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements. The Combining Statement of Changes in Assets and Liabilities – Agency Fund is presented for purposes of additional analysis and is not a required part of the financial statements. The Combining Statement of Changes in Assets and Liabilities – Agency Fund has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Clerk, management of the Clerk & Comptroller's office and the Auditor General, of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

West Palm Beach, Florida
June 15, 2009

CLERK & COMPTROLLER
PALM BEACH COUNTY, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2008

	Major Funds		Total Governmental Funds
	General Fund	Public Records Modernization Trust Fund	
ASSETS			
Cash and cash equivalents	\$ 5,658,596	\$ 19,647,446	\$ 25,306,042
Accounts receivable, net	212,470	-	212,470
Due from other county funds	1,128,225	-	1,128,225
Due from other funds	2,710,226	-	2,710,226
Due from other governments	191,108	-	191,108
Other assets	1,632	-	1,632
Total assets	\$ 9,902,257	\$ 19,647,446	\$ 29,549,703
LIABILITIES			
Vouchers payable and accrued liabilities	\$ 2,829,289	\$ -	\$ 2,829,289
Due to other county funds	1,071,298	-	1,071,298
Due to other funds	479,314	2,667,496	3,146,810
Due to other governments	3,580,353	-	3,580,353
Due to individuals	660,000	-	660,000
Other liabilities	1,282,003	-	1,282,003
Total liabilities	9,902,257	2,667,496	12,569,753
FUND BALANCES			
Fund balances	-	16,979,950	16,979,950
Total fund balances	-	16,979,950	16,979,950
Total liabilities and fund balances	\$ 9,902,257	\$ 19,647,446	\$ 29,549,703

The notes to the financial statements are an integral part of this statement.

CLERK & COMPTROLLER
PALM BEACH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the fiscal year ended September 30, 2008

	Major Funds		Total Governmental Funds
	General Fund	Public Records Modernization Trust Fund	
Revenues:			
Intergovernmental	\$ 661,642	\$ -	\$ 661,642
Charges for services	37,639,840	2,889,024	40,528,864
Fines and forfeitures	6,370,920	-	6,370,920
Investment income	242,758	603,696	846,454
Miscellaneous	2,791,428	-	2,791,428
Total revenues	47,706,588	3,492,720	51,199,308
Expenditures:			
Current:			
General government	69,591,298	1,875	69,593,173
Capital outlay	737,982	-	737,982
Total expenditures	70,329,280	1,875	70,331,155
Excess of revenues over (under) expenditures	(22,622,692)	3,490,845	(19,131,847)
Other financing sources (uses):			
Transfers from Board of County Commissioners	16,957,072	-	16,957,072
Transfers to Board of County Commissioners	(646,941)	-	(646,941)
Transfers from other funds	6,312,561	-	6,312,561
Transfers to other funds	-	(6,312,561)	(6,312,561)
Total other financing sources (uses)	22,622,692	(6,312,561)	16,310,131
Net change in fund balances	-	(2,821,716)	(2,821,716)
Fund balances, October 1, 2007	-	19,801,666	19,801,666
Fund balances, September 30, 2008	\$ -	\$ 16,979,950	\$ 16,979,950

The notes to the financial statements are an integral part of this statement.

CLERK & COMPTROLLER
PALM BEACH COUNTY, FLORIDA
STATEMENT OF NET ASSETS - INTERNAL SERVICE FUND
September 30, 2008

	Self- Insurance Fund
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 2,662,748
Accounts receivable, net	334,504
Due from other funds	479,314
<hr/>	
Total assets	\$ 3,476,566
<hr/>	
LIABILITIES	
Due to other funds	42,730
Insurance claims payable	752,000
Other liabilities	7,124
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Total liabilities	801,854
<hr/>	
NET ASSETS	
Unrestricted	2,674,712
<hr/>	
Total net assets	\$ 2,674,712
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The notes to the financial statements are an integral part of this statement.

CLERK & COMPTROLLER
PALM BEACH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUND
For the fiscal year ended September 30, 2008

	Self- Insurance Fund
Operating revenues:	
Charges for services	\$ 8,431,476
Total operating revenues	8,431,476
Operating Expenses:	
Current:	
Self-insurance services	8,401,248
Total operating expenses	8,401,248
Operating Income	30,228
Nonoperating revenues :	
Investment income	84,484
Total nonoperating revenues	84,484
Change in net assets	114,712
Net Assets, October 1, 2007	2,560,000
Net Assets, September 30, 2008	\$ 2,674,712

The notes to the financial statements are an integral part of this statement.

CLERK & COMPTROLLER
PALM BEACH COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
For the fiscal year ended September 30, 2008

	Self- Insurance Fund
Cash received from customers	\$ 961,509
Cash received from other funds for goods and services	7,056,839
Cash payments to vendors for goods and services	(1,413,516)
Cash payments to employees for services	(42,730)
Claims paid	(6,769,016)
Net cash (used in) operating activities	(206,914)
Cash flows from investing activities:	
Interest on investments	84,484
Net cash provided by investing activities	84,484
Net decrease in cash and cash equivalents	(122,430)
Cash and cash equivalents, October 1, 2007	2,785,178
Cash and cash equivalents, September 30, 2008	\$ 2,662,748
Reconciliation of operating income to net cash provided by (used in) operating activities:	
Operating income	\$ 30,228
Adjustments to reconcile operating income to net cash (used in) operating activities:	
(Increase) in accounts receivable	(334,504)
(Increase) in due from other county funds	(180,089)
Decrease in other assets	101,465
(Decrease) in vouchers payable and accrued liabilities	(1,140)
(Decrease) in due to other county funds	(42,874)
Increase in insurance claims payable	220,000
Net cash (used in) operating activities	\$ (206,914)

The notes to the financial statements are an integral part of this statement.

CLERK & COMPTROLLER
PALM BEACH COUNTY, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUND
September 30, 2008

ASSETS

Cash and cash equivalents	\$ 24,020,447
Accounts receivable, net	336,447
Due from other governments	101,737
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Total assets	\$ 24,458,631
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LIABILITIES

Due to other governments	\$ 7,066,006
Due to individuals	17,392,625
<hr/>	
Total liabilities	\$ 24,458,631
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The notes to the financial statements are an integral part of this statement.

**CLERK & COMPTROLLER
PALM BEACH COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting principles and policies used in the preparation of the accompanying financial statements:

Reporting Entity

The Palm Beach County Clerk & Comptroller (the Clerk) is a separately elected county official established pursuant to the Constitution of the State of Florida. The Clerk's financial statements do not purport to reflect the financial position or the results of operations of Palm Beach County, Florida (the County) taken as a whole.

Section 10.556(6), *Rules of the Auditor General for Local Governmental Entity Audits*, requires the Palm Beach County, Florida, Clerk financial statements to only present fund financial statements. Accordingly, due to the omission of government-wide financial statements and related disclosures including a management's discussion and analysis, these financial statements do not constitute a complete presentation of the financial position of the Palm Beach County, Florida, Clerk as of September 30, 2008 and the changes in financial position for the year then ended, in conformity with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, but otherwise constitute financial statements prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

The financial activities of the Clerk, as a constitutional officer, are included in the Palm Beach County, Florida Comprehensive Annual Financial Report.

Basis of Presentation

The accounting records of the Clerk are organized on the basis of funds as prescribed by GAAP applicable to governments as established by the GASB. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Government 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 various types and funds used by the Clerk are described as follows:

Major Funds:

General Fund – The General Fund is a governmental fund type and is used to account for all revenue and expenditures applicable to the general operations of the Clerk that are not required either legally or by GAAP to be accounted for in another fund.

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Public Records Modernization Trust Fund – The Public Records Modernization Trust Fund is a special revenue fund used to account for recording fees which are restricted by Section 28.24, Florida Statutes, to be used for the modernization of the public records system of the office and for the cost of court-related technology needs.

Internal Service Fund:

Self-Insurance Fund – This fund is used to account for the assessed premiums, claims and administration of the Clerk’s employee group health insurance program.

Fiduciary Fund:

Agency Fund – This fund is used to account for cash held by the Clerk as an agent for individuals, organizations or other governments received for fines, forfeitures, filing fees, documentary stamps and intangible tax.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The modified accrual basis of accounting is utilized by governmental funds. Under this basis, revenues are recognized if they are susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. For this purpose, the Clerk considers revenues to be available if they are collected within 60 days of year-end. Primary revenue sources susceptible to accrual include intergovernmental, charges for services and interest. Expenditures are recognized when the related fund liability is incurred. Exceptions to this general rule include accumulated sick and vacation pay, which are not recorded as expenditures because these amounts will not be paid from expendable available resources.

The accrual basis of accounting is utilized by internal service funds and agency funds. Under this basis, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Internal service funds are accounted for using the economic resources measurement focus in which all assets and liabilities associated with the operation of the fund are included on the statement of net assets.

Governmental funds are accounted for on a “spending” or “financial flow” measurement focus. Generally, only current assets and current liabilities are included on the balance sheet. The operating statement reports increases and decreases in net current assets. Agency funds are custodial in nature (assets equal liabilities) and do not measure the results of operations, but assets and liabilities are measured on the accrual basis of accounting.

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Encumbrances

Encumbrances outstanding at year-end represent the estimated amounts of expenditures ultimately to be paid for goods on order or unperformed contracts in process at year-end. Because appropriations lapse at year-end, it is the Clerk's policy to liquidate open encumbrances and re-appropriate such amounts at the beginning of the next fiscal year.

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting periods. Actual results could differ from those estimates.

Deposits

All deposits are held in qualified public depositories pursuant to the Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act" and are covered by either federal depository insurance or collateral held by the Chief Financial Officer of Florida.

In the event of a default by a qualified public depository, all claims for government deposits would be satisfied by the Chief Financial Officer of Florida 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.

Cash Equivalents

Highly liquid investments with maturities of three months or less when purchased are reported as cash equivalents.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. Expenditures for insurance and similar services extending over more than one accounting period are accounted for as expenditures of the period of acquisition.

Capital Assets

Upon acquisition, capital assets are recorded as capital outlay expenditures in the governmental funds of the Clerk. Capital assets are capitalized at cost and reported in the governmental activities of the basic financial statements of the County. Capital assets are depreciated using the straight-line method over a period ranging from two to fifteen years. The depreciation expense is

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recorded in the statement of activities as part of the basic financial statements of the County. The Clerk maintains custodial responsibility for the capital assets used by its office.

Compensated Absences

Employees of the Clerk may accumulate unused vacation up to a specified amount and may accumulate unused sick leave, which does not have a limit. Sick leave is payable up to a maximum of 50% based on years of service to employees who voluntarily resign in good standing at the rate of pay on that date. Vacation leave is payable up to a maximum of 400 hours.

All FLSA exempt employees were enrolled in the Clerk's PTO Plan effective January 1, 2007. Employees may carry a maximum of 25 PTO days from year to year. Any accruals in excess of 25 PTO days on December 31 of each year will be transferred to a Sick Leave Bank not to exceed 800 hours.

For governmental fund reporting a liability and expenditure for compensated absences is recognized as payments come due each period upon the occurrence of relevant events, such as employee resignations and retirements. For reporting within governmental activities of the County's basic financial statements, vacation is accrued as a liability when benefits are earned by the employees, that is, the employees have rendered services that give rise to the vacation liability and it is probable that the Clerk will compensate the employees in some manner, e.g. in cash or in paid time-off, now or upon termination or retirement. The Clerk uses the vesting method in accruing sick leave liability. The vesting method accrues sick leave liability for employees who are currently eligible to receive termination payments upon separation as well as those expected to become eligible in the future. The obligation is reported in Note 4.

Transfers In

In accordance with Florida Statutes, the Board of County Commissioners is required to fund certain operations of the Clerk. These County appropriations are reported as transfers in.

Transfers Out

In accordance with Florida Statutes, except for the Public Records Modernization Trust Fund and Article V court-related cumulative excess, all revenues in excess of expenditures as of year-end are owed to the Board of County Commissioners. These "excess fees" are reported as transfers out.

Net Assets

The \$2,674,712 net asset balance at September 30, 2008 in the internal service fund is necessary to provide for actuarial soundness pursuant to the State of Florida's Office of Insurance Regulation as detailed under the guidelines of Florida Statute 112.08 and based on recommendation from the Clerk's actuary.

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Insurance Claims Payable

The Clerk’s Office is self-insured for employee health benefits. The general fund and employees are charged premiums by the internal service fund which are reviewed and adjusted annually based on claims experience. The accrued liability for estimated claims payable represents an actuarially determined estimate of the eventual loss of claims arising prior to fiscal year-end including claims incurred but not yet reported.

2. CASH AND CASH EQUIVALENTS

As of September 30, 2008, the Clerk’s cash, deposits and investments were as follows:

Cash and cash equivalents:

Deposits with Financial Institutions	\$ 47,941,835
Federated Investors	3,989,859
Cash on hand	57,543
Total cash and cash equivalents	\$ 51,989,237

The breakdown for financial statement purposes was as follows:

Governmental Funds	\$ 25,306,042
Internal Service Fund	2,662,748
Fiduciary Funds	24,020,447
Total cash and cash equivalents	\$ 51,989,237

The Clerk’s cash, deposits and investments are classified as cash and cash equivalents in the accompanying financial statements.

Deposits: The Clerk’s policy is to follow Florida Statutes, which authorize the deposit of funds in demand deposits or time deposits of financial institutions approved by the State Treasurer. These are defined as public deposits. All of the County’s deposits are held in qualified public depositories pursuant to Florida Statutes, Chapter 280, “Florida Security of Public Deposits Act.” Under the Act, every qualified public depository shall deposit with the Treasurer eligible collateral equal to or in excess of the required collateral of the depository to be held subject to his or her order. The Treasurer, by rule, shall establish minimum required collateral pledging levels. The pledging level may range from 50% to 125% of the average monthly balance of public deposits depending upon the depository’s financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral, and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

Investments: All investments are reported at fair value except for the following which are reported at cost or amortized cost which approximates fair value as permitted by GASB

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Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*:

Local Government Surplus Funds Trust Fund (State Board of Administration),
Money Market Mutual Funds.

Authorized Investments: The Clerk's policy for investments is to follow Florida Statutes which authorizes investments in obligations of the U.S. Government, its agencies and instrumentalities, repurchase agreements, interest-bearing time deposits, money market funds, savings accounts, the Local Government Surplus Funds Trust Fund (State Board of Administration), the Florida Local Government Investment Trust (FLGIT), collateralized mortgage obligations (CMO), and certain corporate securities. The Florida State Board of Administration Local Government Surplus Funds Trust Fund ("SBA") is not a registrant with the Securities and Exchange Commission (SEC); however, its board has adopted operating procedures consistent with the requirements for a 2a-7 fund. In accordance with these requirements, the method used to determine the participants' shares sold and redeemed is the amortized cost method. Amortized cost includes accrued income and is a method of calculating an investment's value by adjusting its acquisition cost for the amortization of discount or premium over the period from purchase to maturity. The Local Government Surplus Funds Trust Fund is governed by Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General of the State of Florida performs the operational audit of the activities and investment of the SBA.

Local Government Investment Pool and Fund B: On November 29, 2007 the Board of Trustees of the State Board of Administration (SBA) closed the LGIP to all redemptions by participants due to substantial withdrawals from the LGIP over the two preceding weeks that severely reduced the overall liquidity of the LGIP. The withdrawals were in response to published press reports concerning the exposure of the LGIP investments to potential losses from sub-prime mortgage investments. On December 4, 2007 the Board of Trustees approved a restructuring plan for the LGIP and engaged a new investment manager for the LGIP.

The restructuring divided the LGIP into two separate pools, the LGIP and Fund B representing approximately 86% and 14%, respectively, of the original LGIP assets. The LGIP was designated as the ongoing fund consisting of only short-term, money market assets of the highest quality. On December 6, 2007, the LGIP re-opened to accept new deposits from participants and allow restricted withdrawals. Fund B retained all securities from the original LGIP that had defaulted, were in default or had extended payment terms or potentially elevated credit risk. Fund B is closed to deposits and withdrawals and is generally expected to hold all assets to their ultimate maturity and to distribute funds to participants as they become available. The Fund B investment is recorded at fair value based on the net asset value of the Fund B assets reported by the SBA.

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The ultimate realizable value and the date when the LGIP Fund B investment will be available to the participant cannot be determined at this time. Additional information on the current status of the LGIP may be obtained from the State Board of Administration.

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. There is no formal policy, but it is the Clerk's practice to structure its investment portfolio so that securities mature to meet cash requirements for operations, thereby avoiding the need to sell securities in the open market prior to maturity.

Information about the sensitivity of the fair values of the Clerk's investments to market interest rate fluctuations of its debt type investments using the segmented time distribution model is as follows:

Summary of Investments and Interest Rate Risk	Fair Value	Investment Maturities (In Years)
		Less Than 1 Year
Federated Investors	\$3,989,859	\$3,989,859
Total	\$3,989,859	\$3,989,859

Credit risk: Generally, credit risk is the risk that an insurer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Federated Investors money market account is rated Triple-A by all three of the major rating agencies.

Concentration of credit risk: There is no formal policy, but it is the Clerk's practice to limit investments in equities and fixed income securities to no more than 5 % in any one issuer with the exception of SBA funds and U.S. Government and Agency obligations, which have no limit.

3. INTERFUND RECEIVABLES AND PAYABLES

	Balances at September 30, 2008	
	Due From Other Funds	Due To Other Funds
General Fund	\$2,710,226	\$479,314
Public Records Modernization Trust Fund	-	2,667,496
Self-Insurance Fund	479,314	42,730
Total	\$3,189,540	\$3,189,540

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

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4. INTERFUND TRANSFERS

	<u>Transfers From Other Funds</u>	<u>Transfers To Other Funds</u>
General Fund	\$6,312,561	\$ -
Public Records Modernization Trust Fund	<u>-</u>	<u>6,312,561</u>
 Total	 <u>\$6,312,561</u>	 <u>\$6,312,561</u>

The transfers from the Public Records Modernization Trust Fund to the General Fund represent reimbursements of Clerk technology costs.

5. ACCUMULATED COMPENSATED ABSENCES

Compensated absences are reported in the basic financial statements of the County. The following is a summary of changes in the compensated absences liability during fiscal year 2008:

Compensated absences at October 1, 2007	\$ 5,036,432
Increase in accrued compensated absences	4,730,677
Decrease in accrued compensated absences	<u>(4,034,817)</u>
Compensated absences at September 30, 2008	<u>\$ 5,732,292</u>

6. RETIREMENT PLANS

FLORIDA RETIREMENT SYSTEM

Plan Description. The Clerk participates in the Florida Retirement System (FRS), a non-contributory, cost-sharing, multi-employer, public employee retirement system administered by the Florida Department of Management Services, Division of Retirement. The FRS was created December 1, 1970. FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The benefits are established by Florida Statutes, Chapter 121, and may only be amended by the Florida Legislature.

The Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for FRS. The report may be obtained by writing to the Florida Division of Retirement, ATTN: Research, Education & Policy Section, P.O. Box 9000, Tallahassee, Florida 32315-9000, calling 1-850-488-5706 or accessing their website at <http://dms.myflorida.com>.

Beginning July 1, 2002, the FRS became one plan with two primary options, a defined benefit option known as the FRS Pension Plan and an alternative defined contribution option known as the FRS Investment plan. The two plans are described in detail below.

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The FRS Pension Plan provides for vesting of benefits after 6 years of creditable service. Benefits are based on age, average final compensation and years-of-service credit. Average final compensation is the average of the five highest fiscal years of earnings. Members are eligible for normal retirement when they have met the minimum requirements established by their membership class. Regular Class members are eligible for normal retirement if they are vested and age 62 or if they have 30 years of creditable service regardless of age. Early retirement may be taken any time after vesting. However, there is a 5% reduction of benefits for each year prior to normal retirement age or date. The percentage level of employees' payroll contribution rates is determined using the frozen entry age actuarial cost method.

Beginning July 1, 1998, the FRS implemented the Deferred Retirement Option Program (DROP), which is a program within the FRS Pension Plan that allows members to retire without terminating their employment for up to five years while their retirement benefits accumulated and earn interest compounded monthly at an effective annual rate of 6.5%. Members may participate in DROP when they are vested and have reached their normal retirement date. When the DROP period ends, members must terminate employment. At that time, members will receive their accumulated DROP benefits and begin receiving their monthly retirement benefit.

The FRS investment Plan, formally created as the Public Employee Optional Retirement Program (PEORP), is a participant-directed 401(a) program selected by employees in lieu of participation in the defined benefit option of the Florida Retirement System. Benefits accrue in individual accounts that are participant-directed, portable, and funded by employer contributions. Participants and beneficiaries bear the investment risks that result when they exercise control over investments in their accounts. The Investment Plan offers a diversified mix of low-cost investment options that span the risk-return spectrum and give participants the opportunity to accumulate retirement benefits. Members are vested after completing one year of creditable service.

Funding policy- The contribution requirements of the Clerk are established and may be amended by the Florida Legislature. The Clerk's contributions to the FRS for the years ended September 30, 2008, 2007, and 2006 were approximately \$3.6 million, \$3.3 million, and \$2.5 million, respectively, equal to the required contributions for each year.

The following membership classes and rates, which apply to both the FRS Pension Plan and the FRS Investment Plan, were in effect at September 30, 2008:

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<u>Membership Class</u>	<u>Rates</u>
Regular	9.85%
Special Risk	20.92%
Judges	19.56%
Legislators	14.48%
Governor/Lieutenant Governor/Cabinet	14.48%
State Attorney/Public Defender	14.48%
County, City, Special District Elected Officers	16.53%
Special Risk Administrative Support	12.55%
IFAS Supplemental	18.75%
Senior Management	13.12%
Deferred Retirement Option Program	10.91%

7. LEASES

The Clerk has entered into various leases which are classified as operating leases for accounting purposes. Total operating lease and rent expense for fiscal year ended September 30, 2008 amounted to \$354,557. Future minimum rental payments under noncancellable operating leases as of September 30, 2008 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2009	\$351,982
2010	351,982
2011	<u>293,318</u>
TOTAL	<u>\$997,282</u>

8. COMMITMENTS

Outstanding Purchase Orders and Contracts

There were no outstanding purchase orders or contracts executed, where the goods and services were not received at September 30, 2008. The budget authority for amounts outstanding at fiscal year-end lapse so they are not shown as either encumbrances or liabilities. Funds are reappropriated at the beginning of each fiscal year to provide for commitments that were outstanding as of the prior fiscal year.

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9. RISK MANAGEMENT

The Clerk is covered by the Board of County Commissioners (BOCC) insurance programs for workers' compensation exposure. The Clerk maintains commercial insurance for automobile, crime, and employee dishonesty claims. The Clerk's office is self-insured for its health insurance coverage. Settled claims have not exceeded insurance coverage for any of the insurance programs in the past three fiscal years.

For the fiscal year ended September 30, 2008, the BOCC charged the Clerk \$130,000 for workers compensation insurance.

Employee Group Health Insurance

The Clerk's office provides health insurance for its employees and eligible dependents. The Clerk's office is self-insured for its health insurance coverage and beginning with fiscal year 2004 is accounted for as an internal service fund. The claims liability reported in the internal service fund at September 30, 2008 for employee group health insurance is \$752,000 and is actuarially determined.

During claim years 2007 and 2008, changes to the claims liability for health insurance were as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-end
2007	\$670,000	\$6,543,038	\$(6,681,038)	\$532,000
2008	532,000	8,401,247	(8,181,247)	752,000

10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Healthcare Plan for the Clerk & Comptroller of Palm Beach County:

Plan Description: The defined benefit post-employment healthcare plan provides medical benefits to eligible retired employees and their dependants. The plan is a single employer plan which is administered by the Clerk & Comptroller.

Funding Policy: The contribution requirements of plan members and the Clerk & Comptroller are established and may be amended by the Clerk & Comptroller. The Clerk & Comptroller is required by Florida Statute 112.0801 to allow their retirees (and eligible participants) to continue participation in the group insurance plan. Retirees must be offered the same coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees which results in an implicit subsidy as defined by GASB 45. The plan is funded on a pay-as-you-go basis. At September 30, 2008 retirees receiving benefits contributed \$477 to \$1,764 monthly for medical coverage and \$18 to \$134 monthly for dental.

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OPEB Cost and Net OPEB Obligation: The annual other post-employment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the annual OPEB cost for the year, the amount contributed to the plan, and changes in the net OPEB obligation as of fiscal year ended September 30, 2008:

Annual required contribution (ARC)	\$ 520,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	520,000
Contributions made	(442,045)
Increase in net OPEB obligation	77,955
Net OPEB obligation- beginning of year	-
Net OPEB obligation- end of year	\$ 77,955

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current year.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2008	\$520,000	85.0%	\$77,955

Funded Status and Funding Progress: The plan is financed on a „pay-as-you-go’ basis. The funded status of the plan as of September 30, 2008, was as follows:

Actuarial accrued liability (AAL)	\$5,445,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$5,445,000
Funded ratio (actuarial value of plan / AAL)	0.0%
Covered payroll (active plan members)	\$35,775,864
UAAL as a percentage of covered payroll	15.2%

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. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the

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employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

Actuarial valuation date	10/1/2007
Actuarial cost method	Unit credit actuarial cost method
Actuarial amortization method	Level percentage of salary at beginning of fiscal year
Remaining amortization period	30 years
Asset valuation method	Not applicable
Actuarial assumptions:	
Investment rate of return	5%
Projected salary increases	4%
Healthcare inflation rate- initial	11%
Healthcare trend rate- ultimate	6%

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Required Supplemental Information (RSI)

Other Post Employment Benefits (OPEB)

Healthcare Plan for Clerk & Comptroller of Palm Beach County
Scheduling of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2007	\$0	\$5,445,000	\$5,445,000	0.0%	\$35,775,864	15.2%

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SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the fiscal year ended September 30, 2008

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 640,744	\$ 640,744	\$ 661,642	\$ 20,898
Charges for services	43,089,470	43,089,470	37,639,840	(5,449,630)
Fines and forfeitures	7,438,512	7,438,512	6,370,920	(1,067,592)
Investment income	620,193	620,193	242,758	(377,435)
Miscellaneous	2,791,431	2,791,431	2,791,428	(3)
Total revenues	54,580,350	54,580,350	47,706,588	(6,873,762)
Expenditures:				
Current:				
General government	73,308,183	74,471,610	69,591,298	4,880,312
Capital outlay	2,236,012	929,322	737,982	191,340
Total expenditures	75,544,195	75,400,932	70,329,280	5,071,652
Excess of revenues over (under) expenditures	(20,963,845)	(20,820,582)	(22,622,692)	(1,802,110)
Other financing sources (uses):				
Transfers in from Board of County Commissioners	17,320,704	17,320,704	16,957,072	(363,632)
Transfers out to Board of County Commissioners	(2,000,000)	(2,143,263)	(646,941)	1,496,322
Transfers in from other funds	5,643,141	5,643,141	6,312,561	669,420
Total other financing sources (uses)	20,963,845	20,820,582	22,622,692	1,802,110
Net change in fund balance	-	-	-	-
Fund balance, October 1, 2007	-	-	-	-
Fund balance, September 30, 2008	\$ -	\$ -	\$ -	\$ -

Section 218.35, Florida Statutes, governs the preparation, adoption, and administration of the Clerk's annual budget. The Clerk, as county fee officer, establishes an annual balanced budget for her office, which clearly reflects the revenues available to the office and the functions for which the money is to be expended. The budget for the general and special revenue funds are adopted on a basis consistent with GAAP. The level of budgetary control is at the fund level.

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SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC RECORDS MODERNIZATION TRUST FUND
For the fiscal year ended September 30, 2008

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ 5,600,000	\$ 3,475,000	\$ 2,889,024	\$ (585,976)
Investment income	600,000	940,000	603,696	(336,304)
Total revenues	6,200,000	4,415,000	3,492,720	(922,280)
Expenditures:				
Current:				
General government	-	-	1,875	(1,875)
Total expenditures	-	-	1,875	(1,875)
Excess of revenues over expenditures	6,200,000	4,415,000	3,490,845	(924,155)
Other financing sources (uses):				
Transfers out to other funds	(5,643,141)	(5,643,141)	(6,312,561)	(669,420)
Total other financing sources (uses)	(5,643,141)	(5,643,141)	(6,312,561)	(669,420)
Net change in fund balance	556,859	(1,228,141)	(2,821,716)	(1,593,575)
Fund balance, October 1, 2007	19,801,666	19,801,666	19,801,666	-
Fund balance, September 30, 2008	\$ 20,358,525	\$ 18,573,525	\$ 16,979,950	\$ (1,593,575)

Section 218.35, Florida Statutes, governs the preparation, adoption, and administration of the Clerk's annual budget. The Clerk, as county fee officer, establishes an annual balanced budget for her office, which clearly reflects the revenues available to the office and the functions for which the money is to be expended. The budget for the general and special revenue funds are adopted on a basis consistent with GAAP. The level of budgetary control is at the fund level. The negative budget variance of \$1,593,575 is a direct result of a decline in revenues and additional transfers to fund Clerk technology costs. FY08 revenues are down 47% from FY07 due to the downturn in the economy; particularly the housing market. Transfers to fund Clerk technology cost included a payment to County ISS for system maintenance.

CLERK & COMPTROLLER
PALM BEACH COUNTY, FLORIDA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
For the fiscal year ended September 30, 2008

	Balance 10/1/2007	Additions	Deductions	Balance 9/30/2008
ASSETS				
Cash and cash equivalents	\$ 29,926,413	\$ 410,058,058	\$ 415,964,024	\$ 24,020,447
Accounts receivable, net	109,732	1,542,707	1,315,992	336,447
Due from other funds	-	1,060,382	1,060,382	-
Due from other governments	8,786	94,647	1,696	101,737
Total assets	\$ 30,044,931	\$ 412,755,794	\$ 418,342,094	\$ 24,458,631
LIABILITIES				
Due to other county funds	\$ -	\$ 15,179,157	\$ 15,179,157	\$ -
Due to other governments	8,092,485	236,337,013	237,363,492	7,066,006
Due to individuals	21,952,446	186,349,939	190,909,760	17,392,625
Total liabilities	\$ 30,044,931	\$ 437,866,109	\$ 443,452,409	\$ 24,458,631

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McGladrey & Pullen

Certified Public Accountants

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

The Honorable Sharon R. Bock
Clerk & Comptroller
Palm Beach County, Florida

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Clerk & Comptroller of Palm Beach County, Florida (the "Clerk"), as of and for the year ended September 30, 2008, and have issued our report thereon dated June 15, 2009. These financial statements were prepared to comply with Section 218.39(2), Florida Statutes and Section 10.557(3), Rules of the Auditor General for Local Government Entity Audits. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clerk'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 the Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clerk's internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies 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 the Clerk'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 matters that we reported to management of the Clerk's office in a separate letter dated June 15, 2009.

This report is intended solely for the information and use of the Clerk, management of Palm Beach County, Florida Clerk & Comptroller's office, and the Auditor General, State of Florida and is not intended to be and should not be used by anyone other than the specified parties.

McGladrey & Pullen, LLP

West Palm Beach, Florida
June 15, 2009

McGladrey & Pullen

Certified Public Accountants

Management Letter Required By Chapter 10.550 of the Rules of the Auditor General of the State of Florida

To the Honorable Sharon R. Bock
Clerk and Comptroller
Palm Beach County, Florida

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Clerk & Comptroller, Palm Beach County, Florida (the "Clerk"), as of and for the year ended September 30, 2008, and have issued our report thereon dated June 15, 2009, which was prepared to comply with State of Florida reporting requirements.

We have issued our Independent Auditor's Report on Internal Control Over Financing Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report dated June 15, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports:

Section 10.554(1)(i)1., Rules of the Auditor General, requires 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. The recommendations made in the preceding annual financial report have been addressed in Appendix B to this report.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Clerk complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve the Clerk's financial management, accounting procedures and internal controls. The recommendations to improve the Clerk's financial management, accounting procedures and internal controls have been addressed in Appendix A to this report.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statements amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Sections 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred and (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 of the Clerk's financial statements.

Section 10.554(1)(i)8.a., Rules of the Auditor General, requires a statement as to whether or not the Clerk complied with the budget certified by the Florida Clerk of Court Operations pursuant to Section 28.35, Florida Statutes. In connection with our audit, we noted no instances of noncompliance.

Section 10.554(1)(i)8.a., Rules of the Auditor General, requires a statement as to whether or not the Clerk complied with the performance standards developed and certified pursuant to Section 28.35, Florida Statutes. In connection with our audit, we noted no instances of noncompliance.

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 requires us to indicate that this letter is intended solely for the information and use of the Clerk, management of Palm Beach County, Florida Clerk & Comptroller's Office and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than the specified parties.

McGladrey & Pullen, LLP

West Palm Beach, Florida
June 15, 2009

Clerk & Comptroller
Palm Beach County, Florida

Appendix A – Current Year Recommendations to Improve
Financial Management, Accounting Procedures
and Internal Controls

No.	Current Year's Observations
ML 08-1	A Shared Enterprise Resource System ID is in Use
ML 08-2	Password History Setting Enables Alternating Passwords
ML 08-3	Lack of Transferred Employee Access Review Documentation
ML 08-4	Cash Reconciliations and Close Outs
ML-08-5	Disposition of Unclaimed Property

Appendix A – Current Year Recommendations to Improve
Financial Management, Accounting Procedures
and Internal Controls

CURRENT YEAR COMMENTS AND RECOMMENDATIONS

08-1 A Shared Enterprise Resource System ID Is In Use

Criteria: The Clerk should ensure use of I.T. systems and resources are linked to User Accounts that, in every instance, can be traced back to an individual employee.

Condition: Palm Beach County-Clerk of Courts utilizes two Database Administrators, who share an Enterprise Resource System ID.

Effect: Failure to assign unique IDs leads to a lack of accountability in regards to actions taken while logged onto IT systems.

Cause: The Oracle PeopleSoft application uses the Oracle SYSADM ID to run all processes. The Clerk's two Database Administrators only use the Oracle Enterprise Manager Grid and UNIX to monitor and manage PeopleSoft processes. There is a shared Grid account for installation and maintenance of Oracle products and we are in the process of configuring the Grid, which includes creation of separate accounts.

Recommendation: Management should perform the following:

- Ensure that all system activity can be traced back to unique User Accounts.

Management Response: Management concurs with the auditor's recommendation. Separate accounts will be created once configuration of the grid has been completed.

08-2 Password History Setting Enables Alternating Passwords

Criteria: The County of Palm Beach-Clerk of Courts should ensure that security settings provide adequate system protection

Condition: Palm Beach County-Clerk of Courts Windows Active Directory Password Security settings have a history of one password remembered.

Effect: With a password history of one, users would be able to alternate between the uses of two different passwords. This reduces the strength of the password security system in place.

Cause: The Clerk & Comptroller's primary password security mechanism is Microsoft's Active Directory system. Many current and all future applications will be Active Directory compliant. There are currently many 3rd party applications in place that are not as of yet Active Directory capable, requiring employees to remember multiple passwords. It was felt that at the time that the requirement to have more than two different passwords on multiple systems with different rules, would make it extremely difficult for employees to remember their passwords.

**Appendix A – Current Year Recommendations to Improve
Financial Management, Accounting Procedures
and Internal Controls**

Recommendation: Management should perform the following:

- Increase the number of passwords remembered by the Active Directory system. This will reduce the ease with which passwords can be reused.

Management Response: Management concurs with the auditor's observations. The impact of changing the number of passwords remembered will be reviewed and recommended changes made if there is no significant impact on operations.

08-3 Lack of Transferred Employee Access Review Documentation

Criteria: The County of Palm Beach-Clerk of Courts should ensure that a documented audit trail exists for initial setup, and subsequent alteration of User Access privileges.

Condition: While the Palm Beach-Clerk of Courts Security Administrator receives notification from HR of any transferring employees, we were unable to verify that the appropriate access review or update was conducted.

Effect: Lack of proper documentation reduces the ability of management to rely on established Controls in place, since verification of process execution, and thus success, is not possible.

Cause: The Clerk's office has recently implemented the first phase of a new ERP system and is in the process of implementing the second phase. Security changes are manually tracked using a spreadsheet matrix and can be verified using system security reports.

Recommendation: Management should perform the following:

- Ensure that review of all Transferred Employee's access is documented

Management Response: Management concurs with the auditor's recommendation and will work towards implementing a security review process that will ensure security access is reviewed at least twice annually.

08-4 Cash Reconciliations and Close Outs

Criteria: In accordance with the documented cash receipt procedures, the cashier closeout form must be signed/initialed by two (2) individuals to provide evidence of proper review and reconciliation.

Condition: We noted that six (6) of the twelve (12) closeout sheets selected for testing had either no signature or one (1) signature documented as evidence of review. Also we noted some instances where the closeout occurred the following day instead of at the end of the cashiers shift.

Cause: Lack of proper oversight/review of established controls.

**Appendix A – Current Year Recommendations to Improve
Financial Management, Accounting Procedures
and Internal Controls**

Effect: Cash could be understated due to misappropriation by cashiers, which is not detected in the review and reconciliation process.

Recommendation: We recommend that the cashier closeout forms be completed on the same day that activity took place and that the control procedure which requires two (2) signatures be applied in all situations as stated in the cash receipt procedures.

Management's Response: Management concurs with the auditor's recommendation. However, it is not feasible to implement the recommendation that cashier closeout forms be completed on the same day that activity took place due to operating hours and employee work schedules. Controls are in place to ensure the safekeeping of the cash until the cashier cash counts may be completed. These controls are contained in the Clerk's Cash Handling Procedures and include securing cash drawers in the department's dual lock safe under the custodianship of non-cashiering staff.

The Clerk's cashing handling procedures require dual signatures on the daily cashier closeout report. Clerk's Accounting will send to Directors, Managers, Supervisors and Closeout cashiers a reminder of this procedure. These reports will be reviewed as received and for those that do not have the required two signatures Accounting will request completed documentation from the department.

08-5 Disposition of Unclaimed Property

Criteria: Florida Statute 717.113 requires that all intangible property held for the owner by any court, government or governmental subdivision or agency that has not been claimed by the owner for more than one (1) year after payable or distributable is presumed unclaimed. Per Florida State Statute 717.117 (3), unclaimed intangible property must be reported to the State by May 1st of each year.

Condition: We noted in some of the Clerk's bank accounts there were unclaimed checks outstanding over one (1) year that had not been remitted to the State

- Overpayments account - the oldest outstanding check dated 10/29/97;
- Disbursements account with the oldest outstanding check dated 1/28/97;
- Civis account with the oldest check dated 6/3/03; and
- Circuit Registry account with the oldest outstanding check dated 2/25/05.

Cause: Lack of oversight/review of outstanding check listing annually.

Effect: The Clerk may not be in compliance with State Statutes.

Recommendation: We recommend that the Clerk establish procedures to ensure the timely remittance of unclaimed property to the State. Each of the accounts should be reviewed annually to ensure that all amounts that should be remitted are remitted by the May 1 deadline.

**Appendix A – Current Year Recommendations to Improve
Financial Management, Accounting Procedures
and Internal Controls**

Management's Response: Management concurs with the auditor's recommendation. As of May 1, 2009 all unclaimed outstanding checks have been processed in accordance with Florida Statutes.

In addition to the requirement of Florida Statute 717.117 (4) that a letter be sent to the owner of the property at the last known address no more than 120 days and no less than 60 days prior to the filing of the required report the Clerk's has a preliminary notification. The current procedure is to send a letter similar to that required by F.S. when the check has been outstanding for more than 90 days. This procedure provides the owner earlier notification than required by law and gives them the opportunity to claim their money within a shorter amount of time.

Clerk & Comptroller
Palm Beach County, Florida

Appendix B – Prior Year Recommendations to Improve
Financial Management, Accounting Procedures
and Internal Controls

No.	Prior Year's Observations	Observation is Still Relevant	Observation Addressed or No Longer Relevant
07-01	Cash/Signature Card		X
06-01	Application Security		X
06-01	Data Security		X
06-03	User Access		X
06-04	Security Controls		X

Section X

SUPERVISOR OF ELECTIONS

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

The Honorable Susan Bucher
Supervisor of Elections
Palm Beach County, Florida

We have audited the accompanying financial statements of the major fund of the Supervisor of Elections, of Palm Beach County, Florida (the "Supervisor of Elections"), as of and for the year ended September 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Supervisor of Election's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the accompanying financial statements were prepared for the purpose of complying with Section 218.39, *Florida Statutes*, and Section 10.557(3), *Rules of the Auditor General for Local Government Entity Audits*. These financial statements are not intended to be a complete presentation of the financial position of the Supervisor of Elections as of September 30, 2008, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the major fund of the Supervisor of Elections as of September 30, 2008, and the changes in financial position 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 June 15, 2009 on our consideration of the Supervisor of Election's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison schedule and schedule of funding progress are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

This report is intended solely for the information and use of the Supervisor of Elections, management of the Supervisor of Elections' office, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

West Palm Beach, Florida
June 15, 2009

PALM BEACH COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
BALANCE SHEET - GENERAL FUND
September 30, 2008

ASSETS

Cash and cash equivalents	\$ 2,539,786
<hr/>	
Total assets	\$ 2,539,786
<hr/> <hr/>	

LIABILITIES AND FUND BALANCE

Vouchers payable and accrued liabilities	\$ 514,591
Due to Board of County Commissioners	1,713,553
Due to other governments	81,467
Deferred and unearned revenue	230,175
<hr/>	
Total liabilities	2,539,786
<hr/>	
Fund balance	-
<hr/>	
Total liabilities and fund balance	\$ 2,539,786
<hr/> <hr/>	

The notes to the financial statements are an integral part of this statement.

PALM BEACH COUNTY, FLORIDA
 SUPERVISOR OF ELECTIONS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 GENERAL FUND
 For the fiscal year ended September 30, 2008

Revenues:	
Intergovernmental	\$ 359,012
Charges for services	249,498
Investment income	131,462
<hr/>	
Total revenues	739,972
<hr/>	
Expenditures:	
Current:	
General government	10,164,061
Capital outlay	322,973
<hr/>	
Total expenditures	10,487,034
<hr/>	
Excess of expenditures over revenues	(9,747,062)
<hr/>	
Other financing sources (uses):	
Transfer from Board of County Commissioners	11,228,444
Transfer to Board of County Commissioners	(1,481,382)
<hr/>	
Total other financing sources (uses)	9,747,062
<hr/>	
Net change in fund balance	-
<hr/>	
Fund balance, October 1, 2007	-
<hr/>	
Fund balance, September 30, 2008	\$ -
<hr/> <hr/>	

The notes to the financial statements are an integral part of this statement.

**PALM BEACH COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting principles and policies used in the preparation of the accompanying financial statements:

Reporting Entity

The Palm Beach County Supervisor of Elections is a separately elected county official established pursuant to the Constitution of the State of Florida. The Supervisor of Election's financial statements do not purport to reflect the financial position or the results of operations of Palm Beach County, Florida (the County) taken as a whole.

Section 10.556(6), *Rules of the Auditor General for Local Governmental Entity Audits*, requires the Palm Beach County, Florida, Supervisor of Elections financial statements to only present fund financial statements. Accordingly, due to the omission of government-wide financial statements and related disclosures including a management's discussion and analysis, these financial statements do not constitute a complete presentation of the financial position of the Palm Beach County, Florida, Supervisor of Elections as of September 30, 2008 and the changes in financial position for the year then ended, in conformity with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, but otherwise constitute financial statements prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

The financial activities of the Supervisor of Elections, as a constitutional officer, are included in the Palm Beach County, Florida Comprehensive Annual Financial Report.

Basis of Presentation

The accounting records of the Supervisor of Elections are organized on the basis of funds as prescribed by GAAP applicable to governments as established by the GASB. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Government 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 type and fund used by the Supervisor of Elections is described as follows:

- *The General Fund*, a governmental fund, is used to account for all revenues and expenditures applicable to the general operations of the Supervisor of Elections.

**PALM BEACH COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The modified accrual basis of accounting is utilized by governmental funds. Under this basis, revenues are recognized if they are susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. For this purpose, the Supervisor of Elections considers revenue to be available if they are collected within 60 days of year-end. Primary revenue sources susceptible to accrual include charges for services and interest. Expenditures are recognized when the related fund liability is incurred. Exceptions to this general rule include compensated absences, which are not recorded as expenditures because these amounts will not be paid from expendable available resources.

Governmental funds are accounted for on a “spending” or “financial flow” measurement focus. Generally, only current assets and current liabilities are included on the balance sheet. The operating statement reports increases and decreases in net current assets.

Encumbrances

Encumbrances outstanding at year-end represent the estimated amounts of expenditures ultimately to be paid for goods on order or unperformed contracts in progress at year-end. Because appropriations lapse at year-end, it is the Supervisor of Elections’ policy to liquidate open encumbrances and re-appropriate such amounts at the beginning of the next fiscal year.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting periods. Actual results could differ from those estimates.

Deposits

All deposits are held in qualified public depositories pursuant to the Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act" and are covered by either federal depository insurance or collateral held by the Chief Financial Officer of Florida.

In the event of a default by a qualified public depository, all claims for government deposits would be satisfied by the Chief Financial Officer of Florida 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.

**PALM BEACH COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

Cash Equivalents

Highly liquid investments with maturities of three months or less when purchased are reported as cash equivalents.

Investments

State statutes authorize investments in obligations of the U.S. Government, its agencies and instrumentalities, repurchase agreements, interest-bearing time deposits, savings accounts, the Local Government Surplus Funds Trust Fund (State Board of Administration), the Florida Local Government Investment Trust (FLGIT), collateralized mortgage obligations (CMO), and certain corporate securities.

During the fiscal year and at fiscal year ending September 30, 2008 the Supervisor of Elections did not have any investments.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. Expenditures for insurance and similar services extending over more than one accounting period are accounted for as expenditures of the period of acquisition.

Capital Assets

Upon acquisition, capital assets are recorded as capital outlay expenditures in the General Fund of the Supervisor of Elections and are capitalized at cost in the governmental activities of the basic financial statements of the County. Capital assets are depreciated using the straight-line method over a period ranging from 2 to 15 years. The depreciation expense is recorded in the statement of activities as part of the basic financial statements of the County. The Supervisor of Elections maintains custodial responsibility for the capital assets used by its office.

Compensated Absences

Employees of the Supervisor of Elections may accumulate unused vacation and sick leave up to a specified amount. Sick leave, up to a maximum of 50% based on years of service, and all accumulated vacation are payable to employees upon termination or retirement at the rate of pay on that date.

For governmental fund reporting a liability and expenditure for compensated absences is recognized as payments come due each period upon the occurrence of relevant events, such as employee resignations and retirements. For reporting within governmental activities of the County's basic financial statements, vacation is accrued as a liability when benefits are earned by the employees, that is, the employees have rendered services that give rise to the vacation

**PALM BEACH COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

liability and it is probable that the Supervisor of Elections will compensate the employees in some manner, e.g. in cash or in paid time-off, now or upon termination or retirement. The Supervisor of Elections uses the vesting method in accruing sick leave liability. The vesting method accrues sick leave liability for employees who are currently eligible to receive termination payments upon separation as well as those expected to become eligible in the future. The obligation is reported in Note 2.

2. COMPENSATED ABSENCES

A summary of changes in compensated absences not reported at the governmental fund level but reported in the basic government-wide financial statements of the County is as follows:

Compensated absences at October 1, 2007	\$203,893
Increase in accrued compensated absences	79,148
Decrease in accrued compensated absences	<u>(2,588)</u>
Compensated absences at September 30, 2008	<u>\$280,453</u>

3. RETIREMENT PLANS

FLORIDA RETIREMENT SYSTEM

Plan Description - The Supervisor of Elections participates in the Florida Retirement System (FRS), a non-contributory, cost-sharing, multi-employer, public employee retirement system administered by the Florida Department of Management Services, Division of Retirement. The FRS was created December 1, 1970. FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. These benefits are established by Florida Statutes, Chapter 121, and may only be amended by the Florida Legislature.

The Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for FRS. The report may be obtained by writing to the Florida Division of Retirement, ATTN: Research, Education & Policy Section, P. O. Box 9000, Tallahassee, Florida 32315-9000, calling 1-850-488-5706, or accessing their website at: <http://dms.myflorida.com>.

Beginning July 1, 2002, the FRS became one plan with two primary options, a defined benefit option known as the FRS Pension Plan and an alternative defined contribution option known as the FRS Investment Plan. The two options are described in detail below.

The FRS Pension Plan provides for vesting of benefits after 6 years of creditable service. Benefits are based on age, average final compensation and years-of-service credit. Average final compensation is the average of the five highest fiscal years of earnings. Members are eligible for normal retirement when they have met the minimum requirements established by their membership class. Regular Class members are eligible for normal retirement if they are

**PALM BEACH COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

vested and age 62 or if they have 30 years of creditable service regardless of age. Early retirement may be taken any time after vesting. However, there is a 5% reduction of benefits for each year prior to normal retirement age or date. The percentage level of employees' payroll contribution rates is determined using the frozen entry age actuarial cost method.

Beginning July 1, 1998, the FRS implemented the Deferred Retirement Option Program (DROP), which is a program within the FRS Pension Plan that allows members to retire without terminating their employment for up to five years while their retirement benefits accumulate and earn interest compounded monthly at an effective annual rate of 6.5%. Members may participate in DROP when they are vested and have reached their normal retirement date. When the DROP period ends, members must terminate employment. At that time, members will receive their accumulated DROP benefits and begin receiving their monthly retirement benefit.

The FRS Investment Plan, formally created as the Public Employee Optional Retirement Program (PEORP), is a participant-directed 401(a) program selected by employees in lieu of participation in the defined benefit option of the Florida Retirement System. Benefits accrue in individual accounts that are participant-directed, portable, and funded by employer contributions. Participants and beneficiaries bear the investment risks that result when they exercise control over investments in their accounts. The Investment Plan offers a diversified mix of low-cost investment options that span the risk-return spectrum and give participants the opportunity to accumulate retirement benefits. Members are vested after completing one year of creditable service.

Funding Policy - The contribution requirements of the Supervisor of Elections are established and may be amended by the Florida Legislature. The Supervisor of Elections' contributions to FRS for the years ended September 30, 2008, 2007, and 2006 were \$207,126, \$185,960, \$145,802, respectively, equal to the required contributions for each year.

The following membership classes and rates, which apply to both the FRS Pension Plan and the FRS Investment Plan, were in effect at September 30, 2008:

<u>Membership Class</u>	<u>Rates</u>
Regular	9.85%
Special Risk	20.92%
Judges	19.56%
Legislators	14.48%
Governor/Lieutenant Governor/Cabinet	14.48%
State Attorney/Public Defender	14.48%
County, City, Special District Elected Officers	16.53%
Special Risk Administrative Support	12.55%
IFAS Supplemental	18.75%
Senior Management	13.12%
Deferred Retirement Option Program	10.91%

**PALM BEACH COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

4. LEASES

The Supervisor of Elections has entered into various leases which are classified as operating leases for accounting purposes. Total operating lease expense for facilities for fiscal year ended September 30, 2008 amounted to \$20,361.

Future minimum lease payments under operating leases as of September 30, 2008 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2009	\$20,361
2010	20,361
2011	<u>1,697</u>
Total	<u>\$42,419</u>

5. RISK MANAGEMENT

The Supervisor of Elections is covered by the BOCC's self-insurance programs for its casualty insurance and workers' compensation exposures and included under its commercial policies for employee group health insurance.

Casualty Insurance

The Supervisor of Elections is covered by the BOCC's casualty self-insurance program. This type of insurance limits the Supervisor of Elections' exposure to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; and natural disasters.

Workers' Compensation

The Supervisor of Elections participates in the BOCC's workers' compensation self-insurance program. Payments are made by the Supervisor of Elections to the BOCC based on estimates of the amounts needed to pay current claims and a provision for incurred but unreported claims.

For the fiscal year ended September 30, 2008, the BOCC charged the Supervisor of Elections \$14,332 for workers' compensation insurance.

Employee Group Health Insurance

The Supervisor of Elections participates in the BOCC's health insurance program for its employees and eligible dependents. Payments are made to the BOCC's insurance fund.

For the fiscal year ended September 30, 2008, the BOCC charged the Supervisor of Elections \$379,232 for employee group health insurance.

**PALM BEACH COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

Settled claims have not exceeded insurance coverage for any of the insurance programs noted above in the past three fiscal years.

6. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Healthcare Plan for the Supervisor of Elections of Palm Beach County:

Plan Description: The defined benefit post-employment healthcare plan provides medical benefits to eligible retired employees and their dependents. The plan is a single employer plan which is administered by the County. The Supervisor of Elections participates in the County plan.

Funding Policy: The contribution requirements of plan members and the Supervisor of Elections are established and may be amended by the County. The Supervisor of Elections is required by Florida Statute 112.0801 to allow their retirees (and eligible participants) to continue participation in the group insurance plan. Retirees must be offered the same coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees which results in an implicit subsidy as defined by GASB 45. At September 30, 2008, retirees receiving benefits contributed \$514 to \$3,908 monthly for medical coverage and \$0 for dental.

OPEB Cost and Net OPEB Obligation: The annual other post-employment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the annual OPEB cost for the year, the amount contributed to the plan, and changes in the net OPEB obligation as of fiscal year ended September 30, 2008:

Annual required contribution (ARC)	\$ 6,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	6,000
Contributions made	-
Increase in net OPEB obligation	6,000
Net OPEB obligation- beginning of year	-
Net OPEB obligation- end of year	\$ 6,000

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current fiscal year.

**PALM BEACH COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2008	\$6,000	0.0%	\$6,000

Funded Status and Funding Progress: The plan is financed on a 'pay-as-you-go' basis. The funded status of the plan as of September 30, 2008, was as follows:

Actuarial accrued liability (AAL)	\$43,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$43,000
Funded ratio (actuarial value of plan / AAL)	0.0%
Covered payroll (active plan members)	\$2,157,852
UAAL as a percentage of covered payroll	2.0%

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. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

Actuarial valuation date	10/1/2007
Actuarial cost method	Unit credit actuarial cost method
Actuarial Amortization method	Level percentage of salary at beginning of fiscal year
Remaining amortization period	30 years
Asset valuation method	not applicable
Actuarial assumptions:	
Investment rate of return	5%
Projected salary increases	4%
Healthcare inflation rate- initial	11%
Healthcare inflation rate- ultimate	6%

**PALM BEACH COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
SEPTEMBER 30, 2008**

Required Supplemental Information (RSI)

Other Post Employment Benefits (OPEB)

Healthcare Plan for Supervisor of Elections of Palm Beach County
Scheduling of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2007	\$0	\$43,000	\$43,000	0.0%	\$2,157,852	2.0%

PALM BEACH COUNTY, FLORIDA
 SUPERVISOR OF ELECTIONS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 For the fiscal year ended September 30, 2008

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 359,012	\$ 359,012
Charges for services	-	-	249,498	249,498
Investment income	-	-	131,462	131,462
Total revenues	-	-	739,972	739,972
Expenditures:				
Current:				
General government	11,048,444	11,048,444	10,164,061	884,383
Capital outlay	180,000	180,000	322,973	(142,973)
Total expenditures	11,228,444	11,228,444	10,487,034	741,410
Excess of revenues over (under) expenditures	(11,228,444)	(11,228,444)	(9,747,062)	1,481,382
Other financing sources:				
Transfers from Board of County Commissioners	11,228,444	11,228,444	11,228,444	-
Transfers to Board of County Commissioners	-	-	(1,481,382)	(1,481,382)
Total other financing sources (uses)	11,228,444	11,228,444	9,747,062	(1,481,382)
Net change in fund balance	-	-	-	-
Fund balance, October 1, 2007	-	-	-	-
Fund balance, September 30, 2008	\$ -	\$ -	\$ -	\$ -

Sections 129.03 and 129.201-.202, Florida Statutes, govern the preparation, adoption and administration of the budget of the Supervisor of Elections. On or before June 1 of each year, the Supervisor of Elections shall submit to the BOCC a tentative budget for the office for the ensuing fiscal year. However, the BOCC, by resolution R-95-1195, requires the tentative budget to be submitted by May 1 of each year. The budget for the general fund is adopted on a basis consistent with accounting principles generally accepted in the United States. The level of budgetary control is at the fund level.

McGladrey & Pullen

Certified Public Accountants

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

The Honorable Susan Bucher
Supervisor of Elections
Palm Beach County, Florida

We have audited the financial statements of the major fund of the Supervisor of Elections, of Palm Beach County, Florida (the "Supervisor of Elections"), as of and for the year ended September 30, 2008, and have issued our report thereon dated June 15, 2009. These financial statements were prepared to comply with Section 218.39(2), Florida Statutes and Section 10.557(3), Rules of the Auditor General for Local Government Entity Audits. 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.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies 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 the Supervisor of Election's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Supervisor of Election's office in a separate letter dated June 15, 2009.

This report is intended solely for the information and use of the Supervisor of Elections, management of the Palm Beach County, Florida Supervisor of Elections' office, and the Auditor General, State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

West Palm Beach, Florida
June 15, 2009

McGladrey & Pullen

Certified Public Accountants

Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

The Honorable Susan Bucher
Supervisor of Elections
Palm Beach County, Florida

We have audited the accompanying financial statements of the major fund of the Supervisor of Elections, of Palm Beach County, Florida (the "Supervisor"), as of and for the year ended September 30, 2008, and have issued our report thereon dated June 15, 2009, which was prepared to comply with State of Florida reporting requirements.

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. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, if any, which is dated June 15, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports:

Section 10.554(1)(i)1., Rules of the Auditor General, requires 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. The recommendations made in the preceding annual financial report have been addressed in Appendix B to this report.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Supervisor complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve the Supervisor's financial management, accounting procedures and internal controls. The recommendations to improve the Supervisor's financial management, accounting procedures and internal controls have been addressed in Appendix A to this report..

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statements amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Sections 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred and (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 of the Supervisor's financial statements.

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 requires us to indicate that this letter is intended solely for the information and use of the Supervisor of Elections, management of the Palm Beach County, Florida Supervisor's Office and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than the specified parties.

McGladrey & Pullen, LLP

West Palm Beach, Florida
June 15, 2009

Supervisor of Elections

Appendix A
Current Year Recommendations to Improve
Financial Management, Accounting Procedures
and Internal Controls

No.	Current Year's Observations
ML 08-01	Governance
ML 08-02	Operations
ML 08-03	Bank reconciliations

Supervisor of Elections

Appendix A Current Year Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls

ML 08-01 Governance

Criteria: Official written policies and procedures should be documented for all of the Supervisor's accounting information systems.

Condition: We noted that written policies and procedures are not in place to address existing processes for security access and IT operations of the financial system.

Cause: Lack of adequate administrative oversight.

Effect: The Supervisor's office does not have a large staff and it is therefore essential that all policies and procedures be well documented to protect against the effects of employee turnover. Failure to properly document existing policies and procedures could impact future operations if there is employee turnover.

Recommendation: The organization should establish and document Information Technology policies and procedures or at minimum, desk top instructions regarding the following areas:

- IT planning and resource management
- IT change management
- Server and application patch management
- Server and application upgrades
- IT Operations
- Backup recovery
- Disaster recovery and business continuity
- IT Security
- User account maintenance (new hire, transfer, suspension, termination) and review
- Server and internal network event log monitoring and response
- User security awareness training

Management Response: The established guidelines for the financial system will be written and finalized in the near term.

Supervisor of Elections

Appendix A Current Year Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls

ML 08-02 Operations

Criteria: Sound internal controls over the accounting information systems include documentation that outlines the recovery steps should the system become disabled.

Condition: We noted there is no designated recovery site in the event that the current data center is no longer operable. Also, we noted that backup tapes are taken offsite to the IT Manager's home for storage.

Cause: No written recovery plan has been developed which addresses short term continuation of processing as well as recovery in the event of a major disaster.

Effect: The lack of a written recovery plan may result in a delay in returning to operations in the event of a major disaster such as a hurricane.

Recommendation: It is recommended that the Palm Beach County Supervisor of Elections

- Obtain an independent third party solution such as a bank vault to store backup tapes containing financial data and/or a third party off-site storage provider.
- Enter into agreement with the Palm Beach County Information System Services Department to provide backup/recovery support in the event that the current data center is not operable including access to the backup/recovery support site used by the County.

Management Response: Storage at a banking facility provides limited or no access during off hours (including weekends). We are currently evaluating the most appropriate resource for our purpose and concern. Off site secured facilities with 24 hour 7 day access are being evaluated. We will also evaluate the potential to use the Palm Beach County Information System Services Department to provide backup/ recovery support.

Supervisor of Elections

Appendix A Current Year Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls

ML 08-03 Bank Reconciliations

Criteria: Internal control policies and procedures should be in place and implemented to ensure the timely performance of controls and timely review and evaluation of the controls to ensure the accuracy of the Supervisors financials.

Condition: We noted that the SOE accounting and administrative procedures require that bank reconciliations are to be completed in the subsequent month after the close of each month. With the exception of two months the reconciliations were not performed on time. In addition, there was a lack of evidence of review of the reconciliations for the first quarter of the fiscal year.

Cause: Lack of adherence to the existing administrative and internal accounting controls.

Effect: Lack of timely review may prevent the detection of misstatements in the financial statements. Lack of evidence of review does not provide for adequate monitoring of controls.

Recommendation: We recommend that bank reconciliations are completed no later than thirty days after month end and that they are properly reviewed in accordance to the Supervisor of Elections' existing policies and procedures.

Management Response: While we concur with the fact that timely and accurate bank reconciliations are key to effective internal accounting and administrative controls, the ability to maintain the timeliness of the reconciliations was hampered by the increased financial activity during the unprecedented election year. However, the controls and status of the finances of the Supervisor of Elections were maintained with daily monitoring of the office's banking account.

It is also important to note that bank reconciliations currently are both timely and properly reviewed.

Supervisor of Elections

Appendix B Prior Year Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls

No.	Prior Year's Observations	Observation is Still Relevant	Observation Addressed or No Longer Relevant
ML 07-01	Automated Business Processes		X
ML 07-02	Governance. See ML 08-01	X	
ML 07-03	Password Security		X
ML 07-04	Operations. See ML 08-02	X	

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Section XI

IMPACT FEE COMPLIANCE



SHARON R. BOCK

Clerk & Comptroller
Palm Beach County

July 14, 2009

Auditor General's Office
Local Government Audits/342
Claude Pepper Building, Room 401
111 West Madison Street
Tallahassee, FL 32399-1450

RE: Affidavit - Florida Impact Fee Act

In accordance with the Florida Impact Fee Act, Section 163.31801 (4), F.S. (the "Act"), I hereby certify that Palm Beach County has complied with the Act as follows:

1. Calculation of impact fee based on most recent and localized data.
2. Provision of accounting and reporting of impact fee collections and expenditures.
3. Administrative charges for the collection of impact fees limited to actual costs.
4. Notice was provided not less than 90 days before effective date of new or amended impact fee.

Attached is correspondence received from the County's Office of Financial Management and Budget which states the County has complied with the Act.

For any questions related to this information, please call Mr. Peter Jannis, CPA, Esq., Director of Accounting Services in my office at 561-355-2306.

Best regards,

Sharon R. Bock,
Clerk & Comptroller

SRB/pj/pag
Attachment

301 North Olive Avenue
West Palm Beach, Florida 33401

P.O. Box 229
West Palm Beach, Florida 33402

Telephone 561-355-2996
Facsimile 561-355-6727

www.pbcountyclerk.com

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**INTER-OFFICE COMMUNICATION
PALM BEACH COUNTY**

To: Sharon R. Bock
Palm Beach County Clerk & Comptroller

From: Elizabeth Bloeser, Director
Office of Financial Management & Budget *Elizabeth Bloeser*

Date: April 9, 2009

Subject: Certification of Compliance (Sec. 163.31801 F.S.)

Pursuant to law, the County's Chief Financial Officer is required to file an affidavit with the County's annual audit submittal to the Auditor General, stating that the County has complied with Sec. 163.31801 F.S. To permit you to carry out that requirement, OFMB certifies as follows:

Yes	No	Action or Event Required
✓		Impact fees are adopted by ordinance
✓		Fee calculations are based on the most recent and localized data
✓		The County's impact fee ordinance provides for accounting and reporting of impact fee collections and expenditures. Revenues and expenditures for each impact fee are accounted for in a separate accounting fund.
✓		Administrative charges are limited to actual costs
✓		Notice is provided not less than 90 days before any amendment of impact fees

If there are questions concerning any of these points, please contact Richard Iavarone, Director of the Financial Management Division, at 355-4369.

Copies: Richard Iavarone
Willie Swoope
Leonard Berger
✓ Paul Guzenski

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