

John D. MacArthur
Founder of the City of Palm Beach Gardens
Bronze
Commissioned by
City of Palm Beach Gardens
Support provided by
John D. and Catherine T. MacArthur Foundation
Zenos Frudakis, sculptor, 2009

CITY OF PALM BEACH GARDENS, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2009



City of Palm Beach Gardens, Florida

Comprehensive Annual Financial Report
Year Ended September 30, 2009

PREPARED BY

THE FINANCE DEPARTMENT

**City of Palm Beach Gardens
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INTRODUCTORY SECTION



CITY OF PALM BEACH GARDENS

10500 N. Military Trail • Palm Beach Gardens, Florida 33410-4698

March 31, 2010

To the Honorable Mayor, Members of the Governing Council, and Citizens of the City of Palm Beach Gardens, Florida

State law requires that all general-purpose local governments publish within twelve months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Palm Beach Gardens, Florida for the year ended September 30, 2009.

This report consists of management’s representations concerning the finances of the City of Palm Beach Gardens. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Palm Beach Gardens has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Palm Beach Gardens’ financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Palm Beach Gardens’ comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Palm Beach Gardens’ financial statements have been audited by Rampell and Rampell, P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Palm Beach Gardens for the year ended September 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Palm Beach Gardens’ financial statements for the year ended September 30, 2009, are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (“MD&A”). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Palm Beach Gardens’ MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

Palm Beach Gardens, incorporated in 1959, is located in the southeastern part of Florida, approximately 7 miles north of West Palm Beach and 70 miles north of Miami. The City currently has a land area of 56 square miles, making it one of the largest cities in Palm Beach County, and has a population of 49,941. The City is empowered to levy a property tax on real property located within its boundaries. The City also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City of Palm Beach Gardens has operated under the Council-Manager form of government from its inception. Policy-making and legislative authority are vested in the Governing Council, which consists of a mayor and four Council Members. The Governing Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the Governing Council, for overseeing the day-to-day operations of the City and for appointing the heads of the City's departments. The Council is elected on a non-partisan basis. Council Members are elected to three-year staggered terms, with two Council Members elected one year and three Council Members the following year. Council Members are elected at large; the mayor is selected annually from among the Council Members by the Council Members themselves.

The City of Palm Beach Gardens provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities and cultural events. Water and sewer services are provided through Seacoast Utilities, a legally separate Water and Sewer Authority, which functions totally independent of the City of Palm Beach Gardens, and therefore has not been included as an integral part of the City of Palm Beach Gardens' financial statements. There are no component units of the City of Palm Beach Gardens at this time.

The annual budget serves as the foundation for the City of Palm Beach Gardens' financial planning and control. All departments of the City of Palm Beach Gardens are required to submit requests for appropriation to the City Manager in March each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Council for review prior to July 31. The Council is required to hold two public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City of Palm Beach Gardens' fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The budget may be amended in several ways. An intradepartmental or interdepartmental transfer within the same fund may be authorized by the City Manager. A transfer between different funds may be authorized initially by the City Manager, subject to approval within 30 days by resolution adopted by the City Council. A third way is a transfer from the contingency account of the City Council, which may be authorized only by resolution adopted by the Council; except that, in the event of an emergency declared by the Manager, such a transfer may be made initially upon authorization of the Manager, subject to approval within 30 days by resolution adopted by the Council. Any increase in the total appropriations for a fund must be approved by ordinance of the Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 69-70.

Local Economy. The City of Palm Beach Gardens has evolved into an upscale bedroom community with the current tax base of the City reflecting a dependence on residential tax assessments with approximately 76% of ad valorem taxes generated by the residential component. However, the region does have a varied commercial base that adds to the relative stability of the unemployment rate. Additionally, the City does not assess many of the traditional taxes that other municipalities use for generating revenue, but rather, it primarily depends on ad valorem taxes to fund services. Residents are not assessed additional taxes for utility, solid waste, storm water, or fire rescue; and pay a minimal amount in communication services taxes. The City has opted to pay for these services out of ad valorem assessments.

Major industries with headquarters or divisions located within the government's boundaries or in close proximity include bioscience, security, medical manufacturing, education, health care, financial services, construction, and leisure service industries. Major employers include Wackenhut Corporation, Palm Beach Gardens Medical Center, Palm Beach County School Board, PGA National Resort & Spa, Biomet 3i, Virtual Bank, Belcan, Anspach and Catalfumo Construction. The bioscience industry will continue to grow rapidly within the City's boundaries as the expansion of the Scripps Research Institute develops.

The City of Palm Beach Gardens has been fortunate to have land mass that has been available for residential development, so the reliance on ad valorem taxation has not been a major concern in past years. However, as the City approaches build-out, it is prudent to diversify the tax base in lieu of the escalating costs of providing services to residents. In January 2008, Florida voters approved Amendment 1, which granted an additional \$25,000 Homestead Exemption, exempted the first \$25,000 of tangible personal property from taxation, provided portability of up to \$500,000 of the Save Our Homes Exemption on sales of properties, and limited increases in the assessed value of non-homesteaded properties to 10%. The effect

on the City of Palm Beach Gardens tax revenues was substantial and may necessitate the exploration of alternate funding mechanisms to maintain current levels of services.

The location of the Scripps Research Institute will further the goals of the Economic Development Element of the City of Palm Beach Gardens Comprehensive Plan and will ensure a diversified economy, shift ad valorem tax revenues away from the residential component, encourage growth in cluster industries that provide high-wage employment, and complement changing economic conditions. The development will not only include the Scripps Research facility, and its related spin-off businesses, but also residential units, schools, recreational facilities, and general commercial areas.

Phase I of the Scripps Florida development has been completed and included the construction of the Scripps Florida headquarters. The campus includes three buildings with 350,000 square feet of laboratory and administrative space. Germany's Max Planck Society has started construction on a 100,000 square foot biomedical research facility located next to Scripps Florida on six acres at Florida Atlantic University in Jupiter.

Phase II of the Scripps Florida development is a proposed multi-use master plan community within the City of Palm Beach Gardens located on approximately 683 acres of the Briger site. The proposed project includes 1,600,000 square feet of Scripps Biotech Research and Development, 2,400,000 square feet of other biotech/biomedical, pharmaceutical, ancillary office space, 500,000 square feet of retail space and 2,700 dwelling units. The proposed Scripps-Florida Phase II will generate 8,652 new jobs for the local economy over the next two decades.

The City of Palm Beach Gardens currently has an employed labor force of approximately 22,533 out of a total labor force of about 24,322, for an unemployment rate of 7.3%. This rate compares favorably to the national unemployment rate of 9.8%. With the prospect of a major biotech medical research facility locating in Palm Beach County, future employment within the City appears more than stable.

Long-term financial planning. As mentioned previously, the Scripps Research Institute will be located at the parcel of land known as the Briger site. Phase I of the Scripps project has recently been completed and encompasses 350,000 square feet of building within the Town of Jupiter on 30 acres on the Abacoa FAU campus. The remainder of the Scripps Florida program or 1.6 million square feet will be accommodated on 70 acres of the Briger site which is located within the City of Palm Beach Gardens.

The Scripps Florida development presents many opportunities for the future financial stability of the City. However, there are also many challenges that will need to be dealt with. There will be quality of life issues that the City must face, such as transportation, roads, education, recreation, public safety and general government levels of services that must not be compromised for either existing or future residents.

Unreserved, undesignated fund balance in the general fund (30.3 percent of total general fund expenditures) exceeds the recommended practice of a range of 5-15%. Due to future uncertainties related to the current economic and financial crisis along with changes to tax reform, the City is dedicated to maintaining a strong fund balance position throughout the coming fiscal years.

Major Initiatives The next major City project will be the construction of an Emergency Operations and Communications Center. The building will be used to store City records and the information technology department's equipment, house police dispatch, and act as the emergency operations center for hurricanes and any other City emergencies. The total cost will be approximately \$3.6 million of which \$1.6 million will be funded by police and fire impact fees and the remaining \$2 million funded by a transfer from the general fund to the police impact fund.

During 2009, there were several ongoing projects that will further enhance the City's parks, facilities, and roadways. Two major projects included PGA Park improvements and the Kyoto Gardens Drive Extension.

The PGA Park expansion project includes improvements to multi-purpose fields, field lighting, expanded playground area and equipment, pavilion and other amenities to meet the needs of a growing community. The project will also include parking, security lighting, site enhancements, and sports turf enhancements. The total project cost is approximately \$2.6 million, with \$200,000 funded from the Florida Department of Environmental Protection. The project was 48% complete as of September 30, 2009.

The Kyoto Gardens Drive Extension project included the design and construction of a four lane road with a traffic signal at the intersection of A1A and Kyoto Gardens Drive. The estimated project cost was approximately \$3.7 million. This project was completed during the fiscal year.

Awards and Acknowledgements

The Government Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Palm Beach Gardens for its comprehensive annual financial report ("CAFR") for the year ended September 30, 2008. This was the fourteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The GFOA also awarded the Award for Distinguished Budget Presentation to the City of Palm Beach Gardens for its operating and capital improvements budget for the year ended September 30, 2009. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the Governing Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Palm Beach Gardens' finances.

Respectfully submitted,



Ron Ferris
City Manager



Allan Owens, CPA, CGFO
Finance Director

City of Palm Beach Gardens, Florida
Principal City Officials
As of September 30, 2009

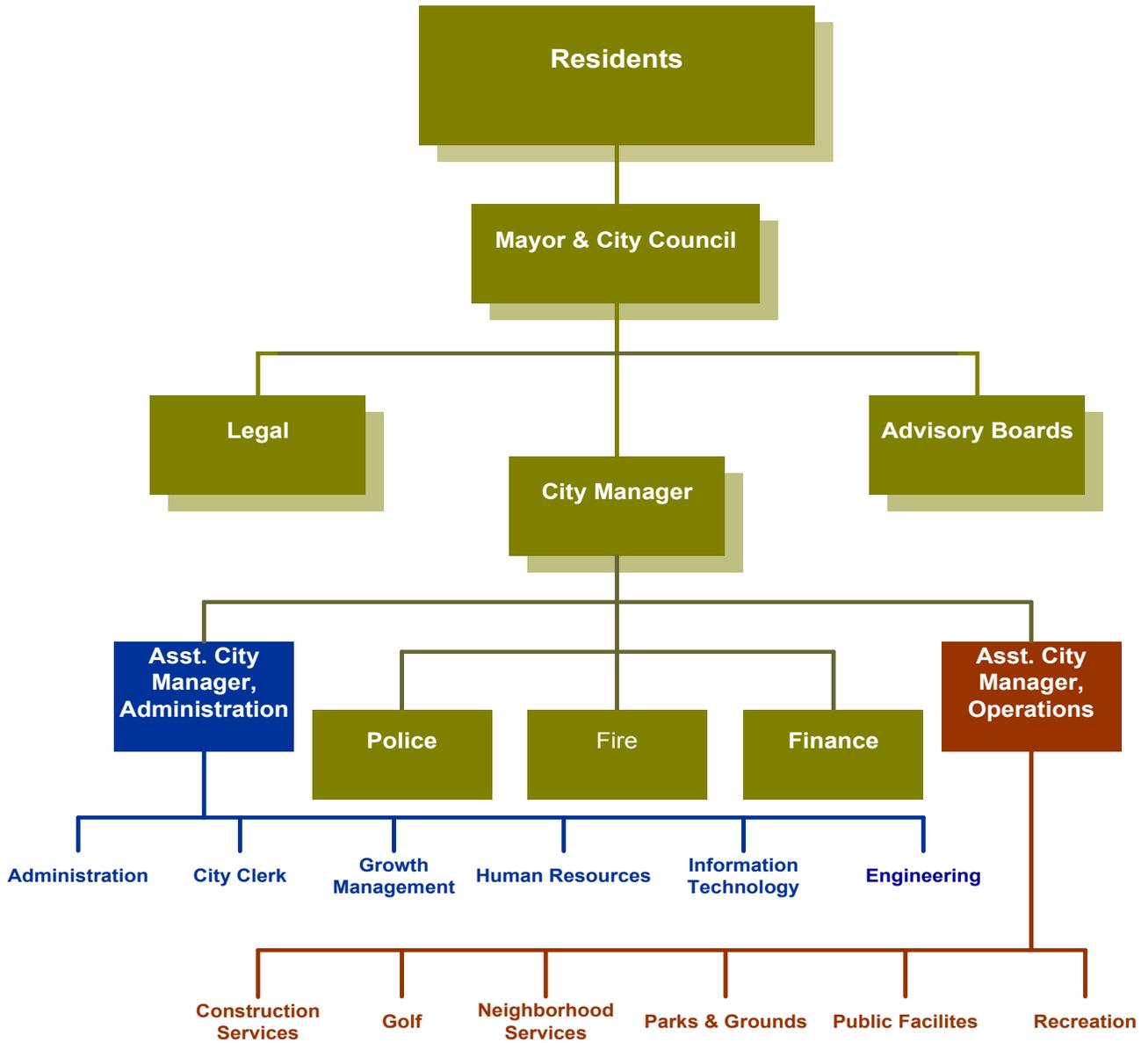
TITLE

Mayor
Vice-Mayor
Council Member
Council Member
Council Member
City Manager
Assistant City Manager - Administration
Assistant City Manager - Operations
City Attorney
City Clerk
Director of Engineering
Finance Administrator
Human Resources Administrator
Growth Management Administrator
Information Systems Administrator
Chief of Police
Fire Chief

NAME

Joseph Russo
David Levy
Eric Jablin
Jody Barnett
Bert Premuroso
Ronald M. Ferris
Stacy Rundle
Jack Doughney
Corbett & White, P.A.
Patricia Snider
Massimo Bosso
Allan Owens
Sheryl Stewart
Kara Irwin
Eric Holdt
Stephen Stepp
Pete Bergel

City of Palm Beach Gardens, Florida
Organization Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Palm Beach Gardens
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2008

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



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

President

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

Executive Director



FINANCIAL SECTION

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Honorable Mayor, City Council
City of Palm Beach Gardens, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Palm Beach Gardens, Florida (the City) as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City'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 Palm Beach Gardens Police Officers' Pension Fund and the City of Palm Beach Gardens Firefighters' Pension Fund (collectively, the Pension Trust Funds), which represents 97% and 103%, respectively, of the total assets and total additions of the Fiduciary Funds of the City. 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 Pension Trust Funds, is based solely 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

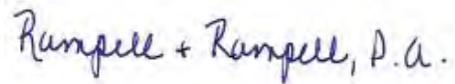
In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Management's discussion and analysis (pages 9 through 19), the budgetary comparison schedule (pages 69 through 70), and the schedules of funding progress and employer contributions for the pension trust funds and other post employment benefits (pages 71 through 73) 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in blue ink that reads "Rampell + Rampell, P.A.".

Rampell & Rampell, P.A.
Palm Beach, Florida

March 31, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Palm Beach Gardens, Florida Management's Discussion and Analysis

As management of the City of Palm Beach Gardens, Florida (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended September 30, 2009. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found on pages iii to vi of this report.

Financial Highlights

- The assets of the City of Palm Beach Gardens exceeded its liabilities at the close of the most recent fiscal year by \$106.2 million (*net assets*). Of this amount, \$25.7 million (*unrestricted net assets*) may be used to meet the ongoing obligations to citizens and creditors. During the year ended September 30, 2009, the City's net assets increased by \$4.7 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$41 million, an increase of \$900 thousand in comparison with the prior year. Approximately 54.6% of this total amount is available for spending at the government's discretion (*unreserved, undesignated fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$19.8 million, or 30% of total general fund expenditures.
- The City's total governmental debt decreased by \$2.9 million (8.3%) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Palm Beach Gardens' basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. In addition to these basic financial statements, this report contains other supplementary information.

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

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

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

Both the government-wide and fund financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the City include public safety, physical environment, transportation, culture and recreation, and general government services. The City does not operate any business-type activities.

The government-wide financial statements can be found on pages 23 – 25 of this report.

Fund Financial Statements A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal

requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Recreation Impact Fee and Road Impact Fee funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 79 – 97 of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget (pages 69 – 70).

The basic governmental fund financial statements can be found on pages 23 – 25 of this report.

Proprietary Funds The City maintains only one type of proprietary fund. Internal service funds are used to account for the City's fleet maintenance and self insurance provided to all departments on a cost reimbursement basis.

The basic proprietary fund financial statements can be found on pages 34 – 37 of this report.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 38 – 39 of this report.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the basic financial statements can be found on pages 43 – 65 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including the budgetary comparison schedule of the General Fund and information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees.

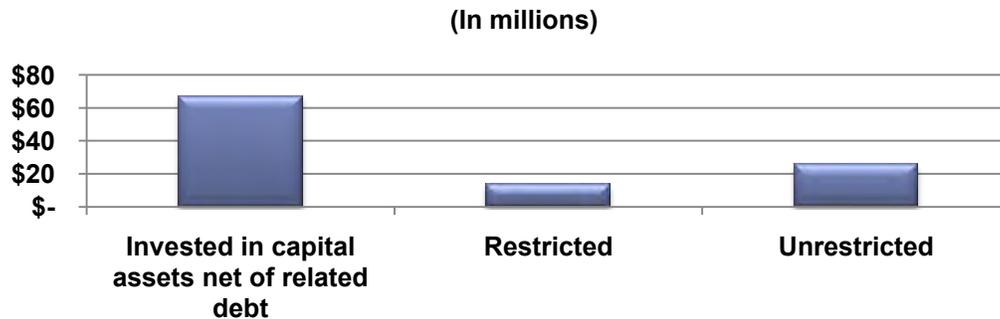
Required supplementary information can be found on pages 69 – 75 of this report.

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information.

Combining and individual fund statements and schedules can be found on pages 79-97 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City of Palm Beach Gardens, assets exceeded liabilities by \$106.2 million at the close of the most recent fiscal year. By far the largest portion of the City's net assets (63%) represents investment in capital assets (e.g., land, buildings and improvements, roadways, machinery and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, they are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.



As the chart shown above illustrates, an additional portion of the City's net assets, \$13.4 million (12.7%), represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$25.7 million (24.3%) may be used to meet the City's ongoing obligations to citizens and creditors.

City of Palm Beach Gardens Net Assets September 30, 2009 and 2008

The following table illustrates a summary of net assets by Governmental activities:

	Governmental Activities	
	2009	2008
Current and other assets	\$ 53,833,998	\$ 52,115,655
Capital assets, net	98,237,444	97,773,460
Total assets	152,071,442	149,889,115
Long-term liabilities	31,725,024	34,271,843
Other liabilities	14,156,281	14,044,797
Total liabilities	45,881,305	48,316,640
Invested in capital assets, net of related debt	67,009,120	63,743,178
Restricted	13,449,860	12,679,885
Unrestricted	25,731,157	25,149,412
Total net assets	\$ 106,190,137	\$ 101,572,475

At the end of the current fiscal year, the City is able to report positive balances in net assets for all governmental type activities.

There was an overall increase in the City's assets of \$2.2 million or 1.5% during the current fiscal year. The increase is a result of an increase in cash and investments due to revenues exceeding expenses during the current fiscal year.

The City's liabilities decreased by \$2.4 million or 5% during the current fiscal year. The decrease represents the net effect of a reduction in debt of approximately \$2.9 million along with an increase to record the net other postemployment benefit (OPEB) obligation of approximately \$327 thousand.

**City of Palm Beach Gardens
Changes in Net Assets
September 30, 2009 and 2008**

	Governmental Activities	
	2009	2008
Revenues:		
Program revenues:		
Charges for services	\$ 15,424,011	\$ 16,188,110
Operating grants and contributions	1,296,236	2,769,458
Capital grants and contributions	3,551,406	557,820
General Revenues:		
Taxes:		
Property taxes	50,314,207	50,362,460
Local business tax	1,540,700	1,531,977
Public service taxes	1,278,766	956,919
Unrestricted intergovernmental:		
Sales Tax and local option gas tax	3,726,391	4,039,597
State shared revenue	1,076,977	1,193,969
Unrestricted investment earnings	1,415,326	1,741,515
Gain on disposal of capital assets	17,141	242,496
Miscellaneous	1,596,547	1,273,400
Total revenues	81,237,708	80,857,721
Expenses:		
General government	15,136,680	14,954,447
Public safety	41,112,818	40,510,054
Culture/recreation	9,151,914	8,784,481
Physical environment	5,771,316	6,067,686
Transportation	3,954,595	3,860,350
Interest on long-term debt	1,492,723	1,662,578
Total expenses	76,620,046	75,839,596
Change in net assets	4,617,662	5,018,125
Net assets – beginning	101,572,475	96,554,350
Net assets – ending	\$ 106,190,137	\$ 101,572,475

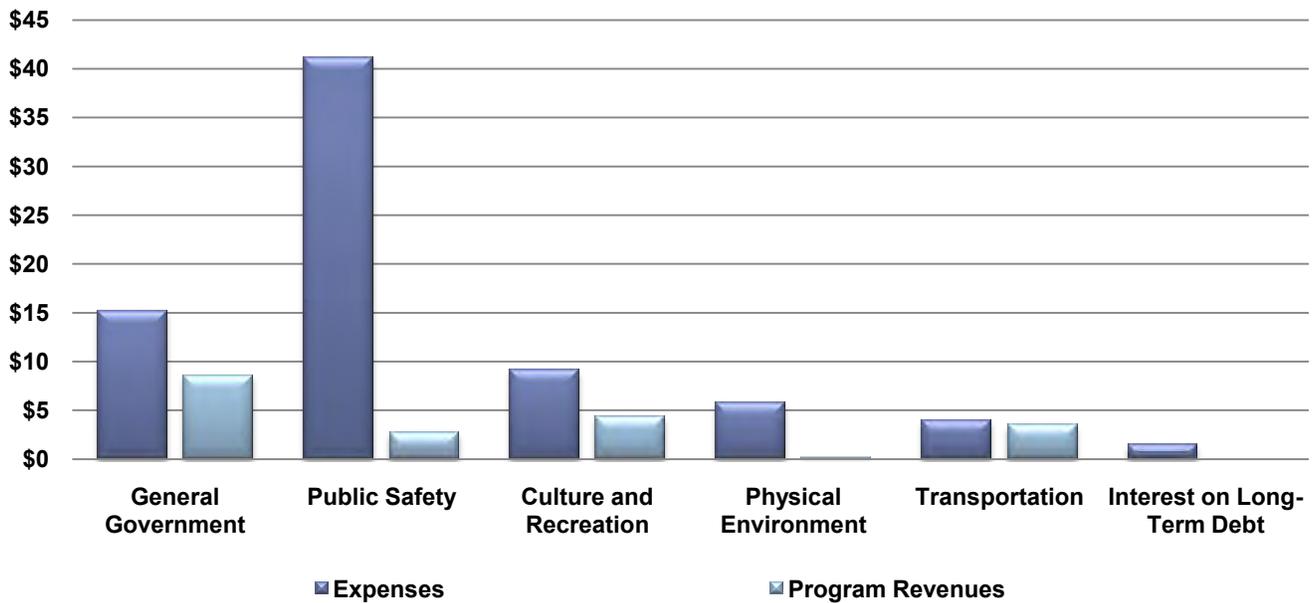
Governmental Activities As illustrated in the table on the previous page, net assets of the City's governmental activities increased by 4.6% (\$4.7 million), from \$101.5 million in last fiscal year to \$106.2 million in the current fiscal year. Key elements of this increase are:

- Operating grants and contributions decreased by \$1.5 million (53%), due primarily to prior year FEMA reimbursements relating to Hurricanes Frances and Jeanne.
- Capital grants and contributions increased by \$3 million (527%), due to a developer contribution from Catalfumo Construction for a portion of the Kyoto Gardens Drive extension.

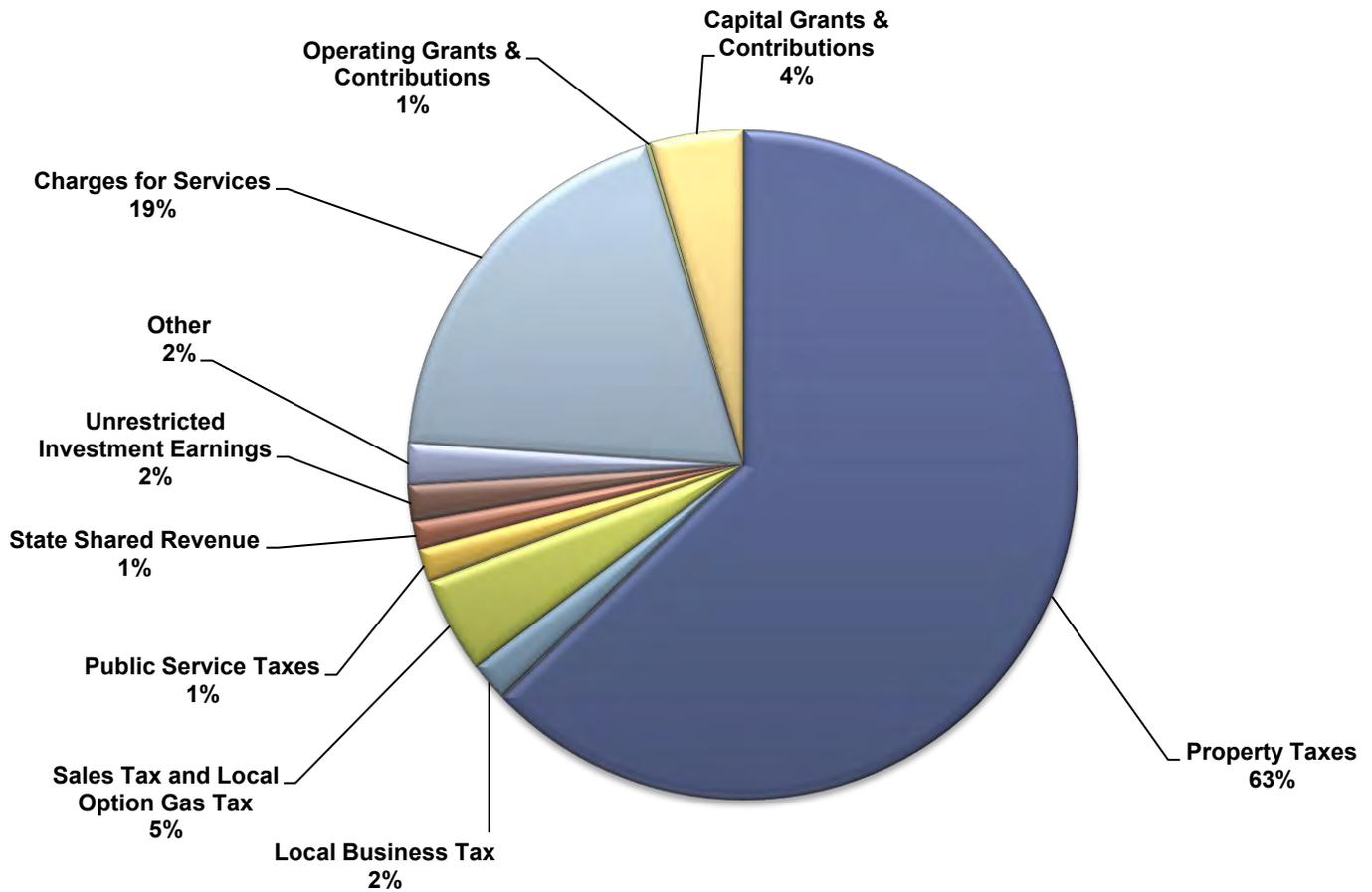
For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

The chart below depicts expenses and program revenues by function for all governmental activities. The graph illustrates the relatively minor amount of support for governmental operations that is derived from program revenues.

**City of Palm Beach Gardens
Expenses & Program Revenues - Governmental Activities (in millions)
Year Ended September 30, 2009**



**City of Palm Beach Gardens
Revenues by Source - Governmental Activities
Year Ended September 30, 2009**



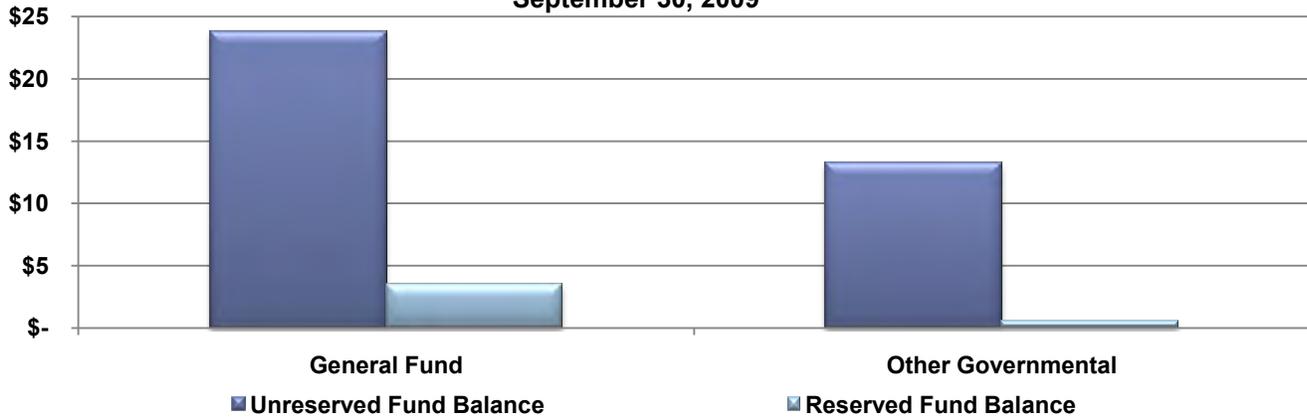
As illustrated in the chart above, property taxes comprise 63% of total governmental activity revenues.

Financial Analysis of the City's Funds

As noted earlier, the City of Palm Beach Gardens uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

**City of Palm Beach Gardens
Governmental Fund Balances (in millions)
September 30, 2009**



As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances (both reserved and unreserved) of \$41 million, an increase of \$900 thousand in comparison with the prior year.

Approximately 54.6% of this total amount (\$22.4 million) represents unreserved, undesignated fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved or designated to indicate it is not available for new spending because it has already been committed for a variety of purposes, such as construction projects, grant expenditures and encumbrances.

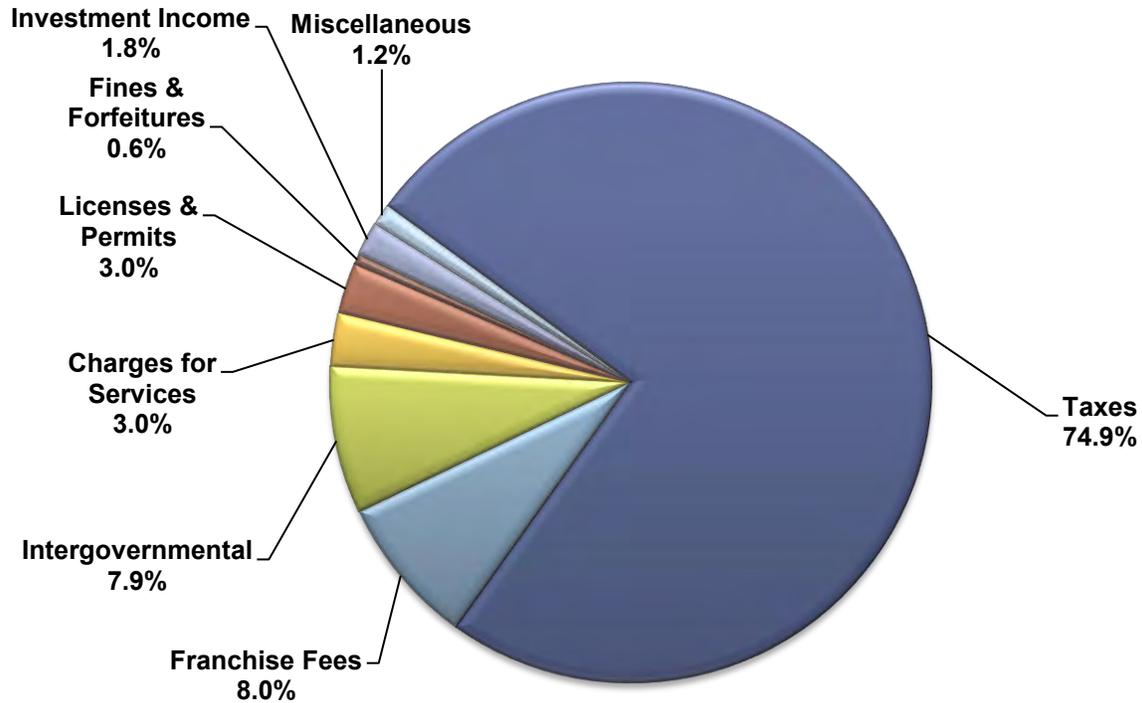
The General Fund is the chief operating fund of the City. General tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs not paid through other funds are paid from this fund. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$19.8 million, designated fund balance was \$3.9 million, and reserved fund balance was approximately \$3.5 million, for a total fund balance of \$27.2 million. The amount of General Fund revenues by type, their percent of the total and the amount of change compared to last fiscal year are shown in the following schedule:

Revenue Sources	2009 Amount	Percent of Total	2008 Amount	Percent of Total	Increase (Decrease) From 2008	Percentage of Increase (Decrease)
Taxes	\$ 53,133,673	74.9%	\$52,851,356	72.7%	\$ 282,317	0.5%
Franchise fees	5,702,964	8.0%	5,516,091	7.6%	186,873	3.4%
Licenses and permits	2,020,336	2.8%	2,832,118	3.9%	(811,782)	(28.7)%
Intergovernmental	5,626,551	8.0%	7,439,267	10.2%	(1,812,716)	(24.4)%
Charges for services	1,936,315	2.7%	1,826,390	2.5%	109,925	6.0%
Fines and forfeitures	424,257	0.6%	307,933	0.4%	116,324	37.8%
Investment income	1,285,619	1.8%	1,332,349	1.8%	(46,730)	(3.5)%
Miscellaneous	817,773	1.2%	630,151	0.9%	187,622	29.8%
Total revenues	\$ 70,947,488	100.0%	\$72,735,655	100.0%	\$ (1,788,167)	(2.5)%

As illustrated above, General Fund revenue decreased by approximately \$1.8 million, or 2.5%, in fiscal year 2009.

Intergovernmental revenue decreased by \$1.8 million or 24%, mainly due to FEMA reimbursements relating to Hurricanes Frances and Jeanne that were received in the prior year. Licenses and permits decreased by \$800 thousand or 29% as a result of a decrease in building permits collected.

**City of Palm Beach Gardens
General Fund Revenues
Year Ended September 30, 2009**



The graph above illustrates the percentage composition of General Fund revenues by type. As can be seen, Taxes comprise the majority of General Fund revenues, with the next largest sources of revenues being Franchise Fees and Intergovernmental revenues.

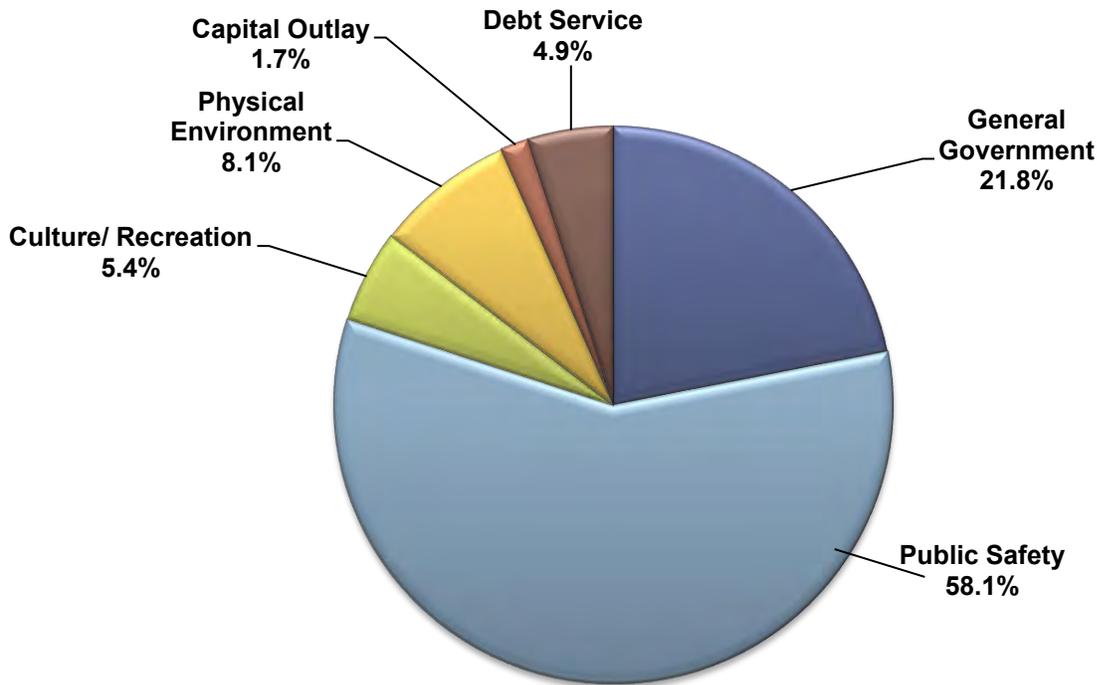
Expenditures in the General Fund are shown in the following schedule:

Expenditures	2009 Amount	Percent of Total	2008 Amount	Percent of Total	Increase (Decrease) From 2008	Percentage of Increase (Decrease)
General government	\$ 14,592,013	21.8%	\$ 14,613,265	21.0%	\$ (21,252)	(0.1)%
Public safety	38,645,716	58.1%	38,458,969	55.5%	186,747	0.5%
Culture and recreation	3,585,246	5.4%	3,788,261	5.5%	(203,015)	(5.4)%
Physical environment	5,375,753	8.1%	5,848,500	8.4%	(472,747)	(8.1)%
Capital outlay	1,104,914	1.7%	3,374,646	4.9%	(2,269,732)	(67.3)%
Debt service	3,266,200	4.9%	3,272,400	4.7%	(6,200)	(0.2)%
Total expenditures	\$ 66,569,842	100.0%	\$ 69,356,041	100.0%	\$(2,786,199)	(4.0)%

In fiscal year 2009, total General Fund expenditures decreased \$2.8 million or 4.0% compared to the prior year. The decrease is a result of tax reform and spending cuts mandated by the City. Public safety was the only function to show an increase compared to the prior year of approximately \$187 thousand or .5%. The increase is mostly attributed to personnel costs associated with union negotiated salary adjustments and required employer contribution increases to the Police and Fire Pensions.

As illustrated in the graph below, Public Safety expenditures account for over one-half of total General Fund expenditures:

**City of Palm Beach Gardens
General Fund Expenditures
Year Ended September 30, 2009**



Recreation Impact Fund: The City's Recreation Impact Fund is a capital project fund established to account for the receipt and disbursement of developer paid impact fees restricted for the purpose of enhancing recreational opportunities and service in the City. Recreation Impact Fund revenues consisted of approximately \$208,000 from impact fees, \$14,000 from investment income, \$138,000 from intergovernmental revenue and \$10,000 from miscellaneous sources. Capital outlay expenditures of \$1 million were for the following projects: PGA Park improvements, Lilac Park improvements, Plant Drive Park expansion, and Tot Lot expansion and equipment. At the end of the current fiscal year, fund balance was \$1,862,326.

Road Impact Fund: The City's Road Impact Fund is a capital project fund established to account for the receipt and disbursement of developer paid impact fees restricted for the purpose of providing increased traffic service levels. Road Impact Fund revenues consisted of approximately \$238,000 from impact fees, \$76,000 from investment income and \$439,000 from a developer contribution for their portion of the cost of a traffic signal installation at the intersection of Lake Victoria and Kyoto Gardens Drive. Capital outlay expenditures of \$2.7 million were for the following projects: Kyoto Gardens Drive Extension, and traffic signal installation at the intersections of Lake Victoria and Kyoto Gardens Drive and Hiatt Drive and Northlake Boulevard. At the end of the current fiscal year, fund balance was \$4,052,133.

General Fund Budgetary Highlights

During the past year, the budget was amended two times. The Council authorized the budget amendments principally to:

- Adjust the carryover of funds by the amounts reserved for purchase orders and designated for projects from the previous fiscal year.
- Adjust fund balance carryovers to actual amounts per the fiscal year 2008 audit.

Capital Assets and Debt Administration

Capital Assets: The following table illustrates the City's capital assets for its governmental activities as of September 30, 2009, which amount to \$98.2 million (net of accumulated depreciation). These assets include land, buildings, roadways, drainage and structures, improvements other than buildings and machinery and equipment. The total increase in the City's capital assets for the current fiscal year was .5%.

	Governmental Activities	
	2009	2008
Land	\$ 14,852,345	\$ 14,724,235
Construction in progress	3,713,300	5,699,479
Buildings	20,578,188	21,739,264
Roadways	29,801,718	25,086,751
Drainage and structures	14,074,939	14,270,329
Machinery and equipment	6,665,904	7,884,545
Improvements other than buildings	8,551,050	8,368,857
Total	\$ 98,237,444	\$ 97,773,460

Major capital asset events during the current fiscal year included the following:

- Completion of the Kyoto Gardens Drive extension project totaling \$5.8 million
- Completion of the PGA Park renovations project totaling approximately \$798,000
- Purchase of two rescue units totaling approximately \$319,000

Additional information on the City's capital assets can be found in Note 5 starting on page 51 of this report.

Long-term Debt: The following table illustrates the City's governmental activity long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$32.5 million. All of the City's outstanding debt is secured by specified revenue sources:

	Governmental Activities	
	2009	2008
Debt payable:		
General obligation	\$ 10,567,106	\$ 11,527,046
Non ad valorem bonds payable	20,980,228	22,802,384
Notes payable	-	72,881
Capital leases payable	922,247	996,465
Total	\$ 32,469,581	\$ 35,398,776

All of the City's general obligation debt is rated AA or higher by Standard & Poor's and Fitch Ratings. The City's non-ad valorem debt is rated AA-1 or higher by Standard & Poor's and Fitch and AA-2 by Moody's. The City's comprehensive plan provides that debt expenditures shall not exceed 20% of total annual revenues and total outstanding debt is limited to no more than 10% of the City's property tax base.

Additional information on the City's long-term debt can be found in Note 6 starting on page 52 of this report.

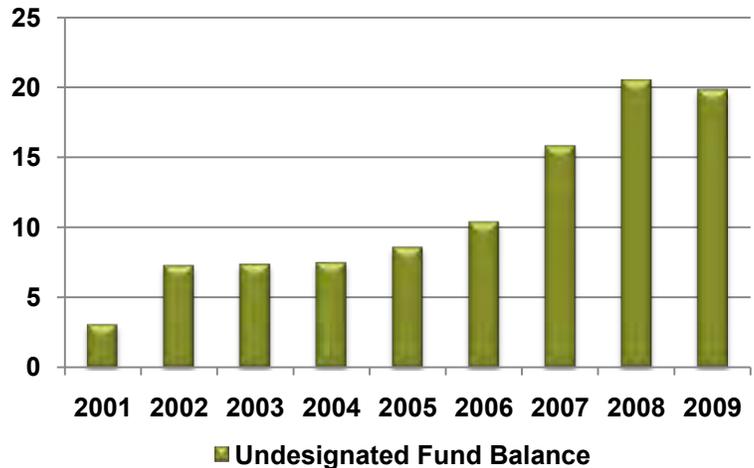
Economic Factors and Next Year's Budgets and Rates

The City's local economy is primarily based upon construction, retail and service activities. The unemployment rate for the City is currently 7.3%. Due to the current economic conditions and declining real estate market, new construction was down 45% to \$189.3 million in permit valuation issued during the fiscal year.

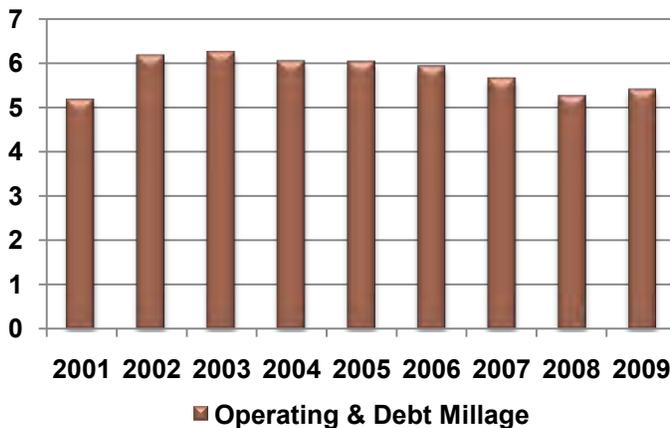
All of these factors were considered in preparing the City of Palm Beach Gardens' budget for the year ending September 30, 2010.

During the current fiscal year, undesignated fund balance in the General Fund was \$19.8 million. It is approximately equal to three months of the General Fund expenditures. Over the last nine years, the City has been able to increase its undesignated fund balance as shown in the graph to the right.

**Fiscal Years 2001 through 2009
(in millions)**



Fiscal Years 2001 through 2009



In 1995, the State of Florida limited all local governments' ability to increase property taxable values in any given year to 3% or cost of living, whichever is lower. The graph to the left indicates the property tax trend over the last nine years. For many years, the City, just like many cities across the country, has had to face the challenge of keeping taxes and service charges as low as possible while providing residents with the level of service they have come to expect.

Requests for Information

This financial report is designed to provide a general overview of the City of Palm Beach Gardens' finances for all those with an interest in the City's finances.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Allan Owens, Finance Administrator, Finance Department, City of Palm Beach Gardens, 10500 N. Military Trail, Palm Beach Gardens, Florida 33410.



BASIC FINANCIAL STATEMENTS

City of Palm Beach Gardens, Florida
Statement of Net Assets
September 30, 2009

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 23,236,605
Investments	26,261,673
Receivables (net of allowance for doubtful accounts of \$887,076)	2,055,140
Due from other governments	517,773
Inventories	220,780
Prepaid expenses	57,092
Net pension asset	222,956
Deferred charges	317,314
Investment in Joint Venture	944,665
Capital assets not being depreciated	18,565,645
Capital assets being depreciated, net	79,671,799
Total assets	<u>\$ 152,071,442</u>
Liabilities:	
Accounts payable	\$ 3,069,955
Accrued liabilities	2,572,383
Claims payable	848,230
Unearned revenue	3,506,477
Accrued interest payable	460,341
Noncurrent liabilities:	
Due within one year	3,698,895
Due in more than one year	31,725,024
Total liabilities	<u>\$ 45,881,305</u>
Net assets:	
Invested in capital assets, net of related debt	\$ 67,009,120
Restricted for:	
Capital improvements	10,749,468
Debt service	2,395,707
Other purposes	304,685
Unrestricted	25,731,157
Total net assets	<u><u>\$ 106,190,137</u></u>

See notes to basic financial statements.

City of Palm Beach Gardens, Florida
Statement of Activities
Year Ended September 30, 2009

Functions/Programs Programs Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 15,136,680	\$ 8,594,096	\$ -	\$ 7,190
Public safety	41,112,818	2,423,564	1,257,168	77,871
Culture and recreation	9,151,914	4,168,677	7,500	138,401
Physical environment	5,771,316	-	31,568	117,960
Transportation	3,954,595	237,674	-	3,209,984
Interest on long-term debt	1,492,723	-	-	-
Total governmental activities	76,620,046	15,424,011	1,296,236	3,551,406

General revenues:
Taxes:
 Property taxes
 Local business tax
 Public service taxes
Unrestricted intergovernmental:
 Sales tax and local option gas tax
 State shared revenue
Unrestricted investment earnings
Gain on disposal of capital assets
Miscellaneous
Total general revenues

Change in net assets
Net assets, beginning
Net assets, ending

See notes to basic financial statements.

Net (Expense)
Revenue and
Change in
Net Assets
Governmental
Activities
\$ (6,535,394)
(37,354,215)
(4,837,336)
(5,621,788)
(506,937)
(1,492,723)
(56,348,393)

50,314,207
1,540,700
1,278,766
3,726,391
1,076,977
1,415,326
17,141
1,596,547
60,966,055
4,617,662
101,572,475
\$ 106,190,137

City of Palm Beach Gardens, Florida
Balance Sheet
Governmental Funds
September 30, 2009

	General	Recreation Impact Fees	Road Impact Fees
Assets:			
Current assets:			
Cash and cash equivalents	\$ 6,875,503	\$ 1,725,700	\$ 5,146,308
Investments	24,940,131	-	850,520
Receivables:			
Accounts (net of allowance for doubtful accounts of \$887,076)	289,288	-	-
Note	350,000	-	-
Franchise fees	1,004,124	-	-
Utility taxes	86,413	-	-
Interest	147,516	-	26,071
Due from other governments	323,786	138,401	-
Inventory	-	-	-
Prepaid expenditures	46,952	-	-
Total assets	\$ 34,063,713	\$ 1,864,101	6,022,899
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 2,751,666	\$ 1,775	\$ 168,951
Accrued liabilities	2,567,052	-	-
Unearned revenue	1,494,898	-	1,801,815
Total liabilities	6,813,616	1,775	1,970,766
Fund Balances:			
Reserved for:			
Encumbrances	379,686	64,636	437,584
Long term note	350,000	-	-
Debt service	2,395,707	-	-
Prepaid expenditures	46,952	-	-
Law enforcement	304,685	-	-
Inventory	-	-	-
Unreserved, designated for:			
Special projects	1,183,679	1,797,690	3,614,549
Subsequent year budget	1,756,726	-	-
Economic development	982,247	-	-
Unreserved, undesignated, reported in:			
General fund	19,850,415	-	-
Special revenue funds	-	-	-
Total fund balances	27,250,097	1,862,326	4,052,133
Total liabilities and fund balances	\$ 34,063,713	\$ 1,864,101	\$ 6,022,899

See notes to basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 7,505,450	\$ 21,252,961
471,022	26,261,673
57,936	347,224
-	350,000
-	1,004,124
-	86,413
14,438	188,025
55,586	517,773
21,802	21,802
10,140	57,092
\$ 8,136,374	50,087,087
\$ 36,776	\$ 2,959,168
5,331	2,572,383
209,764	3,506,477
251,871	9,038,028
40,769	922,675
-	350,000
-	2,395,707
10,140	57,092
-	304,685
21,802	21,802
5,263,303	11,859,221
-	1,756,726
-	982,247
-	19,850,415
2,548,489	2,548,489
7,884,503	41,049,059
\$ 8,136,374	\$ 50,087,087

**City of Palm Beach Gardens, Florida
 Reconciliation of Governmental Fund
 Balance Sheet to the Statement of Net Assets
 September 30, 2009**

Total fund balances – governmental funds (page 27)		\$ 41,049,059
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. (Excludes internal service fund capital assets.)		96,592,568
Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these are deferred and amortized in the statement of activities.		
Deferred charges		317,314
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Excludes internal service fund liabilities.) Long-term liabilities at year-end consist of:		
Bonds payable	(30,623,391)	
Capital leases payable	(922,247)	
Net other postemployment benefit obligation	(327,000)	
Accrued interest payable	(460,341)	
Compensated absences	(2,942,908)	
		(35,275,887)
The internal service funds are used by management to charge the cost of fleet maintenance activities and insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		2,339,462
Other long term assets are not available to pay for current period expenditures, and therefore, are not recognized in the funds.		
Investment in joint venture		944,665
Net pension asset		222,956
Total net assets of governmental activities (page 23)		\$ 106,190,137

See notes to basic financial statements.



City of Palm Beach Gardens, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2009

	General	Recreation Impact	Road Impact
Revenues:			
Taxes			
Ad valorem taxes	\$ 50,314,207	\$ -	\$ -
Local business taxes	1,540,700	-	-
Utility taxes	1,278,766	-	-
Franchise fees	5,702,964	-	-
Licenses and permits	2,020,336	-	-
Intergovernmental	5,626,551	138,401	-
Impact fees	-	208,258	237,673
Charges for services	1,936,315	-	-
Fines and forfeitures	424,257	-	-
Investment income	1,285,619	13,936	76,047
Miscellaneous	817,773	10,000	439,091
Total revenues	70,947,488	370,595	752,811
Expenditures:			
Current:			
General government	14,592,013	-	-
Public safety	38,645,716	-	-
Culture and recreation	3,585,246	8,330	-
Physical environment	5,375,753	-	-
Transportation	-	-	9,507
Capital outlay	1,104,914	1,001,099	2,738,305
Debt service:			
Principal	2,231,314	-	-
Interest	1,034,886	-	-
Total expenditures	66,569,842	1,009,429	2,747,812
Excess (deficiency) of revenues over (under) expenditures	4,377,646	(638,834)	(1,995,001)
Other financing sources (uses):			
Transfers in	362,762	-	-
Transfers out	(2,625,943)	-	(702,373)
Sale of capital assets	7,278	-	-
Total other financing sources (uses)	(2,255,903)	-	(702,373)
Net change in fund balances	2,121,743	(638,834)	(2,697,374)
Fund balances, beginning	25,128,354	2,501,160	6,749,507
Fund balances, ending	\$ 27,250,097	\$ 1,862,326	\$ 4,052,133

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 50,314,207
-	1,540,700
-	1,278,766
-	5,702,964
-	2,020,336
689,819	6,454,771
121,567	567,498
3,928,860	5,865,175
11,970	436,227
39,143	1,414,745
803,356	2,070,220
5,594,715	77,665,609
-	14,592,013
432,959	39,078,675
3,770,162	7,363,738
-	5,375,753
799,713	809,220
395,394	5,239,712
697,881	2,929,195
363,320	1,398,206
6,459,429	76,786,512
(864,714)	879,097
3,928,316	4,291,078
(910,000)	(4,238,316)
-	7,278
3,018,316	60,040
2,153,602	939,137
5,730,901	40,109,922
\$ 7,884,503	\$ 41,049,059

City of Palm Beach Gardens, Florida
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of the Governmental Funds to the Statement of Activities
Year Ended September 30, 2009

Net change in fund balances– total governmental funds (page 31) **\$ 939,137**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. The amount is less than the total capital outlay since capital outlay includes amounts that are under the capitalization threshold, and therefore, were not capitalized.

Expenditures for capital assets	3,044,798	
Less current year depreciation	(5,013,594)	
		(1,968,796)

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 disposal increase financial resources:

Proceeds from disposal of capital assets	(90,616)	
Gain on disposal of capital assets	51,477	
		(39,139)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Capital contributions from developer	2,770,893
--------------------------------------	------------------

Debt proceeds provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Principal payments on debt	2,929,195	
Amortization of issuance costs	(33,699)	
Amortization of deferred charges	(130,753)	
Amortization of premium	37,215	
		2,801,958

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in accrued interest payable	32,720	
Change in compensated absences	1,794	
Net other postemployment benefit obligation	(327,000)	
Change in net pension benefit asset	(38,341)	
		(330,827)

Governmental funds report the investment in joint venture as expenditures. However, the cost of the investment in joint venture is recorded as an asset in the statements of net assets.

144,726

Internal service funds are used by management to charge the cost of fleet maintenance and self-insurance activities to individual funds. The net revenues of the internal service funds are reported with governmental activities.

299,710

Change in net assets of governmental activities (page 25)

\$ 4,617,662

City of Palm Beach Gardens, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2009

	Governmental Activities	
	Internal Service Funds	
	Fleet Management	Self Insurance
Assets:		
Current assets:		
Cash and cash equivalents	\$ 104,146	\$ 1,879,498
Accounts receivable	-	79,354
Inventory	198,978	-
Total current assets	303,124	1,958,852
Noncurrent assets:		
Capital assets being depreciated, net	1,644,876	-
Total noncurrent assets	1,644,876	-
Total assets	\$ 1,948,000	\$ 1,958,852
Liabilities:		
Current liabilities:		
Accounts payable	\$ 41,862	\$ 68,925
Claims payable	-	848,230
Total current liabilities	41,862	917,155
Noncurrent liabilities:		
Claims payable	-	576,801
Compensated absences payable	31,572	-
Total noncurrent liabilities	31,572	576,801
Total liabilities	\$ 73,434	\$ 1,493,956
Net Assets:		
Invested in capital assets	\$ 1,644,876	\$ -
Unrestricted	229,690	464,896
Total net assets	\$ 1,874,566	\$ 464,896

See notes to basic financial statements.

City of Palm Beach Gardens, Florida
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended September 30, 2009

	Governmental Activities	
	Internal Service Funds	
	Fleet Management	Self Insurance
Operating revenues:		
Charges for service	\$ 2,123,202	\$ -
Employer contributions	-	5,495,972
Employee contributions	-	767,895
Miscellaneous	15,879	83,051
Total operating revenues	2,139,081	6,346,918
Operating expenses:		
Personnel expenses	731,109	-
Claims expense	-	5,258,022
Repair and maintenance	272,374	-
Fuel and chemicals	509,206	-
Operating supplies	102,063	-
Other professional and contractual	12,665	624,578
Other expenses	5,910	-
Depreciation	583,842	-
Total operating expenses	2,217,169	5,882,600
Operating income (loss)	(78,088)	464,318
Nonoperating revenues (expenses):		
Investment income	-	578
Loss on disposal of capital assets	(34,336)	-
Total nonoperating revenues (expenses)	(34,336)	578
Income (loss) before transfers	(112,424)	464,896
Transfers out	(52,762)	-
Change in net assets	(165,186)	464,896
Net assets, beginning	2,039,752	-
Net assets, ending	\$ 1,874,566	\$ 464,896

See notes to basic financial statements.

City of Palm Beach Gardens, Florida
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2009

	Governmental Activities	
	Internal Service Funds	
	Fleet Management	Self Insurance
Cash flows from operating activities:		
Receipts for interfund services provided	\$ 2,123,202	\$ 6,184,513
Payments to suppliers for goods and services	(970,363)	(555,653)
Payments to employees for services	(730,474)	-
Payments for claims	-	(3,832,991)
Other operating revenues	15,879	83,051
Net cash provided by operating activities	438,244	1,878,920
Cash flows from noncapital financing activities:		
Transfers to other funds	(52,762)	-
Net cash used in noncapital financing activities	(52,762)	-
Cash flows from capital and related financing activities:		
Purchases of capital assets	(368,353)	-
Proceeds from sale of capital assets	49,150	-
Net cash used in capital and related financing activities	(319,203)	-
Cash flows from investing activities:		
Interest earned	-	578
Net cash provided by investing activities	-	578
Net increase in cash and cash equivalents	66,279	1,879,498
Cash and cash equivalents, beginning of year	37,867	-
Cash and cash equivalents, end of year	\$ 104,146	\$ 1,879,498

Continued on next page.

City of Palm Beach Gardens, Florida
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended September 30, 2009

	Governmental Activities	
	Internal Service Funds	
	Fleet Management	Self Insurance
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (78,088)	\$ 464,318
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	583,842	-
Changes in operating assets and liabilities:		
Accounts receivable	-	(79,354)
Inventory	(40,827)	-
Accounts payable and accrued liabilities	(27,318)	68,925
Claims payable	-	1,425,031
Compensated absences	635	-
Total adjustments	516,332	1,414,602
Net cash provided by operating activities	\$ 438,244	\$ 1,878,920

See notes to basic financial statements.

City of Palm Beach Gardens, Florida
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2009

	Pension Trust Funds
Assets:	
Cash and cash equivalents	\$ 4,977,325
Investments, at fair values:	
U.S. Government obligations	3,022,819
Municipal bonds	219,538
Mortgage backed securities	6,195,842
Corporate bonds	10,285,857
Equity securities	18,662,239
Equity funds	12,364,077
International funds	5,089,928
Real estate funds	756,753
Total investments	56,597,053
Receivables:	
Interest	226,224
Employer	1,647,729
State of Florida	492,584
Employees	115,353
Total receivables	2,481,890
Prepaid expenses	64,884
Total assets	\$ 64,121,152
Liabilities:	
Accounts payable	\$ 83,725
Due to DROP Account	80,506
Total liabilities	\$ 164,231
Net assets:	
Net assets held in trust for pension benefits	\$ 63,956,921

See notes to basic financial statements.

City of Palm Beach Gardens, Florida
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended September 30, 2009

	Pension Trust Funds
Additions:	
Contributions:	
Employer	\$ 6,590,913
Insurance premium taxes collected by the State of Florida on behalf of the City of Palm Beach Gardens	1,101,129
Employee	1,484,851
Total contributions	9,176,893
Investment earnings:	
Net appreciation in fair value of investments	1,153,639
Interest and dividends	1,356,605
Total investment earnings	2,510,244
Less investment expense	(260,462)
Net investment earnings	2,249,782
Total additions	11,426,675
Deductions:	
Pension benefits	1,648,814
Administrative expenses	191,216
Total deductions	1,840,030
Change in net assets	9,586,645
Net assets, beginning	54,370,276
Net assets, ending	\$ 63,956,921

See notes to basic financial statements.



NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The City of Palm Beach Gardens, Florida (the "City") was incorporated in 1959, pursuant to House Bill No. 2186, and is located in Northern Palm Beach County, Florida. The City is governed by an elected City Council (the "Council"), which appoints a City Manager. The City provides the following services to its residents: public safety, growth management, sanitation, streets and roads, parks, recreation and a golf course. The Council is responsible for legislative and fiscal control of the City. The City operates under a Council-Manager form of government.

Significant accounting and reporting policies and practices used by the City are described below:

A. Financial Reporting Entity

The financial statements of the City 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 financial statements were prepared in accordance with GASB Codification Section 2100, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of elected officials. The financial reporting entity consists of the City, organizations for which the City is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The City is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. Based upon the application of these criteria, there were no organizations that met the criteria for component units described above.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. The City reported no business-type activities during the current fiscal year.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those expenses that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining nonmajor governmental funds are aggregated and reported as other governmental funds.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial

Note 1. Summary of Significant Accounting Policies (continued)

statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes when levied for, franchise taxes, licenses, charges for services, intergovernmental if eligibility requirements are met, and interest associated with the current fiscal period are all considered to be measurable and so have been recognized as revenues of the current fiscal period if available. All other revenue items are considered to be measurable only when cash is received by the City.

The City reports the following major governmental funds:

The **General Fund** – The general fund is the primary operating fund and is used to account for all financial resources applicable to the general operations of the City except those required to be accounted for in another fund.

The **Recreation Impact Fund** – This capital projects fund accounts for the cost of acquiring, constructing and placing into service improvements using impact fees collected for the purpose of improving recreational facilities within the City.

The **Road Impact Fund** – This capital projects fund accounts for the cost of acquiring, constructing and placing into service improvements using impact fees collected for the purpose of improving roads within the City.

Additionally, the City reports the following fund types:

The **Internal Service Funds** – The City operates two internal service funds to account for fleet management services provided to other departments on a cost reimbursement basis and to account for self-insurance health benefits.

The **Pension Trust Funds** – The City's three defined benefit pension plans are accounted for in individual pension trust funds. The pension trust funds are the General Employees' Pension, the Police Pension and the Fire Pension.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed in both the government-wide and proprietary fund type financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation.

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. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of an internal service

Note 1. Summary of Significant Accounting Policies (continued)

fund are charges to other funds for usage. Operating expenses for the internal service fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Cash and cash equivalents: Cash and cash equivalents are defined as deposits with financial institutions, money market accounts and mutual funds, and highly liquid investments which are readily convertible to known amounts of cash and have a maturity when purchased of three months or less.

For purposes of the statement of cash flows, cash and cash equivalents also include each respective fund's equity in pooled cash and investments. Each fund is able to withdraw cash at any time without prior notice or penalty and there is sufficient liquidity to meet the daily cash needs of each fund.

Investments: Investments are reported at fair value. Money market mutual funds are reported at cost which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price or exchange rates. Quoted market prices are used to value investments. Net appreciation (depreciation) in fair value of investments includes the difference between cost and fair value of investments held as well as the net realized gains and losses for securities which are sold. Interest and dividend income are recognized on the accrual basis when earned. Purchases and sales of investments are recorded on a trade basis.

Interfund receivables and payables: Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

Receivables: Receivables include amounts due for franchise taxes, utility taxes, extra police services and emergency medical services. The City does not require collateral for accounts receivable. Receivables for emergency medical service billings are reported net of an allowance for doubtful accounts, which is determined based on the age of the individual receivable. Generally, the allowance includes accounts over 60 days past due. Accounts receivable are written off on an individual basis in the year the City deems them to be uncollectible.

Inventory: Inventory is valued at the lower of cost or market using the first-in, first-out basis and accounted for using the consumption method whereby inventories are charged against operations in the period when used. Inventory in the special revenue golf fund consists of merchandise held for resale. Inventory in the internal service fund consists of vehicle engine parts and fuel held for consumption. The reserve for inventory in governmental fund types equals the physical inventory to indicate that a portion of fund balance is not available for appropriation.

Prepaid expenditures: Prepaid expenditures consist of certain costs which have been paid prior to the end of the fiscal year, but represent items which are applicable to future accounting periods. Reported amounts in governmental funds are equally offset by a reservation of fund balance to indicate that these amounts are not available for appropriation.

Unearned revenue: Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, unearned revenues consist of local business taxes, impact fees, and charges for recreation programs that were collected by the end of the fiscal year that relate to and will be earned in the subsequent fiscal year.

Capital assets: Capital assets, which include property, plant, equipment and infrastructure (e.g., streets, sidewalks, drainage or similar items) are reported in governmental activities in the government-wide financial statements and proprietary fund financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date of donation. Lease agreements that qualify as capital leases are recorded at the present value of their future minimum lease payments as of the inception date.

Note 1. Summary of Significant Accounting Policies (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, equipment and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings	25
Roadways	3 – 40
Drainage and structures	35 – 75
Machinery and equipment	3 – 7
Improvements other than buildings	15
Land improvements	25

In the governmental fund financial statements, capital assets are reported as expenditures and no depreciation expense is reported.

Compensated absences: It is the City's policy to permit employees to accumulate a limited amount of earned but unused personal leave, which will be paid upon separation of service. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if it has matured, for example, as a result of employee resignation or retirements. Compensated absences for governmental activities typically have been liquidated in the general fund.

On-behalf payments: The City receives on-behalf payments from the State of Florida to be used for Police and Fire-Rescue pension benefits. Such payments are recorded as intergovernmental revenue and public safety expenditures in the GAAP basis government-wide and general fund financial statements, but are not budgeted and therefore are not included in the general fund budgetary comparison schedule. On-behalf payments paid to the City by the State totaled \$1,101,129 for the year ended September 30, 2009. Pursuant to City Ordinance, the Fire Pension deducts 2% of the total compensation for participants from the Chapter 175 taxes received during the fiscal year and allocates this amount as Employee Contributions in lieu of increasing the members' contribution rate.

Long-term obligations: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received and principal payments on debt are reported as debt service expenditures.

Net other postemployment benefit obligations: In fiscal year 2009, the City implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." This pronouncement requires the City to calculate and recognize a net other postemployment benefit obligation at September 30, 2009. The net other postemployment benefit obligation is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since October 1, 2008.

Note 1. Summary of Significant Accounting Policies (continued)

Net assets: Equity in the government-wide statement of net assets is displayed in three categories: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Net assets invested in capital assets net of related debt consist of capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct or improve those assets, excluding unexpended proceeds. Net assets are reported as restricted when there are legal limitations imposed on their use by City legislation or external restrictions by other governments, creditors or grantors. Unrestricted net assets consist of all net assets that do not meet the definition of either of the other two components.

Fund equity: In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of unreserved fund balance in governmental funds indicate the utilization of these resources in the ensuing year's budget or tentative plans for future use. The following is a description of the reserves and designations used by the City:

Reserved for encumbrances – Represents outstanding purchase orders and open contracts at year end which will be re-appropriated in the subsequent year.

Reserved for long-term note – Represents portion of fund balance restricted for note receivable.

Reserved for debt service – Represents portion of fund balance restricted for debt service reserves.

Reserved for prepaid expenditures – Indicates that a portion of fund balance is segregated since these items do not represent "available spendable resources."

Reserved for law enforcement – Represents the portion of fund balances restricted to use in law enforcement activities.

Reserved for inventory – Indicates that a portion of fund balance is segregated since these items do not represent "available spendable resources."

Designated for special projects – Represents funds set aside for future projects.

Designated for subsequent year budget – Represents funds set aside for next year's budget.

Designated for economic development – Represents funds set aside by the City for contributions and loans relating to economic development.

Use of estimates: The preparation of the 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 the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from estimates.

Note 2. Cash and Cash Equivalents and Investments

Cash and Cash Equivalents: Cash and cash equivalents at September 30, 2009, excluding amounts held by Fiduciary Funds, include petty cash of \$3,755 and deposits with financial institutions with a carrying value of \$13,691,945 and a bank balance of \$14,064,708 and money market mutual funds with a carrying value of \$9,540,905. The City also has a certificate of deposit in the amount of \$3,100,000 with a financial institution which is classified as an investment due to the maturity date when purchased. Cash and short term investments of the Fiduciary Funds at September 30, 2009, consist of deposits with financial institutions with a carrying value of \$122,288 and money market mutual funds with a carrying value of \$4,855,037.

Note 2. Cash and Cash Equivalents and Investments (continued)

All deposits with financial institutions were entirely covered by a combination of federal depository insurance and a collateral pool pledged to the State Treasurer of Florida by financial institutions which comply with the requirements of Florida Statutes and have been designated as a qualified public depository by the State Treasurer. Qualified public depositories are required to pledge collateral to the State Treasurer with a fair value equal to a percentage of the average daily balance of all government deposits in excess of any federal deposit insurance. In the event of a default by a qualified public depository, all claims for government deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool. Accordingly, all deposits with financial institutions are considered fully insured. The money market mutual fund deposits are uninsured and uncollateralized.

Investments: Florida Statutes and the City's investment policy authorize the City to invest in obligations and agencies of the U.S. Government; fully collateralized interest bearing time deposits or savings accounts with banks or savings and loan associations; the Local Government Surplus Trust Fund or the Florida Counties Investment Trust Fund; short term corporate obligations; investments in any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided the portfolio of such investment company is limited to Government Obligations and to repurchase agreements fully collateralized by such Government Obligations; and repurchase agreements collateralized by Government Obligations, Government National Mortgage Association, Fannie Mae or Florida Home Loan Mortgage Corporation. The City's Pension Boards have full power and authority to invest and reinvest subject to the general terms, conditions, limitations and restrictions imposed by Part VII, Chapter 112, Florida Statutes, on the investments of public employee retirement systems.

The carrying value (fair value) of investments at September 30, 2009, was as follows:

	Primary Government	Fiduciary Funds
U.S. Government obligations	\$ 6,012,244	\$ 3,022,819
Municipal bonds	-	219,538
Mortgage backed securities	17,149,429	6,195,842
Corporate obligations	-	10,285,857
Equity securities	-	18,662,239
Equity funds	-	12,364,077
International funds	-	5,089,928
Real estate funds	-	756,753
Certificate of deposit	3,100,000	-
Total Investments	\$ 26,261,673	\$ 56,597,053

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

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

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Cash equivalents have a weighted average maturity of ninety days or less,

Note 2. Cash and Cash Equivalents and Investments (continued)

resulting in minimal interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy states that on any given date, at least 40% of the investment portfolio shall mature within one year, not more than 20% of the investment portfolio shall mature beyond five (5) years, and no security may have a maturity (or expected life) of greater than fifteen (15) years. Although the Fiduciary Funds' investment policies do not provide limitations as to maturities, the Funds minimize the risk of fair value losses in fixed income portfolios due to rising interest rates by structuring the investment portfolio so that securities mature to meet ongoing cash requirements, thereby avoiding the need to sell securities on the open market prior to maturity; and by investing operating funds primarily in shorter-term securities or by cash flow projections. The table below summarizes the scheduled maturities of fixed income investments at September 30, 2009:

Investment Types	Fair Value	Investment Maturities			
		Less Than One Year	One to Five Years	Six to Ten Years	More Than Ten Years
Primary Government					
U.S. Government obligations	\$ 6,012,244	\$ 1,996,150	\$ 4,016,094	\$ -	\$ -
Mortgage backed securities	17,149,429	3,994,742	13,154,687	-	-
Certificate of deposit	3,100,000	3,100,000	-	-	-
Total Primary Government	\$ 26,261,673	\$ 9,090,892	\$ 17,170,781	\$ -	\$ -
Fiduciary Funds					
U.S. Government obligations	\$ 3,022,819	\$ 30,788	\$ 1,000,912	\$ 1,108,887	\$ 882,232
Mortgage backed securities	6,195,842	240,090	993,843	820,472	4,141,437
Municipal bonds	219,538	-	-	-	219,538
Corporate obligations	10,285,857	317,970	4,917,842	4,362,297	687,748
Total Fiduciary Funds	\$ 19,724,056	\$ 588,848	\$ 6,912,597	\$ 6,291,656	\$ 5,930,955

Credit Risk: Credit risk is the risk that an issuer will not fulfill its obligations. The City's investment policy minimizes credit risk by limiting investments to the safest types of securities and diversifying the investment portfolio. Investments in short-term corporate obligations are limited to corporations with assets exceeding \$500,000,000, and whose obligations are rated at the time of purchase at one of three highest classifications established by at least two Nationally Recognized Statistical Rating Organizations (NRSRO), which mature not later than 180 days from date of purchase, and do not exceed 10% of the corporation's obligations. In addition to the previously mentioned investments, the Police Pension Plan's investment policy limits corporate obligations to only those holding a rating of one of the three highest classifications by an NRSRO. Neither the Fire Pension nor the General Employee Pension Plans' investment policies limit corporate obligations to those with one of the three highest classifications by an NRSRO. The NRSRO ratings for the City's investments at September 30, 2009, are summarized below. All other securities are not rated.

Investment Type	NRSRO Rating	Fair Value
Municipal bonds	AA	\$ 219,538
Corporate obligations	AAA....A	5,963,735
Corporate obligations	Aaa	337,724
Corporate obligations	Aa1	5,937
Corporate obligations	Aa2	546,386
Corporate obligations	Aa3	167,816
Corporate obligations	A1	593,779
Corporate obligations	A2	1,147,501
Corporate obligations	A3	700,872
Corporate obligations	Baa1	388,528
Corporate obligations	Baa2	262,071
Corporate obligations	Baa3	77,631
Corporate obligations	Not Rated	93,877

Note 2. Cash and Cash Equivalents and Investments (continued)

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investment policy of the City minimizes this risk by prohibiting the purchase or securities subject to custodial credit risk. The City and its pension plans require that all securities be held by a third party custodian in the name of the City. Securities transactions between a broker-dealer and the custodian involving the purchase or sale of securities must be made on a "delivery vs. payment" basis to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

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 City does not have any specific policy for concentration of credit risk, although it does provide for diversification to limit the potential losses on individual securities. The City's pension plans' investment policies limit investments in the stock of any one issuing company to 5% of the Plans' assets and to 5% of the outstanding capital stock of any issuing company. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement. As of September 30, 2009, none of the City's general investments or pension plan investments exceeded 5% of plan net assets.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. While there was no direct exposure to foreign currency risk in the City's investments at September 30, 2009, the City's fiduciary funds do invest in international equity mutual funds that had a fair value of \$5,089,928 at September 30, 2009.

Note 3. Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector, respectively. All property is reassessed according to its fair market value on January 1 of each year and each assessment roll is submitted to the State Department of Revenue for review to determine if the assessment roll meets all of the appropriate requirements of State law. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills.

The tax levy of the City is established by the Council prior to October 1st of each year during the budget process. The Palm Beach County Property Appraiser incorporates the City's millage into the total tax levy, which includes the County, County School Board, and special district tax requirements. The millage rate assessed by the City for the year ended September 30, 2009, was 5.399 (\$5.399 for each \$1,000 of assessed valuation).

Taxes may be paid less a 4% discount in November, or at declining discounts each month through the month of February. All unpaid taxes become delinquent on April 1st following the year in which they are assessed. Delinquent taxes on real property bear interest at 18% per year. On or prior to June 1st following the tax year, certificates are offered for sale for all delinquent taxes on real property.

After sale, tax certificates bear interest at 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County. Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations. At September 30, 2009, unpaid delinquent taxes are not material and have not been recorded by the City.

Note 4. Note Receivable

On August 20, 2009, the City approved Resolution 60, 2009, which authorized an economic development loan to Sancilio and Company, Inc. in the amount of \$350,000, which was executed on August 24, 2009. The promissory note bears interest at 4.5%, and the term is thirty-six (36) months. The note is secured by assets of Sancilio and

Note 4. Note Receivable (continued)

Company, Inc. Monthly interest payments in the amount of \$1,312 are due in the first year. Thereafter, principal and interest payments in the amount of \$3,627 are due monthly. The remaining principal balance, together with accrued interest, in the amount of \$291,981 is due and payable to the City in August 2012. The principal balance of the note was \$350,000 as of September 30, 2009.

Note 5. Capital Assets

Capital assets activity for the year ended September 30, 2009, was as follows:

	Balance October 1, 2008	Additions/ Transfers	Retirements/ Transfers	Balance September 30, 2009
Governmental activities:				
Capital assets not being depreciated:				
Land	\$14,724,235	\$ 128,110	\$ -	\$ 14,852,345
Construction in progress	5,699,479	5,554,494	(7,540,673)	3,713,300
Total capital assets not being depreciated	20,423,714	5,682,604	(7,540,673)	18,565,645
Capital assets being depreciated:				
Buildings	31,838,729	43,583	-	31,882,312
Roadways	59,779,010	5,853,403	-	65,632,413
Drainage and structures	17,479,569	-	-	17,479,569
Machinery and equipment	21,100,099	1,172,633	(1,534,133)	20,738,599
Improvements other than buildings	13,832,407	972,495	(75,956)	14,728,946
Total capital assets being depreciated	144,029,814	8,042,114	(1,610,089)	150,461,839
Less accumulated depreciation:				
Buildings	(10,099,465)	(1,204,659)	-	(11,304,124)
Roadways	(34,692,259)	(1,138,436)	-	(35,830,695)
Drainage and structures	(3,209,240)	(195,390)	-	(3,404,630)
Machinery and equipment	(13,215,554)	(2,278,111)	1,420,970	(14,072,695)
Improvements other than buildings	(5,463,550)	(780,840)	66,494	(6,177,896)
Total accumulated depreciation	(66,680,068)	(5,597,436)	1,487,464	(70,790,040)
Total capital assets being depreciated, net	77,349,746	2,444,678	(122,625)	79,671,799
Governmental activities capital assets, net	\$97,773,460	\$8,127,282	\$(7,663,298)	\$ 98,237,444

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 365,403
Public safety	1,560,327
Culture and recreation	1,688,979
Physical environment	749,158
Transportation	1,233,569
Total depreciation expense – governmental activities	\$ 5,597,436

Note 6. Long-Term Debt

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2009, was as follows:

	Balance October 1, 2008	Additions	Reductions	Balance September 30, 2009	Due Within One Year
Governmental activities:					
Notes payable	\$ 72,881	\$ -	\$ (72,881)	\$ -	\$ -
Capital leases payable	996,465	-	(74,218)	922,247	78,075
Compensated absences	2,975,638	3,605,858	(3,607,016)	2,974,480	173,317
General obligation bonds payable	11,527,046	-	(959,940)	10,567,106	1,000,801
Public improvement and refunding bonds payable	19,720,000	-	(1,485,000)	18,235,000	1,520,000
Add premium on revenue bonds	431,891	-	(37,215)	394,676	-
Less deferred loss on bonds	(1,449,372)	-	130,753	(1,318,619)	-
Public improvement bonds payable	3,082,384	-	(337,156)	2,745,228	349,901
Claims payable	-	576,801	-	576,801	576,801
Net OPEB obligation	-	446,000	(119,000)	327,000	-
Total governmental activities	\$37,356,933	\$ 4,628,659	\$ (6,561,673)	\$ 35,423,919	\$3,698,895

Notes Payable

RBC Centura Note

On August 19, 2004, the City approved, through adoption of Resolution 163, 2004, the issuance of a variable interest rate note of the City in the principal amount of \$364,401 to fund the acquisition of certain fire fighting apparatus. The City had pledged to budget and appropriate this obligation payable from non ad valorem revenue. The outstanding balance was paid off and the offsetting liability removed during the fiscal year.

Capital Leases Payable

The City has entered into various lease agreements as lessee for financing the acquisition of fire rescue vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

Assets acquired through capital leases are as follows:

	Governmental Activities
Assets:	
Machinery and equipment	\$ 1,416,988
Less accumulated depreciation	(673,032)
Total	\$ 743,956

Note 6. Long-Term Debt (continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2009 were as follows:

Year Ending September 30,	Governmental Activities
2010	\$ 125,792
2011	125,792
2012	125,792
2013	299,028
2014	73,749
2015-2018	405,645
Total minimum lease payments	<u>1,155,798</u>
Less amount representing interest	<u>(233,551)</u>
Present value of minimum lease payments	<u><u>\$ 922,247</u></u>

Bonds Payable	Outstanding Balance
<u>General Obligation Bonds</u>	
The City's voters authorized by special referendum on September 3, 1996, the issuance of bonds, not to exceed \$19.1 million, for payment of the cost of demolition of the old City Hall and Police Station; acquisition, construction and furnishing of the new City Hall, new Police Station, and an addition to the central Fire Station; and improvements to certain recreational facilities. The bonds are general obligations of the City, payable from ad valorem taxes to be levied upon all taxable property in the City, in addition to all other taxes, without limitation as to rate or amount. The bonds were issued in series.	
<u>Series 1998</u>	
The City issued \$4,400,000 General Obligation Bonds, Series 1998 on July 1, 1998. Interest on the bonds is 4.50% and is payable semi-annually on January 1 and July 1, commencing on January 1, 1999. Principal payments will be due July 1 each year beginning July 1, 1999 through July 1, 2018. Debt service payments will be made from the general fund.	\$ 2,465,000
<u>Series 1999</u>	
The City issued \$3,700,000 General Obligation Bonds, Series 1999 on July 1, 1999. Interest on the bonds is 4.85% and is payable semi-annually on January 1 and July 1 commencing on January 1, 2000. Principal payments will be due July 1 each year beginning July 1, 2000 through July 1, 2019. Debt service payments will be made from the general fund.	\$ 2,260,000
<u>Series 2000</u>	
The City issued \$1,200,000 General Obligation Bonds, Series 2000 on July 28, 2000. Interest on the bonds is 5.23% and is payable semi-annually on January 1 and July 1 commencing on January 2, 2001. Principal payments will be due July 1 each year beginning July 1, 2001 through July 1, 2015. Debt service payments will be made from the general fund.	\$ 591,119
<u>Series 2005</u>	
The City approved issued \$6,901,176 General Obligation Refunding Bonds, Series 2005 on May 20, 2005, to retire the General Obligation Bonds that were issued in 1996 and 1997. Interest on the bonds is 3.32% and is payable semi-annually on June 1 and December 1. Principal is payable in annual installments of \$218,298 to \$334,319, with the final payment due December 1, 2017. Debt service payments will be made from the general fund.	\$ 5,250,987
Total general obligation bonds	\$ 10,567,106

Note 6. Long-Term Debt (continued)

Public Improvement Bonds

On November 6, 2003, the City Council approved, through adoption of Resolution 174, 2003, the issuance of Public Improvement Bonds in one or more series for the purpose of financing the costs of acquiring, constructing and installing capital and non-capital projects and refunding prior obligations issued by the City. The bonds are payable from non ad valorem revenues.

Series 2003

On November 6, 2003, the City approved through adoption of Resolution 175, 2003, the issuance of Public Improvement and Refunding Bonds, Series 2003 in the amount of \$27,220,000 for the purpose of refunding certain prior obligations of the City. Interest at rates ranging from 2.00% to 5.00% is payable semi-annually on May 1 and November 1. Principal is payable in annual installments of \$1,020,000 to \$3,460,000, with the final payment due May 1, 2021. Debt service payments will be made from the general fund.

\$ 18,235,000

Series 2005

On December 15, 2005, the City approved, through adoption of Resolution 170, 2005, the issuance of Public Improvement Bond, Series 2005, in the amount of \$1,155,200 for the purpose of financing the cost of improvements to the City's Golf Course. Interest at the rate of 3.78% is payable semi-annually on June 1 and December 1. Principal is payable in annual installments of \$98,809 to \$135,533, with the final payment due December 1, 2015. Debt service payments will be made from the general fund.

\$ 851,134

Series 2006

On April 6, 2006, the City approved, through adoption of Resolution 37, 2006, the issuance of Public Improvement Bond, Series 2006, in the amount of \$2,600,000 for the purpose of financing the cost of improvements to the City's Parks and Public Safety Facilities. Interest at the rate of 3.78% is payable semi-annually on June 1 and December 1. Principal is payable in annual installments of \$224,151 to \$301,613, with the final payment due December 1, 2015. Debt service payments will be made from the general fund.

\$ 1,894,094

Total public improvement bonds

\$ 20,980,228

Annual debt service payments to maturity for all bonds are as follows:

Year Ending September 30	General Obligation Bonds		Public Improvement Bonds		Total All Bonds		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2010	\$ 1,000,801	\$ 416,193	\$ 1,869,901	\$ 840,064	\$ 2,870,702	\$1,256,257	\$ 4,126,959
2011	1,042,429	375,569	1,923,126	784,788	2,965,555	1,160,357	4,125,912
2012	1,079,868	333,192	1,981,853	724,002	3,061,721	1,057,194	4,118,915
2013	1,128,153	289,273	2,051,097	657,325	3,179,250	946,598	4,125,848
2014	1,177,316	243,309	1,760,881	585,823	2,938,197	829,132	3,767,329
2015-2019	5,138,539	497,906	8,603,370	1,814,534	13,741,909	2,312,440	16,054,349
2020-2023	-	-	2,790,000	223,688	2,790,000	223,688	3,013,688
	\$10,567,106	\$2,155,442	\$ 20,980,228	\$5,630,224	\$31,547,334	\$7,785,666	\$39,333,000

In-Substance Defeasance – Prior Years

In 2003, the City defeased a bond issue (Florida Intergovernmental Finance Commission Capital Revenue Bonds, 2001 Series B) by creating a separate irrevocable trust fund. New debt was issued and the proceeds of the new debt were used to purchase U.S. government securities that were placed in an irrevocable trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore

Note 6. Long-Term Debt (continued)

removed as a liability from the City's government-wide financial statements. As of September 30, 2009, the amount of defeased debt outstanding, but removed from the City's government-wide financial statements is \$14,140,000.

Note 7. Interfund Transfers

The following is a summary of transfers by fund type for the year ended September 30, 2009:

Transfer Out	Transfer In		
	General Fund	Nonmajor Governmental	Total
General fund	\$ -	\$ 2,625,943	\$ 2,625,943
Road impact fees	-	702,373	702,373
Non-major governmental funds	310,000	600,000	910,000
Internal service fund	52,762	-	52,762
	<u>\$ 362,762</u>	<u>\$ 3,928,316</u>	<u>\$ 4,291,078</u>

Transfers were made to move unrestricted general fund revenues to finance various programs that the government must account for in other funds for capital or construction programs in accordance with budgetary authorizations. A non-routine transfer of \$2,000,000 made from the general fund to the police impact fund to partially fund the construction of an Emergency Operations and Communications Center. Other transfers to the nonmajor governmental funds were made to subsidize operations and for scheduled debt service payments. Transfers were made from the fleet maintenance internal service fund to the general fund for administrative overhead costs.

Note 8. Pension Plans

Florida Retirement System – Defined Benefit Plan

In October 2006, the City approved, through the adoption of Resolution 84, 2006, the participation in the Florida Retirement System ("FRS") for general employees, including elected officials and senior management. Employees participating in another City retirement plan that were hired prior to October 1, 2006, had the right to elect to continue participating in the City plan or discontinue participation in the City plan and join the FRS. Employees that elected to join the FRS were eligible for past service credit, at the City's expense, for the period of the participation in the City retirement plan, up to 9.75 years. Additional past service credit could be purchased at the employee's expense. Employees are vested in FRS after six years of service.

The FRS is a cost-sharing, multiple employer defined benefit pension plan. Plan members are not required to contribute to the plan. FRS was created by the Florida Legislature and is administered by the State of Florida, Department of Management Services, Division of Retirement. FRS provides retirement, disability or death benefits for retirees or their designated beneficiaries. All retirement legislation must comply with Article X, Section 14 of the State Constitution and Part VII, Chapter 112 Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis.

FRS issues a publicly available financial report that includes statements of financial condition, investment objectives and policy, an actuarial report, historical and statistical information on active members, annuitants, and benefit payments, as well as a description of the retirement plans. The report may be obtained by writing to the Division of Retirement, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399-1560.

Note 8. Pension Plans (continued)

As of September 30, 2009, the City's required annual contribution is 9.85% of the covered salary for general employees, 13.12% for senior management, and 16.53% for elected officials. The City's contributions to FRS for the years ended September 30, 2009, 2008, and 2007 were \$1,288,364, \$1,276,293, and \$1,175,309, respectively, equal to 100% of the required contributions for each year.

City Sponsored – Defined Benefit Plans

Plan Descriptions:

The City is the sponsor of three single employer defined benefit plans: City of Palm Beach Gardens Police Officers' Pension Fund (the "Police Pension") covering police officers, City of Palm Beach Gardens Retirement Plan for Firefighters (the "Fire Pension") covering Firefighters and City of Palm Beach Gardens Retirement Plan for General Employees (the "General Employees' Pension"). The defined benefit plan for general employees was closed to new employees hired after May 1, 1995. All three plans are reported as pension trust funds. The City Council is authorized to establish benefit levels and to approve the actuarial assumptions used in the determination of contribution levels.

At the election of the Pension Boards, separate audited financial statements are produced for the Police Pension and the Fire Pension. The General Employees Pension does not issue separate statements. The stand-alone statements for the Police Pension and the Fire Pension can be obtained from the respective pension boards.

Each pension plan has its own board that acts as plan administrator and trustee. Each plan's assets may only be used for the payment of benefits to the members and beneficiaries of the plan in accordance with the terms of each plan document. The costs of administering each plan are financed in the appropriate pension trust fund.

The Florida Constitution requires local governments to make the actuarially determined contribution. The Florida Division of Retirement reviews and approves each local government's actuarial report for funding purposes. Additionally, the State collects two locally authorized insurance premium surcharges (one for the Police Pension Plan on casualty insurance policies and one for the Fire Pension Plan on certain real and personal property insurance policies within the corporate limits) which can only be distributed after the State has ascertained that the local government has met their actuarial funding requirement for the then most recently completed fiscal year.

Basis of Accounting:

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

Investments:

Investments are reported at fair value and are managed by third party money managers. The Plans' independent custodians and individual money managers price each instrument using various third party pricing sources. The benefits and refunds of the defined benefit pension plans are recognized when due and payable in accordance with the terms of the plan.

Actuarial Assumptions:

The following schedule is derived from the respective actuarial reports and City information for the three pension plans as part of the actuarial valuation pertaining to the year ended September 30, 2009:

Note 8. Pension Plans (continued)

	General Employees'	Police	Fire
Asset Valuation:			
Reporting	Fair value	Fair value	Fair value
Actuarial Valuation	4-year smoothed	(1)	4-year smoothed
Legal Reserves	None	None	None
Long-Term Receivable	None	None	None
Internal/Participant Loans	None	None	None
Membership and Plan Provisions:			
Members:			
Active Participants	2	107	121
Retirees and Beneficiaries	13	27	6
Terminated Vested	3	1	1
Normal Retirement Benefits:			
Retirement Age	62	52	52
Years of Service (minimum)	None	10	10
Accrual	2.50%	3.50%	3.00%
Maximum	None	100.00%	99.00%
Years to Vest	10	10	10
Contributions:			
Actuarial Rate:			
City	32.90%	35.78%	31.18%
State	N/A	4.41%	N/A
Participants	6.00%	8.60%	6.00%
Actuarial Methods:			
Valuation Date	10/1/07	10/1/07	9/30/07
Asset Valuation Method	4-year smoothed	(1)	4-year smoothed market
Actuarial Cost Method	Entry age Normal	Entry age Normal	Projected Unit Credit
Amortization Method	Level dollar	Level percent of pay, closed	Level percent of pay, closed
Amortization Period	30 years	30 years	27 years
Significant Actuarial Assumptions:			
Investment return	8.00%	7.50%	8.25%
Projected salary increases	6.50%	7.50%	4.50%
Inflation	3.00%	3.00%	4.50%
Cost of living adjustments	0.00%	N/A	1%-3%

(1) Effective October 1, 2006, the asset valuation method was changed from the five year smoothed method to a method that recognizes 20% of the difference between market value of assets and expected actuarial asset value.

Note 8. Pension Plans (continued)

Annual Pension Cost and Net Pension Asset

The City's annual pension cost and net pension asset for the Police Pension for the current year was as follows:

Annual Required Contributions (ARC)	\$ 3,762,323
Interest on net pension asset	(17,537)
Adjustment to annual required contribution	28,407
Annual Pension Cost (APC)	<u>3,773,193</u>
Contributions made	<u>3,762,323</u>
Increase in net pension asset	(10,870)
Net pension asset, beginning of year	<u>233,826</u>
Net pension asset, end of year	<u><u>\$ 222,956</u></u>

Three Year Trend Information:

The City's annual required contribution and actual contributions for each plan for the last three fiscal years ended September 30, is shown below. The 2009 required contributions were determined as part of the actuarial valuation pertaining to year ended September 30, 2009, for each plan:

	Three Year Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Obligation) Asset
General Employees' Pension:			
2007	\$ 90,703	100.0%	\$ -
2008	91,488	100.0%	-
2009	60,503	100.0%	-
Police Pension:			
2007	3,192,312	99.5%	244,509
2008	3,567,231	99.7%	233,826
2009	3,773,193	99.7%	222,956
Fire Pension:			
2007	2,247,828	100.0%	-
2008	3,055,991	100.0%	-
2009	3,180,731	100.0%	-

Funded Status:

The schedule of funding progress presents information about the actuarial value of plan assets relative to the actuarial accrued liability for the year ended September 30, 2009.

Note 8. Pension Plans (continued)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
General Employees' Pension						
10/1/2007	\$ 2,761,142	\$ 3,242,068	\$ 480,926	85.17%	130,793	367.70%
Police Pension						
10/1/2007	27,799,386	52,230,511	24,431,125	53.22%	8,915,563	274.03%
Fire Pension						
10/1/2007	18,247,947	33,826,082	15,578,135	53.95%	9,549,000	163.14%

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

The General Employees Pension does not issue separate stand-alone financial statements, therefore, included below is the financial information for the Plan as of and for the year ended September 30, 2009:

General Employees Pension Trust Fund

Assets:	
Cash and cash equivalents	\$ 65,940
Investments	2,002,526
Receivables	22,789
Total assets	<u>2,091,255</u>
Liabilities:	
Accounts payable	6,536
Net assets held in trust for pension benefits	<u>\$ 2,084,719</u>
Additions:	
Contributions:	
Employer	\$ 60,503
Employees	8,970
Total contributions	<u>69,473</u>
Investment earnings (loss):	
Net decrease in the fair value of investments	(139,486)
Interest and dividends	56,266
Less investment expenses	(10,659)
Net investment loss	(93,879)
Total additions	<u>(24,406)</u>
Deductions:	
Pension benefits	296,477
Administrative expenses	16,809
Total deductions	<u>313,286</u>
Change in net assets	(337,692)
Net assets, beginning	2,422,411
Net assets, ending	<u>\$ 2,084,719</u>

Note 8. Pension Plans (continued)

Defined Contribution Plan

The City of Palm Beach Gardens Money Purchase Plan (the "General Plan") and the City of Palm Beach Gardens Executive Plan (the "Executive Plan") are defined contribution pension plans established by the City and administered by ICMA Retirement Corporation to provide benefits at retirement to the employees of the City. The General Plan was closed to new employees hired on or after October 1, 2006.

Employees of the City that were hired prior to October 1, 2006, and elected not to join the FRS are eligible to participate in the General Plan. The City contributes to the General Plan an amount equal to the FRS contribution rate (9.85% general employee and 13.12% senior management) of the employee's base salary each month. Employees also contribute an amount equal to 4% of their base salary in the General Plan. The City's contributions for each employee (and interest allocated to the employees' accounts) are fully vested after one year of continuous service. Plan revisions and contribution requirements are established and may be amended by the City Council.

The City Manager is the only employee eligible to participate in the Executive Plan. The City contributes 15% to the Executive Plan. As part of the employment agreement with the City Manager, the City contributes 3% of the base salary to the Executive Plan, in addition to the 15%.

The City's contributions were calculated using the base salary amount of \$1,802,483 for the General Plan and \$193,704 for the Executive Plan. The City made its required contributions of \$189,192 for the General Plan and \$34,866 for the Executive Plan and employees made their required contributions of \$71,994 to the General Plan.

Deferred Compensation Plan

The City offers its employees deferred compensation plans created in accordance with Internal Revenue Service Code Section 457. This plan, available to all City employees, permits them to defer the payment of a portion of their salary until future years. Participation in this plan is voluntary and the City makes no contributions to these plans on behalf of the employee. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency. All amounts of compensation deferred, including the investments and earnings thereon, vest with the employee and are not subject to the claims of the City's general creditors.

Note 9. Other Postemployment Benefits

The cost of postemployment healthcare benefits generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The City recognizes the cost of postemployment healthcare benefits in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows.

Plan Description

The City provides certain healthcare benefits to active and retired employees and their dependents. The health plan is a single employer plan administered by the City. The benefits, levels of benefit, employee contributions, and employer contributions are governed by the City and can be amended by the City through management recommendations to, and approval by, City Council as part of the annual budget adoption process. The plan is not reported as a trust fund nor has an irrevocable trust or equivalent arrangement been established to account for the plan. As a result, the plan does not issue a separate financial report. The activity of the plan is reported in the City's Self Insurance fund, an internal service fund.

Benefits Provided

Retired City employees can continue the same medical coverage they had as active employees. The City provides postemployment health care benefits to its retired employees and their dependents. To be eligible for benefits, an employee must reach retirement eligibility in their respective pension plan.

All health care benefits are provided through the City's self-insured health plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, and substance abuse care; dental care; and prescriptions. Upon a retired employee reaching 65 years of age, Medicare becomes the primary insurer and the City's plan will not pay benefits already paid by Medicare.

Note 9. Other Postemployment Benefits (continued)

Membership

As of September 30, 2009, membership consisted of:

Membership	
September 30, 2009	
Active Employees	445
Retirees	14
Total	459

Funding Policy

The City establishes the individual premium to be paid by the retired employees. The State of Florida prohibits the City from separately rating retired employees and active employees. As a result, the City's premium charges to retired employees can be no more than the premium cost applicable to active employees. Generally accepted accounting principles, however, require that the actuarial information presented below be calculated using age adjusted premiums approximating claims costs for retirees separate from the active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. For the year ended September 30, 2009, retired employees contributed \$111,022 to the plan. For those employees, through its Self Insurance Fund, the City paid \$159,155 in claims and administrative costs resulting in a net contribution of \$(48,133). Active employees do not contribute 100% of the premium cost to the plan until retirement.

Annual OPEB Cost and Annual OPEB Obligation

The City's actuarial valuation was performed for the plan as of October 1, 2008 and determined the employer's annual required contribution (ARC) for the year ended September 30, 2009. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, benefit payments made, and the changes in the net OPEB obligation.

Annual Required Contribution (ARC)	\$ 446,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>446,000</u>
Benefit payments made	<u>(119,000)</u>
Increase in net OPEB obligation	327,000
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>\$ 327,000</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Benefit Payments	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2009	\$ 446,000	\$ 119,000	26.68%	\$ 327,000

Note 9. Other Postemployment Benefits (continued)

Funded Status

The funded status of the plan as October 1, 2008, the most recent actuarial valuation date, was as follows:

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2008	\$ -	\$ 3,590,000	\$ 3,590,000	0.00%	\$ 29,531,001	12.16%

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.

The City has not established an irrevocable trust fund or equivalent arrangement to accumulate assets to cover the unfunded actuarial accrued liability, but instead has elected to account for the OPEB liability on a pay as you go basis.

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 projections do not explicitly incorporate the potential effects of legal or contractual funding limitations. 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.

In the October 1, 2008 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included 4 percent investment rate of return (net of administrative expenses), a discount rate of 4%, an annual healthcare cost trend rate of 10.5 percent decreasing 1 percent each year until it reaches an ultimate rate of 6.5 percent and salary scale growth of 4 percent. Life expectancies were based upon data found in the RP-2000 mortality and disability tables. The actuarial value of assets was not determined as the City has not advanced funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at September 30, 2009 was thirty years.

Note 10. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Note 10. Contingent Liabilities (continued)

The City is a defendant in various claims and legal actions occurring in the course of operations. While the ultimate outcome of the litigation cannot be determined at this time, management believes that any amounts not covered by insurance, if any, resulting from these lawsuits would not materially affect the financial position of the City.

Note 11. Commitments

Commitments on major construction contracts consist of the following:

Project	Total Project Authorization	Expended at September 30, 2009	Contracts and Retainage Payable	Balance to Complete
Bridge Refurbishment Project	\$ 598,000	\$ 35,100	\$ -	\$ 562,900
PGA Park Improvements	2,509,260	1,271,331	-	1,237,929
Emergency Operations Center	3,574,037	128,713	-	3,445,324
Municipal Complex Civic Enhancement	818,000	317,314	-	500,686
	<u>\$ 7,499,297</u>	<u>\$ 1,752,458</u>	<u>\$ -</u>	<u>\$ 5,746,839</u>

Solid Waste, Recycling, and Vegetative Waste Collection Services

On February 17, 2006, the City entered into an agreement with Waste Management, Inc. of Florida granting an exclusive solid waste, recycling and vegetative waste collection services franchise. The term of the contract is seven years from April 1, 2006 to March 30, 2012. The cost of the contract totaled \$2,536,721 for the year ended September 30, 2009.

Note 12. Jointly Governed Organization

The City, through an interlocal agreement with certain other municipalities and Palm Beach County, created the Seacoast Utility Authority ("Seacoast") which provides water and sewer service to the citizens of each of the participating municipalities and a portion of Palm Beach County. Seacoast's governing board is comprised of one member from each participating entity. Seacoast is an independent authority organized under the laws of the State of Florida and the City has no participating equity ownership in Seacoast. The City paid \$105,890 to Seacoast during the fiscal year for water and sewer service.

Note 13. Risk Management and Health Insurance

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omission; and natural disasters for which the City carries commercial insurance. Specifically, the City purchases commercial insurance for property, liability, and workers' compensation. The City is also covered by Florida Statutes under the Doctrine of Sovereign Immunity which effectively limits the amount of liability of municipalities to individual claims of \$100,000/\$200,000 for all claims relating to the same accident. There have been no significant reductions in insurance coverage from the prior year. In addition, there have been no settlements in excess of insurance coverage for the past three fiscal years.

Self-Insurance Fund

During the current fiscal year, the City established the Self Insurance Fund (internal service fund) to account for medical insurance claims of City employees and their covered dependents. Under this program, the fund provides the employee with a lifetime maximum benefit of \$5,000,000. A maximum deductible of \$150,000 for

Note 13. Risk Management and Health Insurance (continued)

specific claims has been set. Commercial insurance for specific loss claims in excess of the coverage provided by the fund is supplied by Symetra Life Insurance Company. The City has contracted with Blue Cross/Blue Shield to perform certain administrative functions, such as monitoring, reviewing and paying claims. Settled claims have not exceeded the excess insurance limits during the fiscal year.

All City departments participate in the program and make payments to the self insurance fund based upon actuarial estimates of the amounts needed to pay prior and current year claims, claims reserves, and administrative costs.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors.

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether the expenses are allocated to specific claims. Changes in the balance of claims liability during fiscal year 2009 was as follows:

	<u>2009</u>
Claims payable, beginning of fiscal year	\$ -
Claims and changes in estimates	5,258,022
Claim payments	<u>3,832,991</u>
Claims payable, end of fiscal year	<u>\$ 1,425,031</u>

Note 14. Investment in Joint Venture

The City entered into an interlocal agreement with two other municipalities in Palm Beach County to purchase and operate a county-wide public safety communications system. The interlocal agreement established the Municipal Public Safety Communications Consortium of Palm Beach County (“MPSCC”) whose purpose is to provide its members with expanded radio communications services (via the 800MHz trunked radio system) to aid in public safety over a larger geographical region. The MPSCC is a cost sharing organization. Its annual budget is prepared by the Executive Director and approved by the Board of Directors. The member municipalities of the MPSCC are obligated for the debt incurred by the consortium and each municipality is responsible for their respective portion of costs incurred by the MPSCC. The City’s initial investment in this joint venture was \$676,200, which represents 13.8% of the total consortium investment. During the current fiscal year, the City had expenditures of \$144,726 relating to the consortium. The City’s investment in the Joint Venture is \$944,665 as of September 30, 2009. Separate financial statements for the MPSCC may be obtained from, Palm Beach Gardens Police Commander, Attention: Ernie Carr, 10500 Military Trail, Palm Beach Gardens, Florida 33410.

Note 15. Pronouncements Issued, But Not Yet Adopted

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* issued July 2007, is effective for the City beginning with its fiscal year ending September 30, 2010. This Statement provides guidance regarding how to identify, account for, and report intangible assets, including easements, trademarks, and computer software.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instrument* issued June 2008, is effective for the City beginning with its fiscal year ending September 30, 2010. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

Note 15. Pronouncements Issued, But Not Yet Adopted (continued)

Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* issued March 2009, is effective for the City beginning with its fiscal year ending September 30, 2011. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The City's management has not yet determined the effect these Statements will have on the City's financial statements.



REQUIRED SUPPLEMENTARY INFORMATION

City of Palm Beach Gardens, Florida
Required Supplementary Information
Budgetary Comparison Schedule (Unaudited)
General Fund
Year Ended September 30, 2009

	Original Adopted Budget	Legally Adopted Budget Amendments	Final Revised Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:					
Taxes:					
Ad valorem taxes	\$ 49,849,809	\$ -	\$ 49,849,809	\$50,314,207	\$ 464,398
Local business taxes	1,598,373	-	1,598,373	1,540,700	(57,673)
Utility taxes	938,737	-	938,737	1,278,766	340,029
Franchise fees	6,079,603	-	6,079,603	5,702,964	(376,639)
Licenses and permits	2,336,359	-	2,336,359	2,020,336	(316,023)
Intergovernmental	4,469,499	-	4,469,499	4,525,422	55,923
Charges for services	2,103,009	-	2,103,009	1,936,315	(166,694)
Fines and forfeitures	230,650	-	230,650	424,257	193,607
Investment income	1,255,504	-	1,255,504	1,285,619	30,115
Miscellaneous	472,393	25,000	497,393	817,773	320,380
Total revenues	69,333,936	25,000	69,358,936	69,846,359	487,423
Expenditures:					
General Government:					
City Council	332,852	-	332,852	290,166	42,686
Administration	554,337	-	554,337	542,862	11,475
Information Technology	1,220,628	7,500	1,228,128	1,116,127	112,001
City Clerk	563,232	-	563,232	569,894	(6,662)
Legal Services	556,504	100,866	657,370	457,514	199,856
Public Relations	146,086	-	146,086	109,683	36,403
Engineering services	399,335	-	399,335	164,258	235,077
Human Resources	762,524	-	762,524	738,906	23,618
Finance	879,980	79,123	959,103	984,974	(25,871)
General Services	5,889,971	(80,168)	5,809,803	5,546,187	263,616
Growth Management:					
Administration	454,441	12,750	467,191	359,579	107,612
Development compliance	235,124	(250)	234,874	254,505	(19,631)
Planning	882,466	-	882,466	771,532	110,934
Code Enforcement	737,901	-	737,901	677,694	60,207
GIS	154,802	-	154,802	148,107	6,695
Construction Services - Building	2,135,136	-	2,135,136	1,860,025	275,111
Total general government	15,905,319	119,821	16,025,140	14,592,013	1,433,127
Public safety:					
Police	19,975,190	195,334	20,170,524	20,137,167	33,357
Fire and Emergency Services	16,927,501	1,542	16,929,043	17,407,420	(478,377)
Total public safety	36,902,691	196,876	37,099,567	37,544,587	(445,020)

Continued on next page.

City of Palm Beach Gardens, Florida
Required Supplementary Information
Budgetary Comparison Schedule (Unaudited) (Continued)
General Fund
Year Ended September 30, 2009

	Original Adopted Budget	Legally Adopted Budget Amendments	Final Revised Budget	Actual	Variance With Final Budget Positive (Negative)
Culture and Recreation:					
Administrative Services	\$ 478,201	\$ -	\$ 478,201	\$ 427,149	\$ 51,052
Athletics	231,626	-	231,626	202,787	28,839
Seniors and Wellness	42,273	-	42,273	38,777	3,496
Aquatics	413,579	-	413,579	405,983	7,596
Tennis	120,603	-	120,603	122,940	(2,337)
Programs	295,995	-	295,995	299,878	(3,883)
Special and Cultural	198,306	-	198,306	186,654	11,652
Parks	1,983,033	7,500	1,990,533	1,901,078	89,455
Total cultural and recreation	3,763,616	7,500	3,771,116	3,585,246	185,870
Physical Environment:					
Administrative Services	984,361	35,483	1,019,844	869,952	149,892
Facilities Maintenance	1,737,752	17,332	1,755,084	1,683,447	71,637
Stormwater Maintenance	1,057,715	(33,345)	1,024,370	814,352	210,018
Street Maintenance	712,960	20,000	732,960	702,776	30,184
Grounds and Facilities	1,295,941	-	1,295,941	1,305,226	(9,285)
Total physical environment	5,788,729	39,470	5,828,199	5,375,753	452,446
Capital outlay	534,500	1,819,034	2,353,534	1,104,914	1,248,620
Debt Service:					
Principal	2,260,097	(28,764)	2,231,333	2,231,314	19
Interest	1,033,857	(3,068)	1,030,789	1,034,886	(4,097)
Total debt service	3,293,954	(31,832)	3,262,122	3,266,200	(4,078)
Total expenditures	66,188,809	2,150,869	68,339,678	65,468,713	2,870,965
Excess (deficiency) of revenues over (under) expenditures	3,145,127	(2,125,869)	1,019,258	4,377,646	3,358,388
Other financing sources (uses):					
Transfers in	102,762	-	102,762	362,762	260,000
Transfers out	(2,625,000)	-	(2,625,000)	(2,625,943)	(943)
Sale of capital assets	-	-	-	7,278	7,278
Total other financing sources (uses)	(2,522,238)	-	(2,522,238)	(2,255,903)	266,335
Net change in fund balances	622,889	(2,125,869)	(1,502,980)	2,121,743	3,624,723
Fund balance, beginning	18,825,058	6,303,296	25,128,354	25,128,354	-
Fund balance, ending	\$ 19,447,947	\$ 4,177,427	\$ 23,625,374	\$ 27,250,097	\$ 3,624,723

See notes to required supplementary information.

**City of Palm Beach Gardens, Florida
Required Supplementary Information
Schedule of Funding Progress (Unaudited)
Year Ended September 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
General Employees' Pension						
10/1/2002	\$ 2,651,613	\$ 2,651,613	\$ -	100.00%	\$ 391,059	0.00%
10/1/2003	2,607,935	2,607,935	-	100.00%	364,394	0.00%
10/1/2004 ⁽¹⁾	2,585,580	3,115,591	530,011	82.99%	241,400	219.56%
10/1/2005	2,590,706	3,213,215	622,509	80.63%	258,902	240.44%
10/1/2006	2,665,022	3,282,189	617,167	81.20%	273,962	225.27%
10/1/2007	2,761,142	3,242,068	480,926	85.17%	130,793	367.70%
Police Pension						
10/1/2002	\$ 12,303,486	\$ 19,140,962	\$ 6,837,476	64.28%	\$ 5,572,514	122.70%
10/1/2003	14,231,515	22,196,413	7,964,898	64.12%	5,989,146	132.99%
10/1/2004	16,405,794	24,962,551	8,556,757	65.72%	6,755,078	126.67%
10/1/2005	18,950,104	35,004,203	16,054,099	54.14%	7,332,448	218.95%
10/1/2006	22,740,838	46,503,218	23,762,380	48.90%	8,322,332	285.53%
10/1/2007	27,799,386	52,230,511	24,431,125	53.22%	8,915,563	274.03%
Fire Pension						
9/30/2002	\$ 5,753,548	\$ 12,576,613	\$ 6,823,065	45.75%	\$ 4,839,568	140.99%
9/30/2003	7,183,143	17,441,151	10,258,008	41.19%	6,541,837	156.81%
9/30/2004	8,146,028	21,254,309	13,108,281	38.33%	7,567,887	173.21%
9/30/2005	10,791,299	28,083,380	17,292,081	38.43%	8,774,107	197.08%
9/30/2006 ⁽²⁾	13,973,768	29,845,862	15,872,094	46.82%	9,205,470	172.42%
9/30/2007	18,247,947	33,826,082	15,578,135	53.95%	9,549,000	163.14%

⁽¹⁾ Effective October 1, 2004, the General Employees Pension plan changed its actuarial method from the Aggregate Actuarial Cost Method to the entry Age Normal Actuarial Cost Method.

⁽²⁾ Effective October 1, 2006, the Fire Pension plan changed its actuarial method from the Frozen Entry Age Cost Method to the Projected Unit Credit Cost Method.

See notes to required supplementary information.

City of Palm Beach Gardens, Florida
Required Supplementary Information
Schedule of Employer Contributions (Unaudited)
Year Ended September 30, 2009

Year Ended September 30,	Annual Required Contribution	City Contribution	Percentage Contributed
General Employees' Pension			
2004	\$ 67,027	\$ 67,027	100.00%
2005	102,863	102,863	100.00%
2006	79,392	79,392	100.00%
2007	90,703	90,703	100.00%
2008	91,488	91,488	100.00%
2009	60,503	60,503	100.00%
Police Pension			
2004	\$ 1,475,340	\$ 1,475,340	100.00%
2005	1,704,041	1,704,041	100.00%
2006	1,931,054	2,107,880	109.16%
2007	3,176,791	3,176,791	100.00%
2008	3,556,548	3,556,548	100.00%
2009	3,762,323	3,762,323	100.00%
Fire Pension			
2004	\$ 739,310	\$ 739,310	100.00%
2005	1,188,002	1,188,002	100.00%
2006	1,542,934	1,542,934	100.00%
2007	2,247,828	2,247,828	100.00%
2008	3,055,991	3,055,991	100.00%
2009	3,180,731	3,180,731	100.00%

See notes to required supplementary information.

City of Palm Beach Gardens, Florida
Schedule of OPEB Funding Progress (Unaudited)
Required Supplementary Information
Year Ended September 30, 2009

Actuarial Valuation Date	Actuarial Value of of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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General Employees' Pension

10/1/2008	\$ -	\$ 3,590,000	\$ 3,590,000	0.00%	\$ 29,531,001	12.16%
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Note: Data not available prior to fiscal year 2009 implementation of Governmental Accounting Standard Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

See notes to required supplementary information.

City of Palm Beach Gardens, Florida
Notes to Required Supplementary Information
September 30, 2009

Note 1. Budgetary Information

State of Florida statutes require that all municipal governments establish budgetary systems and approve annual operating budgets. The Council annually adopts an operating budget and appropriates funds for the general fund, special revenue funds (except the extra duty police fund), capital projects funds and the proprietary fund. The procedures for establishing budgetary data are as follows:

Prior to the first Council meeting in August of each year, the City Manager submits a proposed operating budget to the Council for the next fiscal year commencing the following October 1. The proposed budget includes expenditures and the means of financing them.

The Council holds public meetings to obtain taxpayer comments.

Upon completion of the public hearings, a final operating budget is legally enacted through the passage of an ordinance before September 30th. Estimated fund balances are considered in the budgetary process.

A City ordinance establishes the legal level of budgetary control at the fund level. Any increase in the total amount appropriated for all funds must be approved by ordinance of the Council. Any transfer between funds must be approved by the City Manager and by ordinance of the City Council. Transfers from the Council contingency account must be approved by the City Council. Any other budget transfer within the same fund must be approved by the City Manager.

The adopted budgets are prepared in accordance with generally accepted accounting principles. The Council also adopts non-appropriated operating budgets for the proprietary funds substantially on a basis consistent with generally accepted accounting principles, except that depreciation is not budgeted and capital outlay purchases are presented as expenses. The reported budgetary data represents the final appropriated budgets after amendments adopted by the Council.

Encumbrances

Encumbrance accounting, in which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is utilized by the City during the year. Because appropriations expire at year end, even if encumbered, it is the City's policy to re-appropriate such amounts at the beginning of the next fiscal year. Encumbrances outstanding at year end are reported as reservations of fund balances.

Note 2. Budget and Actual Comparisons

The Budgetary Comparison Schedule for the General Fund is required to be prepared under the basis of accounting used in preparing the budget. As indicated in Note 1, the modified accrual basis of accounting is used for budgetary purposes. On-behalf payments from the State of Florida for Police and Fire-Rescue pensions are not included in the budget. As a result, General Fund revenue and expenditures reported in the budget and actual statement differ from the corresponding amounts reported on the basis of U.S. generally accepted accounting principles. These differences can be reconciled as follows:

	Revenue	Expenditures
Budgetary basis	69,846,359	65,468,713
State on-behalf payments for Police and Fire-Rescue pension contributions not included in bugetary basis	1,101,129	1,101,129
	70,947,488	66,569,842

Note 3. Pension Plans

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation was as follows:

	General Employees' Pension	Police Pension	Fire Pension
Actuarial Valuation Date	10/1/07	10/1/07	10/1/07
Asset Valuation Method	4-year smoothed market	(2)	4-year smoothed market
Actuarial Methods:			
Actuarial Cost Method	Entry age Normal	Entry age Normal	Projected Unit Credit
Amortization Method	Level dollar	Level percent of pay, closed	Level percent of pay, closed
Amortization Period	30 years	30 years	27 years
Actuarial Assumptions:			
Investment rate of return	8.0%	7.5%	8.25%
Projected salary increase	6.5%	7.5%	4.50%
Inflation	3.0%	3.0%	4.50%

(1) 1.0% for age 53, 2% for age 54, and 3% over age 55.

(2) Effective October 1, 2006, the asset valuation method was changed from the five year smoothed method to a method that recognizes 20% of the difference between market value of assets and expected actuarial asset value.



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

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The nonmajor special revenue funds of the City are as follows:

Police Training Fund – This fund is established to account for fees collected from traffic citations to be used for the training and education of the City's police.

Recreation Programs Fund – This fund is used to account for revenues and costs related to special programs such as special events and athletic programs.

Golf Course Fund – This fund is used to account for revenues and costs related to the operations of the City's Golf Course.

Extra Duty Police – This fund is used to account for revenues to be used to fund extra police duty.

Local Option Gas Tax Fund – This fund is established to account for the receipt of local option gas taxes. The use of these funds is restricted for transportation related capital improvements or maintenance costs.

Police Grant Fund – This fund is established to comply with Federal guidelines governing the accounting for Department of Justice Law Enforcement grants.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds are established to account for financial resources to be used for the acquisition and construction of major capital facilities, other than those financed by proprietary funds. The nonmajor capital projects funds of the City are as follows:

Police Impact Capital Projects Fund – This fund is established to account for the receipt and disbursement of developer paid impact fees restricted for the purpose of enhancing the level of law enforcement services in the City.

Fire Impact Capital Projects Fund – This fund is established to account for the receipt and disbursement of developer paid impact fees restricted for the purpose of enhancing the level of fire/rescue services in the City.

Art Impact Capital Projects Fund – This fund is established to account for the receipt and disbursement of developer paid impact fees restricted for the purpose of providing art and cultural activities.

PGA Flyover Capital Projects Fund – This fund is established to account for the activity related to the construction of the PGA Flyover Improvement Project.

Burns Road Capital Projects Fund – This fund is established to account for the activity related to the construction of the Burns Road Improvement Project.

City of Palm Beach Gardens, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2009

	Special Revenue Funds					Total
	Police Training	Recreation Programs	Golf	Extra Duty Police	Local Option Gas Tax	
Assets:						
Cash and cash equivalents	\$ 14,106	\$ 826,611	\$ 251,206	\$ 25,423	\$ 1,383,547	\$ 2,500,893
Investments	-	52,129	11,841	-	85,277	149,247
Receivables	-	1,598	363	52,902	2,614	57,477
Due from other governments	1,000	-	-	-	54,586	55,586
Inventory	-	-	21,802	-	-	21,802
Prepaid expenditures	-	10,140	-	-	-	10,140
Total assets	\$ 15,106	\$ 890,478	\$ 285,212	\$ 78,325	\$ 1,526,024	\$ 2,795,145
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ -	\$ 25,019	\$ 10,868	\$ -	\$ 10	\$ 35,897
Accrued liabilities	-	1,395	3,936	-	-	5,331
Unearned revenue	-	160,703	4,061	-	-	164,764
Total liabilities	-	187,117	18,865	-	10	205,992
Fund balances:						
Reserved for:						
Encumbrances	-	-	-	-	8,722	8,722
Prepaid expenditures	-	10,140	-	-	-	10,140
Inventory	-	-	21,802	-	-	21,802
Unreserved, designated	-	-	-	-	-	-
Unreserved, undesignated	15,106	693,221	244,545	78,325	1,517,292	2,548,489
Total fund balances	15,106	703,361	266,347	78,325	1,526,014	2,589,153
Total liabilities and fund balances	\$ 15,106	\$ 890,478	\$ 285,212	\$ 78,325	\$ 1,526,024	\$ 2,795,145

Capital Projects Funds							Total
Police Impact	Fire Impact	Art Impact	PGA Flyover	Burns Road	Total	Total Nonmajor Funds	
\$ 3,675,273	\$ 71,442	\$ 849,472	\$ 126,098	\$ 282,272	\$ 5,004,557	\$ 7,505,450	
169,335	68,231	84,209	-	-	321,775	471,022	
5,191	2,091	2,581	5,034	-	14,897	72,374	
-	-	-	-	-	-	55,586	
-	-	-	-	-	-	21,802	
-	-	-	-	-	-	10,140	
\$ 3,849,799	\$ 141,764	\$ 936,262	\$ 131,132	\$ 282,272	\$ 5,341,229	\$ 8,136,374	
\$ -	\$ -	\$ -	\$ 879	\$ -	\$ 879	36,776	
-	-	-	-	-	-	5,331	
-	-	45,000	-	-	45,000	209,764	
-	-	45,000	879	-	45,879	\$ 251,871	
32,047	-	-	-	-	32,047	40,769	
-	-	-	-	-	-	10,140	
-	-	-	-	-	-	21,802	
3,817,752	141,764	891,262	130,253	282,272	5,263,303	5,263,303	
-	-	-	-	-	-	2,548,489	
3,849,799	141,764	891,262	130,253	282,272	5,295,350	7,884,503	
\$ 3,849,799	\$ 141,764	\$ 936,262	\$ 131,132	\$ 282,272	\$ 5,341,229	\$ 8,136,374	

City of Palm Beach Gardens, Florida
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2009

	Special Revenue Funds						Total
	Police Training	Recreation Programs	Golf	Extra Duty Police	Local Option Gas Tax	Police Grant	
Revenues:							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 673,438	\$ 16,381	\$ 689,819
Impact fees	-	-	-	-	-	-	-
Charges for services	-	2,512,437	1,416,423	-	-	-	3,928,860
Fines and forfeitures	11,970	-	-	-	-	-	11,970
Investment income	-	4,586	1,062	-	7,646	-	13,294
Miscellaneous	-	9,451	84,010	482,661	93,753	-	669,875
Total revenues	11,970	2,526,474	1,501,495	482,661	774,837	16,381	5,313,818
Expenditures:							
Current:							
Public safety	16,311	-	-	401,851	-	-	418,162
Culture and recreation	-	2,251,899	1,462,863	-	-	-	3,714,762
Transportation	-	-	-	-	498,248	-	498,248
Capital outlay	-	-	-	-	35,100	17,324	52,424
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	16,311	2,251,899	1,462,863	401,851	533,348	17,324	4,683,596
Excess (deficiency) of revenues over (under) expenditures	(4,341)	274,575	38,632	80,810	241,489	(943)	630,222
Other financing sources (uses:)							
Transfers in	-	-	-	-	-	943	943
Transfers out	-	(50,000)	-	(100,000)	-	-	(150,000)
Total other financing sources (uses)	-	(50,000)	-	(100,000)	-	943	(149,057)
Net change in fund balances	(4,341)	224,575	38,632	(19,190)	241,489	-	481,165
Fund balances, beginning	19,447	478,786	227,715	97,515	1,284,525	-	2,107,988
Fund balances, ending	\$ 15,106	\$ 703,361	\$ 266,347	\$ 78,325	\$ 1,526,014	\$ -	\$ 2,589,153

Capital Projects Funds							Total
Police Impact	Fire Impact	Art Impact	PGA Flyover	Burns Road	Total	Total Nonmajor Funds	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 689,819	
29,797	60,341	31,429	-	-	121,567	121,567	
-	-	-	-	-	-	3,928,860	
-	-	-	-	-	-	11,970	
15,179	3,121	7,549	-	-	25,849	39,143	
-	-	-	133,481	-	133,481	803,356	
44,976	63,462	38,978	133,481	-	280,897	5,594,715	
12,383	2,414	-	-	-	14,797	432,959	
-	-	55,400	-	-	55,400	3,770,162	
-	-	-	301,465	-	301,465	799,713	
305,859	-	-	-	37,111	342,970	395,394	
-	72,881	-	180,000	445,000	697,881	697,881	
-	1,324	-	104,193	257,803	363,320	363,320	
318,242	76,619	55,400	585,658	739,914	1,775,833	6,459,429	
(273,266)	(13,157)	(16,422)	(452,177)	(739,914)	(1,494,936)	(864,714)	
2,600,000	-	-	625,000	702,373	3,927,373	3,928,316	
-	(600,000)	-	(160,000)	-	(760,000)	(910,000)	
2,600,000	(600,000)	-	465,000	702,373	3,167,373	3,018,316	
2,326,734	(613,157)	(16,422)	12,823	(37,541)	1,672,437	2,153,602	
1,523,065	754,921	907,684	117,430	319,813	3,622,913	5,730,901	
\$ 3,849,799	\$ 141,764	\$ 891,262	\$ 130,253	\$ 282,272	\$ 5,295,350	\$ 7,884,503	

City of Palm Beach Gardens, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Police Training – Special Revenue Fund
Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Fines and forfeitures	\$ 11,000	\$ 11,000	\$ 11,970	\$ 970
Total revenues	11,000	11,000	11,970	970
Expenditures:				
Current:				
Public Safety	18,000	30,447	16,311	14,136
Total expenditures	18,000	30,447	16,311	14,136
Net change in fund balances	(7,000)	(19,447)	(4,341)	15,106
Fund balances, beginning	14,423	19,447	19,447	-
Fund balances, ending	\$ 7,423	\$ -	\$ 15,106	\$ 15,106

City of Palm Beach Gardens, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Recreation Programs – Special Revenue Fund
Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ 2,977,563	\$ 2,977,563	\$ 2,512,437	\$ (465,126)
Investment income	5,931	5,931	4,586	(1,345)
Miscellaneous	-	-	9,451	9,451
Total revenues	2,983,494	2,983,494	2,526,474	(457,020)
Expenditures:				
Current:				
Culture and recreation	2,818,653	2,818,652	2,251,899	566,753
Total expenditures	2,818,653	2,818,652	2,251,899	566,753
Excess of revenues over expenditures	164,841	164,842	274,575	109,733
Other financing uses:				
Transfers out	(50,000)	(50,000)	(50,000)	-
Net change in fund balances	114,841	114,842	224,575	109,733
Fund balances, beginning	147,181	478,786	478,786	-
Fund balances, ending	\$ 262,022	\$ 593,628	\$ 703,361	\$ 109,733

City of Palm Beach Gardens, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Golf – Special Revenue Fund
Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ 1,431,571	\$ 1,466,571	\$ 1,416,423	\$ (50,148)
Investment income	1,000	1,000	1,062	62
Miscellaneous	120,750	85,750	84,010	(1,740)
Total revenues	1,553,321	1,553,321	1,501,495	(51,826)
Expenditures:				
Current:				
Culture and recreation	1,402,534	1,402,534	1,462,863	(60,329)
Total expenditures	1,402,534	1,402,534	1,462,863	(60,329)
Net change in fund balances	150,787	150,787	38,632	(112,155)
Fund balances, beginning	381	227,715	227,715	-
Fund balances, ending	\$ 151,168	\$ 378,502	\$ 266,347	\$ (112,155)

City of Palm Beach Gardens, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Local Option Gas Tax – Special Revenue Fund
Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 702,000	\$ 702,000	\$ 673,438	\$ (28,562)
Investment income	16,192	16,192	7,646	(8,546)
Miscellaneous	-	-	93,753	93,753
Total revenues	718,192	718,192	774,837	56,645
Expenditures:				
Current:				
Transportation	606,000	770,436	498,248	272,188
Capital outlay	299,000	598,000	35,100	562,900
Total expenditures	905,000	1,368,436	533,348	835,088
Net change in fund balances	(186,808)	(650,244)	241,489	891,733
Fund balances, beginning	879,111	1,284,525	1,284,525	-
Fund balances, ending	\$ 692,303	\$ 634,281	\$ 1,526,014	\$ 891,733

City of Palm Beach Gardens, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Police Grant – Special Revenue Fund
Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 16,381	\$ 6,381
Total revenues	10,000	10,000	16,381	6,381
Expenditures:				
Capital outlay	-	-	17,324	(17,324)
Total expenditures	-	-	17,324	(17,324)
Excess (deficiency) of revenues over (under) expenditures	10,000	10,000	(943)	(10,943)
Other financing sources:				
Transfers in	-	-	943	943
Net change in fund balances	10,000	10,000	-	(10,000)
Fund balances, beginning	-	-	-	-
Fund balances, ending	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)

City of Palm Beach Gardens, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Recreation Impact – Capital Projects Fund
Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 600,000	\$ 600,000	\$ 138,401	\$ (461,599)
Impact fees	360,985	360,985	208,258	(152,727)
Investment income	48,965	48,965	13,936	(35,029)
Miscellaneous	-	-	10,000	10,000
Total revenues	1,009,950	1,009,950	370,595	(639,355)
Expenditures:				
Current:				
Culture and recreation	-	-	8,330	(8,330)
Capital outlay	2,200,000	3,511,110	1,001,099	2,510,011
Total expenditures	2,200,000	3,511,110	1,009,429	2,501,681
Net change in fund balances	(1,190,050)	(2,501,160)	(638,834)	1,862,326
Fund balances, beginning	1,191,185	2,501,160	2,501,160	-
Fund balances, ending	\$ 1,135	\$ -	\$ 1,862,326	\$ 1,862,326

City of Palm Beach Gardens, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Road Impact – Capital Projects Fund
Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Impact fees	\$ 740,647	\$ 740,647	\$ 237,673	\$ (502,974)
Investment income	170,749	170,749	76,047	(94,702)
Miscellaneous	-	-	439,091	439,091
Total revenues	911,396	911,396	752,811	(158,585)
Expenditures:				
Current:				
Transportation	-	-	9,507	(9,507)
Capital outlay	757,000	4,655,435	2,738,305	1,917,130
Total expenditures	757,000	4,655,435	2,747,812	1,907,623
Excess (deficiency) of revenues over (under) expenditures	154,396	(3,744,039)	(1,995,001)	1,749,038
Other financing uses:				
Transfers out	(702,373)	(702,373)	(702,373)	-
Net change in fund balances	(547,977)	(4,446,412)	(2,697,374)	1,749,038
Fund balances, beginning	4,842,569	6,749,507	6,749,507	-
Fund balances, ending	\$ 4,294,592	\$ 2,303,095	\$ 4,052,133	\$ 1,749,038

City of Palm Beach Gardens, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Police Impact – Capital Projects Fund
Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Impact fees	\$ 80,662	\$ 80,662	\$ 29,797	\$ (50,865)
Investment income	29,832	29,832	15,179	(14,653)
Total revenues	110,494	110,494	44,976	(65,519)
Expenditures:				
Current:				
Public safety	-	-	12,383	(12,383)
Capital outlay	2,600,000	3,564,737	305,859	3,258,878
Total expenditures	2,600,000	3,564,737	318,242	3,246,495
Excess (deficiency) of revenues over (under) expenditures	(2,489,506)	(3,454,243)	(273,266)	3,180,977
Other financing sources:				
Transfers in	2,600,000	2,600,000	2,600,000	-
Net change in fund balances	110,494	(854,243)	2,326,734	3,180,977
Fund balances, beginning	6,727	1,523,065	1,523,065	-
Fund balances, ending	\$ 117,221	\$ 668,822	\$ 3,849,799	\$ 3,180,977

City of Palm Beach Gardens, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Fire Impact – Capital Projects Fund
Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Impact fees	\$ 237,179	\$ 237,179	\$ 60,341	\$ (176,838)
Investment income	12,786	12,786	3,121	(9,665)
Total revenues	249,965	249,965	63,462	(186,503)
Expenditures:				
Current:				
Public safety	-	-	2,414	(2,414)
Debt service:				
Principal	72,880	72,880	72,881	(1)
Interest	3,855	3,855	1,324	2,531
Total expenditures	76,735	76,735	76,619	116
Excess (deficiency) of revenues over (under) expenditures	173,230	173,230	(13,157)	(186,387)
Other financing uses:				
Transfers out	(600,000)	(600,000)	(600,000)	-
Net change in fund balances	(426,770)	(426,770)	(613,157)	(186,387)
Fund balances, beginning	798,648	754,921	754,921	-
Fund balances, ending	\$ 371,878	\$ 328,151	\$ 141,764	\$ (186,387)

City of Palm Beach Gardens, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Art Impact – Capital Projects Fund
Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Impact fees	\$ 75,000	\$ 75,000	\$ 31,429	\$ (43,571)
Investment income	10,609	10,609	7,549	(3,060)
Total revenues	85,609	85,609	38,978	(46,631)
Expenditures:				
Current:				
Culture and recreation	-	-	55,400	(55,400)
Total expenditures	-	-	55,400	(55,400)
Net change in fund balances	85,609	85,609	(16,422)	(102,031)
Fund balances, beginning	725,594	907,684	907,684	-
Fund balances, ending	\$ 811,203	\$ 993,293	\$ 891,262	\$ (102,031)

City of Palm Beach Gardens, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
PGA Flyover – Capital Projects Fund
Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Miscellaneous	\$ 125,592	\$ 125,592	\$ 133,481	\$ 7,889
Total revenues	125,592	125,592	133,481	7,889
Expenditures:				
Current:				
Transportation	382,600	402,821	301,465	101,356
Debt service:				
Principal	180,000	180,000	180,000	-
Interest	104,193	104,193	104,193	-
Total expenditures	666,793	687,014	585,658	101,356
Excess (deficiency) of revenues over (under) expenditures	(541,201)	(561,422)	(452,177)	109,245
Other financing sources (uses):				
Transfers in	625,000	625,000	625,000	-
Transfers out	-	-	(160,000)	(160,000)
Total other financing sources (uses)	625,000	625,000	465,000	(160,000)
Net change in fund balances	83,799	63,578	12,823	(50,755)
Fund balances, beginning	79,408	117,430	117,430	-
Fund balances, ending	\$ 163,207	\$ 181,008	\$ 130,253	\$ (50,755)

City of Palm Beach Gardens, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Burns Road – Capital Projects Fund
Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Investment income	\$ 2,962	\$ 2,962	\$ -	\$ (2,962)
Total revenues	2,962	2,962	-	(2,962)
Expenditures:				
Capital outlay	-	37,244	37,111	133
Debt service:				
Principal	445,000	445,000	445,000	-
Interest	257,803	257,803	257,803	-
Total expenditures	702,803	740,047	739,914	133
Excess (deficiency) of revenues over (under) expenditures	(699,841)	(737,085)	(739,914)	(2,829)
Other financing sources:				
Transfers in	702,373	702,373	702,373	-
Net change in fund balances	2,532	(34,712)	(37,541)	(2,829)
Fund balances, beginning	261,358	319,813	319,813	-
Fund balances, ending	\$ 263,890	\$ 285,101	\$ 282,272	\$ (2,829)

City of Palm Beach Gardens, Florida
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2009

	Pension Trust Funds			
	General			
	Employees	Police	Fire	Total
Assets:				
Cash and cash equivalents	\$ 65,940	\$ 2,068,886	\$ 2,842,499	\$ 4,977,325
Investments, at fair values:				
U.S. Government obligations	76,602	2,742,649	203,568	3,022,819
Municipal bonds	-	219,538	-	219,538
Mortgage backed securities	258,696	2,002,166	3,934,980	6,195,842
Corporate bonds	379,805	5,963,735	3,942,317	10,285,857
Equity securities	1,180,810	4,667,766	12,813,663	18,662,239
Equity funds	-	12,364,077	-	12,364,077
International funds	106,613	2,483,622	2,499,693	5,089,928
Real estate funds	-	-	756,753	756,753
Total investments	2,002,526	30,443,553	24,150,974	56,597,053
Receivables:				
Interest	7,274	122,578	96,372	226,224
Employer	15,126	837,420	795,183	1,647,729
State of Florida	-	446,982	45,602	492,584
Employees	389	87,399	27,565	115,353
Total receivables	22,789	1,494,379	964,722	2,481,890
Prepaid expenses	-	64,884	-	64,884
Total assets	2,091,255	34,071,702	27,958,195	64,121,152
Liabilities:				
Accounts payable	6,536	39,449	37,740	83,725
Due to DROP account	-	-	80,506	80,506
Total liabilities	6,536	39,449	118,246	164,231
Net assets:				
Net assets held in trust for pension benefits	\$ 2,084,719	\$ 34,032,253	\$ 27,839,949	\$ 63,956,921

City of Palm Beach Gardens, Florida
Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended September 30, 2009

	Pension Trust Funds			
	General Employees	Police	Fire	Total
Additions:				
Contributions:				
Employer	\$ 60,503	\$ 3,349,679	\$ 3,180,731	\$ 6,590,913
Insurance premium taxes collected by the State of Florida on behalf of the City of Palm Beach Gardens	-	446,982	654,147	1,101,129
Employees	8,970	870,581	605,300	1,484,851
Total contributions	69,473	4,667,242	4,440,178	9,176,893
Investment earnings (loss):				
Net appreciation/(depreciation) in fair value of investments	(139,486)	1,488,020	(194,895)	1,153,639
Interest and dividends	56,266	648,270	652,069	1,356,605
Total investment earnings	(83,220)	2,136,290	457,174	2,510,244
Less investment expenses	(10,659)	(115,708)	(134,095)	(260,462)
Net investment earnings (loss)	(93,879)	2,020,582	323,079	2,249,782
Total additions	(24,406)	6,687,824	4,763,257	11,426,675
Deductions:				
Pension benefits	296,477	895,008	457,329	1,648,814
Administrative expenses	16,809	104,636	69,771	191,216
Total deductions	313,286	999,644	527,100	1,840,030
Change in net assets	(337,692)	5,688,180	4,236,157	9,586,645
Net assets, beginning	2,422,411	28,344,073	23,603,792	54,370,276
Net assets, ending	\$ 2,084,719	\$ 34,032,253	\$ 27,839,949	\$ 63,956,921

STATISTICAL SECTION

Statistical Section Index

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

Page

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

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Revenue Capacity

These Schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

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Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

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Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

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Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial information relates to the services the City provides and the activities it performs.

Full-Time Equivalent City Government Employees by Function	128
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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Palm Beach Gardens, Florida
Net Assets by Component
Last Seven Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year		
	2003	2004	2005
Governmental activities:			
Invested in capital assets, net of related debt	\$ 41,678,672	\$ 47,266,504	\$ 52,524,730
Restricted	8,912,604	15,671,654	18,706,997
Unrestricted	16,961,768	14,361,514	11,839,633
Total governmental activities net assets	67,553,044	77,299,672	83,071,360
Business-type activities:			
Invested in capital assets, net of related debt	(2,236,869)	(1,391,784)	(1,377,423)
Restricted	611,313	-	-
Unrestricted	421,708	221,741	220,103
Total business-type activities net assets	(1,203,848)	(1,170,043)	(1,157,320)
Primary government:			
Invested in capital assets, net of related debt	39,441,803	45,874,720	51,147,307
Restricted	9,523,917	15,671,654	18,706,997
Unrestricted	17,383,476	14,583,255	12,059,736
Total primary government net assets	\$ 66,349,196	\$ 76,129,629	\$ 81,914,040

Note: Data not available prior to fiscal year 2003 implementation of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

Table 1

Fiscal Year			
2006	2007	2008	2009
\$ 55,645,259	\$ 62,235,884	\$ 63,743,178	\$ 67,009,120
14,898,785	14,083,021	12,679,885	13,449,860
19,024,256	20,235,445	25,149,412	25,731,157
89,568,300	96,554,350	101,572,475	106,190,137
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
55,645,259	62,235,884	63,743,178	67,009,120
14,898,785	14,083,021	12,679,885	13,449,860
19,024,256	20,235,445	25,149,412	25,731,157
\$ 89,568,300	\$ 96,554,350	\$ 101,572,475	\$ 106,190,137

City of Palm Beach Gardens, Florida
Changes in Net Assets
Last Seven Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year		
	2003	2004	2005
Expenses:			
Governmental activities:			
General Government	\$ 7,912,852	\$ 13,899,785	\$ 13,548,562
Public Safety	22,860,109	26,944,280	30,419,891
Culture/Recreation	5,353,104	5,927,344	7,139,745
Physical Environment	3,128,692	4,639,930	4,568,664
Transportation	3,105,384	2,962,465	2,758,280
Interest on long-term debt	1,576,511	1,095,103	1,254,477
Total governmental activities expenses	43,936,652	55,468,907	59,689,619
Business-type activities:			
Golf Course	1,729,909	1,677,140	1,896,021
Total business-type activities expenses	1,729,909	1,677,140	1,896,021
Total primary government expenses	\$ 45,666,561	\$ 57,146,047	\$ 61,585,640
Program revenues:			
Governmental activities:			
Charges for services:			
General Government	\$ 4,167,758	\$ 6,048,502	\$ 5,599,809
Public Safety	1,940,783	1,995,627	2,039,879
Culture/Recreation	1,367,552	1,265,684	1,902,858
Transportation	17,037	-	-
Operating grants and contributions	-	1,762,120	114,005
Capital grants and contributions	6,204,026	3,758,850	2,168,711
Total governmental activities program revenues	13,697,156	14,830,783	11,825,262
Business-type activities:			
Charges for services:			
Golf Course	1,254,384	1,246,536	1,377,545
Total business-type activities program revenues	1,254,384	1,246,536	1,377,545
Total primary government program revenues	\$ 14,951,540	\$ 16,077,319	\$ 13,202,807

Note: Data not available prior to fiscal year 2003 implementation of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

Table 2

Fiscal Year			
2006	2007	2008	2009
\$ 11,413,853	\$ 15,695,350	\$ 14,954,447	\$ 15,136,680
33,064,986	37,209,988	39,223,990	41,112,818
10,071,747	10,178,475	8,784,481	9,151,914
9,036,996	7,059,139	6,067,686	5,771,316
2,121,258	2,262,265	3,860,350	3,954,595
1,834,969	1,557,260	1,662,578	1,492,723
67,543,809	73,962,477	74,553,532	76,620,046
-	-	-	-
-	-	-	-
\$ 67,543,809	\$ 73,962,477	\$ 74,553,532	\$ 76,620,046
\$ 6,690,824	\$ 3,751,106	\$ 8,518,696	\$ 8,594,096
2,344,719	2,816,679	2,438,907	2,423,564
4,284,306	4,756,464	4,650,101	4,168,677
2,400,886	924,325	580,406	237,674
348,059	223,287	1,483,394	1,296,236
4,011,982	1,219,771	557,820	3,551,406
20,080,776	13,691,632	18,229,324	20,271,653
-	-	-	-
-	-	-	-
\$ 20,080,776	\$ 13,691,632	\$ 18,229,324	\$ 20,271,653

Continued on next page.

City of Palm Beach Gardens, Florida
Changes in Net Assets (Continued)
Last Seven Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year		
	2003	2004	2005
Net (expense) revenue:			
Governmental activities	\$ (30,239,496)	\$ (40,638,124)	\$ (47,864,357)
Business-type activities	(475,525)	(430,604)	(518,476)
Total primary government net expense	\$ (30,715,021)	\$ (41,068,728)	\$ (48,382,833)
General revenues and other changes in net assets:			
Governmental activities:			
Taxes:			
Property taxes	\$ 26,979,019	\$ 30,581,316	\$ 35,118,504
Local business tax	-	-	-
Franchise taxes	3,049,795	3,370,103	3,832,276
Public service taxes	739,827	675,624	721,730
Unrestricted intergovernmental:			
Sales tax and local option gas tax	3,636,355	3,378,464	3,597,796
State shared revenue	170,428	850,494	1,115,490
Impact fees	5,357,006	6,260,509	6,812,932
Unrestricted investment earnings	657,101	554,197	1,129,469
Gain on disposal of capital assets	-	-	-
Miscellaneous	405,875	1,573,389	1,803,848
Transfers	(451,416)	(422,889)	(496,000)
Cumulative effect of change in accounting principle	-	-	-
Special item - change in retirement plans	-	-	-
Total governmental activities	\$ 40,543,990	\$ 46,821,207	\$ 53,636,045
Business-type activities:			
Investment earnings	\$ 38,048	\$ 15,904	\$ 11,199
Miscellaneous	24,000	25,616	24,000
Transfers	451,416	422,889	496,000
Total business-type activities	513,464	464,409	531,199
Total primary government	\$ 41,057,454	\$ 47,285,616	\$ 54,167,244
Change in net assets:			
Governmental activities	\$ 10,304,494	\$ 6,183,083	\$ 5,771,688
Business-type activities	37,939	33,805	12,723
Total primary government	\$ 10,342,433	\$ 6,216,888	\$ 5,784,411

Note: Data not available prior to fiscal year 2003 implementation of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

Fiscal Year			
2006	2007	2008	2009
\$ (47,463,033)	\$ (60,270,845)	\$ (56,324,208)	\$ (56,348,393)
-	-	-	-
\$ (47,463,033)	\$ (60,270,845)	\$ (56,324,208)	\$ (56,348,393)

\$ 40,923,938	\$ 50,541,564	\$ 50,362,460	\$ 50,314,207
-	-	1,531,977	1,540,700
4,964,878	5,380,778	-	-
796,705	860,052	956,919	1,278,766
4,062,558	4,060,521	4,039,597	3,726,391
1,252,205	1,265,548	1,193,969	1,076,977
-	-	-	-
2,548,250	3,159,845	1,741,515	1,415,326
-	55,284	242,496	17,141
1,374,851	1,601,212	1,273,400	1,596,547
(1,157,320)	-	-	-
(806,092)	-	-	-
-	332,091	-	-
\$ 53,959,973	\$ 67,256,895	\$ 61,342,333	\$ 60,966,055

\$ -	\$ -	\$ -	\$ -
-	-	-	-
1,157,320	-	-	-
1,157,320	-	-	-
\$ 55,117,293	\$ 67,256,895	\$ 61,342,333	\$ 60,966,055

\$ 6,496,940	\$ 6,986,050	\$ 5,018,125	\$ 4,617,662
1,157,320	-	-	-
\$ 7,654,260	\$ 6,986,050	\$ 5,018,125	\$ 4,617,662

City of Palm Beach Gardens, Florida
Fund Balances of Governmental Funds
Last Seven Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year		
	2003	2004	2005
General fund:			
Reserved	\$ 1,696,120	\$ 2,605,845	\$ 4,685,857
Unreserved	9,580,486	14,127,469	10,470,244
Total general fund	11,276,606	16,733,314	15,156,101
All other governmental funds:			
Reserved	11,229,646	15,275,028	14,021,140
Unreserved, reported in:			
Capital projects funds	2,472,044	-	3,081,755
Special revenue funds	674,927	417,637	517,938
Total all other governmental funds	14,376,617	15,692,665	17,620,833
Total governmental funds	\$ 25,653,223	\$ 32,425,979	\$ 32,776,934

Note: Data not available prior to fiscal year 2003 implementation of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

Table 3

Fiscal Year			
2006	2007	2008	2009
\$ 1,867,692	\$ 1,948,873	\$ 753,223	\$ 3,477,030
17,701,909	19,195,329	24,375,131	23,773,067
19,569,601	21,144,202	25,128,354	27,250,097
15,461,972	14,227,898	13,054,853	574,931
-	-	-	10,675,542
1,152,372	1,432,549	1,926,716	2,548,489
16,614,344	15,660,447	14,981,569	13,798,962
\$36,183,945	\$36,804,649	\$ 40,109,923	\$ 41,049,059

City of Palm Beach Gardens, Florida
Changes in Fund Balances of Governmental Funds
Last Seven Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year		
	2003	2004	2005
Revenues:			
Ad valorem taxes	\$ 26,979,019	\$ 30,581,316	\$ 35,118,504
Local business tax	-	-	-
Utility taxes	739,827	675,624	721,730
Franchise fees	3,049,795	3,370,103	3,832,276
Licenses and permits	3,955,167	5,654,010	5,599,810
Intergovernmental	8,977,875	6,979,749	6,996,002
Impact fees	5,357,006	6,260,509	6,812,932
Charges for services	3,046,124	3,063,717	3,942,738
Fines and forfeitures	368,171	535,148	312,599
Investment income	652,658	550,916	1,125,900
Miscellaneous	1,775,169	4,313,325	1,544,895
Total revenues	54,900,811	61,984,417	66,007,386
Expenditures:			
Current:			
General Government	7,539,311	12,910,353	12,703,284
Public Safety	21,708,478	25,566,510	29,250,972
Culture and Recreation	5,127,967	5,593,314	6,764,046
Physical Environment	2,927,775	4,310,982	4,434,178
Transportation	1,684,572	1,634,307	1,233,738
Capital outlay	11,661,632	5,844,148	7,542,442
Debt service:			
Principal	885,267	1,993,273	1,926,679
Interest	1,553,386	1,328,080	1,234,078
Bond issuance costs	-	329,811	30,475
Other debt service costs	-	-	123,775
Total expenditures	53,088,388	59,510,778	65,243,667
Excess (deficiency) of revenues over (under) expenditures	1,812,423	2,473,639	763,719
Other financing sources (uses):			
Transfers in	683,717	1,021,177	1,584,962
Transfers out	(1,083,908)	(1,391,304)	(2,028,200)
Capital leases	-	-	-
Sale of capital assets	-	-	-
Bonds and notes issued	584,387	5,359,401	-
Refunding bonds issued	-	15,515,000	6,901,176
Premium on bond issuance	-	424,476	-
Payment to refunded bond escrow agent	-	(16,629,633)	(6,870,701)
Total other financing sources (uses)	184,196	4,299,117	(412,763)
Special items:			
Proceeds from defined contribution plan	-	-	-
Payment to defined benefit plan	-	-	-
Total special items	-	-	-
Net change in fund balances	\$ 1,996,619	\$ 6,772,756	\$ 350,956
Debt service as a percentage of noncapital expenditures	5.89%	6.80%	5.75%

Note: Data not available prior to fiscal year 2003 implementation of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* .

Table 4

Fiscal Year			
2006	2007	2008	2009
\$ 40,923,938	\$ 50,541,564	\$ 50,362,460	\$ 50,314,207
-	-	-	1,540,700
796,705	860,052	956,919	1,278,766
4,964,878	5,380,778	5,516,091	5,702,964
3,988,155	3,718,105	4,364,095	2,020,336
9,597,521	6,757,761	6,906,638	6,454,771
4,508,074	2,270,519	1,467,356	567,498
3,998,671	5,502,144	5,641,891	5,865,175
2,079,227	524,216	320,944	436,227
2,548,247	3,159,847	1,740,605	1,414,745
2,653,313	1,858,214	2,028,842	2,070,220
76,058,729	80,573,200	79,305,841	77,665,609
10,343,003	15,293,318	14,613,265	14,592,013
32,321,657	35,103,794	37,695,130	39,078,675
9,125,769	8,775,280	7,354,317	7,363,738
6,294,347	6,892,190	5,848,500	5,375,753
762,383	890,103	818,837	809,220
13,831,316	9,026,003	6,305,054	5,239,712
2,364,709	2,787,745	2,848,158	2,929,195
1,478,670	1,573,958	1,488,484	1,398,206
39,500	-	-	-
-	-	-	-
76,561,354	80,342,391	76,971,745	76,786,512
(502,625)	230,809	2,334,096	879,097
1,488,139	1,845,332	1,373,777	4,291,078
(1,333,704)	(1,787,528)	(1,321,015)	(4,238,316)
-	-	712,418	-
-	-	206,000	7,278
3,755,200	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
3,909,635	57,804	971,180	60,040
-	3,642,218	-	-
-	(3,310,127)	-	-
-	332,091	-	-
\$ 3,407,010	\$ 620,704	\$ 3,305,276	\$ 939,137
6.19%	6.08%	6.10%	5.88%

City of Palm Beach Gardens, Florida
Net Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Year Ended September 30,	Real Property				Total
	Residential Property	Commercial Property	Industrial Property	Other Property	
2000	\$ -	\$ -	\$ -	\$ -	\$ 3,236,901,787
2001	-	-	-	-	3,422,435,298
2002	-	-	-	-	3,694,841,329
2003	-	-	-	-	4,180,491,898
2004	-	-	-	-	4,924,323,436
2005	4,560,597,118	1,068,583,139	31,022,658	58,639,528	5,718,842,443
2006	5,556,032,957	1,150,418,815	51,770,706	57,740,577	6,815,963,055
2007	7,175,984,136	1,584,435,691	67,918,360	67,073,542	8,895,411,729
2008	7,633,899,238	1,760,317,064	76,620,371	65,923,845	9,536,760,518
2009	7,229,265,998	1,871,391,912	81,429,357	64,617,414	9,246,704,681

Note: Assessed values are established by the Palm Beach County Property Appraiser's Office as of January 1, each year. Assessments were increased to 100% of market value as of 1980.

Property in the City is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$1,000 of assessed value.

The City does not have information on the assessed value per category prior to September 30, 2005, therefore, only total taxable property assessed value is presented.

Source: Palm Beach County Property Appraiser's Office

N/A - Information not available

Table 5

Personal Property	Centrally Assessed	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
\$ 276,055,851	\$ 868,058	\$ 3,513,825,696	4.3497	\$ N/A	N/A
290,919,559	914,685	3,714,269,542	5.1748	N/A	N/A
306,033,226	917,667	4,001,792,222	6.1679	N/A	N/A
320,720,228	944,192	4,502,156,318	6.2500	N/A	N/A
322,568,279	1,071,152	5,247,962,867	6.0400	N/A	N/A
326,789,276	1,116,960	6,046,748,679	6.0260	N/A	N/A
353,028,500	1,118,109	7,170,109,664	5.9280	N/A	N/A
407,846,639	1,263,926	9,304,522,294	5.6550	11,805,444,204	78.82%
431,242,245	1,287,840	9,969,290,603	5.2540	12,266,508,331	81.27%
419,946,111	1,575,414	9,668,226,206	5.3990	11,879,576,573	81.39%

City of Palm Beach Gardens, Florida
Property Tax Rates – Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City of Palm Beach Gardens			Palm Beach County School District	Palm Beach County
	Operating Millage	Debt Service Millage	Total City Millage		
2000	3.9404	0.4093	4.3497	9.0430	4.9456
2001	4.7548	0.4200	5.1748	8.9180	4.9362
2002	5.7765	0.3914	6.1679	8.9480	4.9351
2003	5.9067	0.3433	6.2500	8.7790	4.8084
2004	5.7450	0.2950	6.0400	8.5710	4.7910
2005	5.7680	0.2580	6.0260	8.4320	4.7677
2006	5.7080	0.2200	5.9280	8.1060	4.7192
2007	5.4950	0.1600	5.6550	7.8720	4.4775
2008	5.1050	0.1490	5.2540	7.3560	3.9813
2009	5.2500	0.1490	5.3990	7.2510	3.9656

Note: All millage rates are based on \$1 for every \$1,000 of assessed value.

Source: City of Palm Beach Gardens Finance Department and Palm Beach County Property Appraiser's Office

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of Palm Beach Gardens. Not all overlapping rates apply to all City of Palm Beach Gardens property owners (i.e. the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district).

Table 6

Overlapping Rates ⁽¹⁾					
Palm Beach County Health Care District	Palm Beach County Library System	South Florida Water Management District	Children's Services Council	Florida Inland Navigation District	Total Direct and Overlapping Rates
0.9750	0.5246	0.6970	0.4696	0.0440	21.0485
1.0250	0.5403	0.6970	0.5000	0.0410	21.8323
1.1500	0.5403	0.6970	0.5703	0.0385	23.0471
1.1300	0.5403	0.6970	0.6228	0.0385	22.8660
1.1300	0.5833	0.6970	0.6902	0.0385	22.5410
1.1000	0.5807	0.6970	0.6902	0.0385	22.3321
1.0800	0.6250	0.6970	0.6887	0.0385	21.8824
0.9700	0.5989	0.6970	0.6199	0.0385	20.9288
0.8900	0.5441	0.6240	0.5823	0.0345	19.2662
0.9975	0.5427	0.6240	0.6009	0.0345	19.4152

City of Palm Beach Gardens, Florida
Principal Property Taxpayers
September 30, 2009

Table 7

Taxpayer	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value ⁽¹⁾
Landry, Lawrence L.	\$ 205,000,000	1	2.12%
GLL US Retail LP	105,147,822	2	1.09%
Downtown at the Gardens LLC	67,247,126	3	0.70%
WCI Communities	65,208,300	4	0.67%
Northlake Blvd LLC	56,833,511	5	0.59%
Devonshire at PGA National LLC	54,455,275	6	0.56%
Grande at Mirasol, Inc.	54,206,475	7	0.56%
3801 PGA Acquisition Co	50,622,243	8	0.52%
WFGR Resort Core V LLC	50,000,000	9	0.52%
GB Investors LLC	44,060,479	10	<u>0.46%</u>
	<u>\$ 752,781,231</u>		<u>7.79%</u>

Note: Information is not available prior to 2006. Therefore, the 10 year comparison is not included.

Source: Tax roll provided by Palm Beach County Property Appraisers Office.

(1) See the Schedule of Net Assessed Value on page 114 for Estimated Actual Value of Taxable Property.

**City of Palm Beach Gardens, Florida
Property Tax Levies and Collections
Last Ten Fiscal Years
September 30, 2009**

Table 8

Year Ended September 30,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percentage of Levy
2000	\$ 15,384,216	\$ 14,715,643	95.65%	\$ 31,986	\$ 14,747,629	95.86%
2001	19,220,602	18,459,195	96.04%	24,374	18,483,569	96.17%
2002	24,683,054	23,716,342	96.08%	72,692	23,789,034	96.38%
2003	28,138,476	26,947,136	95.77%	31,106	26,978,242	95.88%
2004	31,697,696	30,542,942	96.36%	59,367	30,602,309	96.54%
2005	36,437,708	35,080,464	96.28%	23,045	35,103,509	96.34%
2006	42,572,206	40,896,417	96.06%	12,127	40,908,544	96.09%
2007	52,521,899	50,475,571	96.10%	140,945	50,616,516	96.37%
2008	52,378,653	50,382,769	96.19%	430,423	50,813,192	97.01%
2009	52,198,753	49,743,531	95.30%	-	49,743,531	95.30%

Source: City of Palm Beach Gardens Finance Department and Palm Beach County Tax Collector's Office.

City of Palm Beach Gardens, Florida
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Year Ended September 30,	Governmental Activities				
	Revenue Bonds	General Obligation Bonds	Capital Leases	Notes	Loans
2000	\$ -	\$ 17,260,000	\$ -	\$ 4,007,518	\$ -
2001	11,985,000	16,591,247	-	3,858,403	-
2002	-	15,899,211	-	3,701,991	11,985,000
2003	-	15,179,154	1,386,119	3,538,375	11,985,000
2004	19,320,000	14,421,071	1,173,370	364,401	-
2005	18,090,000	13,970,914	850,515	291,521	-
2006	26,355,200	13,342,497	515,637	218,641	-
2007	24,582,260	12,451,896	388,260	145,761	-
2008	22,802,384	11,527,046	996,465	72,881	-
2009	20,980,228	10,567,106	922,247	-	-

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

(1) See the Schedule of Demographic and Economic Statistics on page 126 for population data.

Table 9

Business-Type Activities			Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
Revenue Bonds	Capital Leases	Loans			
\$ 6,680,000	\$ -	\$ -	\$ 27,947,518	0.0573%	\$ 797
7,245,000	251,832	-	39,931,482	0.0787%	1,126
-	584,696	7,015,000	39,185,898	0.0751%	1,074
-	98,677	6,775,000	38,962,325	0.0730%	988
6,410,000	66,008	-	41,754,850	0.0755%	985
6,090,000	33,116	-	39,326,066	0.0617%	863
-	-	-	40,431,975	0.0569%	839
-	-	-	37,568,177	0.0504%	761
-	-	-	35,398,776	N/A	704
-	-	-	32,469,581	N/A	650

City of Palm Beach Gardens, Florida
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Table 10

Year Ended September 30,	General Obligation Bonds	Percentage of Estimated Actual Taxable Value ⁽¹⁾	Per Capita ⁽²⁾
2000	\$ 17,260,000	0.49%	\$ 492
2001	16,591,247	0.45%	468
2002	15,899,211	0.40%	436
2003	15,179,154	0.34%	385
2004	14,421,071	0.27%	340
2005	13,970,914	0.23%	306
2006	13,342,497	0.19%	277
2007	12,451,896	0.13%	252
2008	11,527,046	0.12%	229
2009	10,567,106	0.11%	212

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statement.

(1) See the Schedule of Net Assessed Value on page 114 for Estimated Actual Value of Taxable Property.

(2) See the Schedule of Demographic and Economic Statistics on page 126 for population data.

City of Palm Beach Gardens, Florida
Direct and Overlapping Governmental Activities Debt
As of September 30, 2009

Table 11

Government Unit	Net Debt Outstanding	Percentage Applicable to the City of Palm Beach Gardens ⁽¹⁾	Amount Applicable to the City of Palm Beach Gardens
Debt repaid with property taxes:			
Palm Beach County	\$ 290,410,000	5.22%	\$ 15,159,402
Palm Beach County School Board	-	5.21%	-
Other debt:			
Palm Beach County	944,330,678	5.22%	49,294,061
Palm Beach County School Board	1,977,124,000	5.21%	103,008,160
Subtotal, Overlapping Debt			167,461,623
City of Palm Beach Gardens Direct Debt			32,469,581
Total Direct and Overlapping Debt			\$ 199,931,204

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and business.

Source: Data provided by the Palm Beach County Finance Department and the Palm Beach County School Board.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's and School Board's taxable assessed value that is within the City's boundaries.

City of Palm Beach Gardens, Florida
Pledged Revenue Coverage
Last Four Fiscal Years

2003 Public Improvement and Refunding Bonds					
Year Ended September 30,	Local Business Tax	Franchise Fees	Utility Taxes	Licenses and Permits	Inter-governmental
2006	\$ -	\$ 4,964,878	\$ 796,705	\$ 3,988,155	\$ 8,597,198
2007	-	5,380,778	860,052	3,718,105	6,757,761
2008	-	5,516,091	956,919	4,364,095	6,906,638
2009	1,540,700	5,702,964	1,278,766	2,020,336	6,454,771

	Non Ad Valorem Revenue Available for Debt Coverage	Debt Service		Coverage
		Principal	Interest	
2006	\$ 24,759,337	\$ 1,580,000	\$ 872,142	10.10
2007	27,761,117	1,425,000	840,544	12.25
2008	27,476,025	1,455,000	812,042	12.12
2009	26,783,904	1,485,000	780,032	11.82

Note: The City's 2003 Public Improvement Revenue Bonds are obligations of the City payable solely from and secured solely by non ad valorem revenue. The original bonds were issued in November 2003 to refund certain prior obligations of the City. Additional bonds were issued in 2005 and 2006 to finance the cost of improvements to the City's golf course, parks and public safety facilities ad valorem revenue.

Data not available prior to fiscal year 2006.

Source: City of Palm Beach Gardens Finance Department

Table 12

Charges for Services	Fines and Forfeitures	Investment Income	Miscellaneous	Non Ad Valorem Revenue Available for Debt Coverage
\$ 1,285,282	\$ 2,078,519	\$ 1,538,635	\$ 1,509,965	\$ 24,759,337
5,502,144	524,216	3,159,847	1,858,214	27,761,117
5,641,891	320,944	1,740,605	2,028,842	27,476,025
5,865,175	436,227	1,414,745	2,070,220	26,783,904

**City of Palm Beach Gardens, Florida
Demographic and Economic Statistics
Last Ten Fiscal Years**

Table 13

Year	Population ⁽¹⁾	Palm Beach County Personal Income ⁽²⁾ (In Thousands)	Palm Beach County Per Capita Income ⁽²⁾	School Enrollment ⁽³⁾	Unemployment Rate ⁽⁴⁾
2000	35,058	\$ 48,761,949	\$ 43,102	7,275	2.8%
2001	35,463	50,712,143	43,876	9,226	2.5%
2002	36,498	52,147,502	43,822	9,544	3.3%
2003	39,423	53,357,809	44,050	9,010	3.2%
2004	42,384	55,310,321	44,518	8,985	3.1%
2005	45,584	63,756,287	50,371	8,854	2.2%
2006	48,176	71,061,748	55,311	8,764	3.7%
2007	49,387	74,548,299	59,147	8,417	3.7%
2008	50,282	N/A	N/A	9,933	4.3%
2009	49,941	N/A	N/A	10,338	7.3%

Sources:

- (1) University of Florida, Bureau of Business and Economic Research
- (2) U.S. Department of commerce, Bureau of Economic analysis
- (3) Palm Beach County School Board Budget Office
- (4) Business Development board of Palm Beach County

N/A: Information not available

**City of Palm Beach Gardens, Florida
Principal Employers
September 30, 2009**

Table 14

Employer	2009		
	Employees	Rank	Percentage of Total City Employment
The Wackenhut Corp.	3,000	1	10.27%
Palm Beach Gardens Medical Center	1,100	2	3.77%
Palm Beach County School Board	903	3	3.09%
PGA National Resort & Spa	780	4	2.67%
Biomet 3i, Inc.	537	5	1.84%
Virtual Bank	497	6	1.70%
City of Palm Beach Gardens	484	7	1.66%
Belcan Corporation	467	8	1.60%
Palm Beach Gardens Marriott	277	9	0.95%
Anspach Companies	<u>256</u>	10	<u>0.88%</u>
	<u>8,301</u>		<u>28.43%</u>

Note: Information is not available prior to 2006. Therefore, the 10 year comparison is not included.

Source: Business Development Board of Palm Beach County

City of Palm Beach Gardens, Florida
Full-Time Equivalent City Government Employees by Function
Last Four Fiscal Years

Table 15

	Fiscal Year			
	2006	2007	2008	2009
Number of Employees:				
General Government	82	73	97	95
Public Safety	277	286	282	272
Culture and Recreation	74	75	65	64
Physical Environment	68	80	57	53
Total Number of Employees	501	514	501	484

Note: Indicators are not available prior to 2006.

Source: City of Palm Beach Gardens Finance Department

City of Palm Beach Gardens, Florida
Operating Indicators by Function/Program
Last Four Fiscal Years

Table 16

Function/Program:	Fiscal Year			
	2006	2007	2008	2009
General Government:				
Information Technology:				
Number of online inspections scheduled	7,000	10,000	7,808	6,188
City Clerk:				
Public records request	1,478	520	486	553
Finance:				
A/P checks issued	6,328	6,793	6,366	6,829
Growth Management:				
Number of projects completed	12	35	25	23
Public Safety:				
Police personnel and officers	158	158	157	150
Fire personnel	128	128	125	122
Number of foot patrols conducted in business districts	8,500	8,500	11,497	16,400
Number of foot patrols conducted in neighborhood communities	36	36	36	36
Number of fire rescue calls	4,000	7,073	7,155	7,410
Culture and Recreation:				
Special event attendees	79,000	60,000	71,600	75,000
General program participants	115,048	125,000	126,000	9,220
Youth camp registrations	2,729	3,503	3,636	3,805
Number of Signature City magazines mailed	84,000	89,000	89,000	5,241
Tennis members	278	333	566	356
Rounds of golf played	29,132	44,977	43,657	43,000
General pool admissions	20,393	45,490	36,401	32,144
Physical Environment:				
Curb miles swept	2,000	2,100	3,095	3,200
Linear feet of storm drains cleaned	1,500	1,600	13,200	13,200
Permits issued	8,202	9,191	8,929	5,272
Value of permits	375,192,522	336,554,569	343,341,142	189,340,190
Inspections performed	40,000	26,000	23,442	19,250

Note: Indicators are not available prior to 2006 and for the transportation function.

Sources: Various City Departments

City of Palm Beach Gardens, Florida
Capital Asset Statistics by Function/Program
Last Four Fiscal Years

Table 17

Function/Program:	Fiscal Year			
	2006	2007	2008	2009
General Government:				
Number of general government buildings	1	1	1	1
Public Safety:				
Fire stations	5	5	5	5
Transportation:				
Miles of streets	53	53	53	54
Culture and Recreation:				
Parks acreage	168	168	168	168
Parks	9	9	11	11
Golf courses	1	1	1	1
Soccer fields	10	10	10	10
Roller hockey rinks	2	2	2	2
Baseball/softball fields	17	17	15	15
Tennis courts	17	17	19	19
Playgrounds	8	8	9	9
Basketball courts	12	12	12	12
Racquetball courts	2	2	6	6
Skatepark	1	1	1	1
Swimming pools	3	3	3	3

Note: Indicators are not available prior to 2006 and for the physical environment function.

Sources: Various City Departments

COMPLIANCE SECTION



certified public accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor, City Council
City of Palm Beach Gardens, Florida

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Palm Beach Gardens, Florida (the City), as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 31, 2010. 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 City'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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City'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 City in a separate letter dated March 31, 2010.

This report is intended solely for the information and use of management, City Council, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

Rampell & Rampell, P.A.

Rampell & Rampell, P.A.
Palm Beach, Florida

March 31, 2010



certified public accountants

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

To the Honorable Mayor, City Council
City of Palm Beach Gardens, Florida

We have audited the financial statements of the City of Palm Beach Gardens, Florida, as of and for the fiscal year ended September 30, 2009 and have issued our report thereon dated March 31, 2010.

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 Compliance and Other Matters. Disclosures in this report, which is dated March 31, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's 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. There were no recommendations made in the preceding audit 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 City was in compliance with the provisions of 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. Our recommendations are included in Attachment A, Current Year Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we 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 City has disclosed this information in the notes to the financial statements. There are no component units related to the City.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2009, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2009. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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 management and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Rampell & Rampell, P.A.

Rampell & Rampell, P.A.
Palm Beach, Florida

March 31, 2010

City of Palm Beach Gardens, Florida
Attachment A, Current Year Recommendations to Improve
Financial Management, Accounting Procedures and Internal Controls
September 30, 2009

FINDING 2009-01

RISK ASSESSMENTS AND MONITORING

Criteria

Management of an organization has three basic functions—to plan, to organize, and to control. The first two functions culminate in policies and procedures. Policies and procedures have the potential to guide the organization toward achieving its goals and objectives, but only if they are implemented. The third function provides management with reasonable assurance that its policies and procedures are implemented and consistently followed. There are five elements critical to assurances on the financial statements and managerial controls. They are as follows:

1. Control environment
2. Risk assessments
3. Control activities
4. Information and communication
5. Monitoring

These five elements should be incorporated into all systems of internal control. *Our focus in this management letter is on risk assessments and monitoring.*

Risk assessment is the process used to identify, analyze, and manage potential risks. Risk identification methods include qualitative and quantitative ranking activities, management conferences, and forecasting and strategic planning. Over the course of time, situations can occur which prevent the City from fulfilling its responsibilities and meeting its goals. Because of this possibility, risk assessment should be a continual process of identifying and analyzing potential risks to the City.

Monitoring assesses the quality of internal controls over time and making adjustments as necessary. It is a basic management practice that involves activities such as performance evaluations; ongoing supervisory activities, reviews and analyses, and independent evaluations of internal controls performed by management or other parties outside of the process. Proper monitoring ensures that controls continue to be adequate and to function properly.

Condition

Risk assessment—Council and Management of the City of Palm Beach Gardens, through its actions, have accomplished many of the goals and objectives that are considered to be best practices in the area of risk assessment. Over the course of time however, changes can and will occur within your organization which may prevent you from fulfilling your responsibilities or meeting your goals. Based on our observations and discussions with Management, we determined that there is not an ongoing formal process for the analysis and identification of risks that relate to the operating cycles of the City. There is an informal process whereby Senior Management in the Finance Department discusses potential areas of risk, and develops plans to test controls. However, the risk assessment process and the results of the tests of controls are not documented.

Monitoring—Management has implemented various procedures to monitor controls within the City and these procedures can be found in policy documents, such as the Accounting Procedures Manual and Financial Management Procedures. During the course of our audit, we discussed the types of monitoring procedures that are performed and the documentation used to support the results of the testing. We

reviewed the documentation and determined that certain improvements could be made to ensure that it was complete and clearly communicated the results.

Effect

Supporting documentation for monitoring activities undertaken by management may not clearly communicate the procedures performed and/or the results of the procedures.

Recommendation

We recommend the following with respect to the City's risk assessment process and monitoring procedures.

1. Management should review its current risk assessment process as it relates to operating cycles and sub-cycles. A formal, continual process of identifying, analyzing, and managing potential risks should be developed and documented.
2. Concurrent with a revised risk assessment process, Management should identify which controls should be monitored and develop a formal internal monitoring process.
3. Management should develop a methodology whereby monitoring activities that are conducted are appropriately documented, reviewed, and approved.

Views of Responsible Officials and Planned Corrective Actions

Staff agrees over the course of time changes can occur within the City which may hinder or prevent the City from fulfilling its responsibilities or meeting its goals of assessing and monitoring potential risk.

Management strives to identify all such potential internal and external risk as soon as possible so that it will have adequate time to respond. Accordingly, effective risk monitoring and assessment must involve managers at all levels throughout the City. The goal of risk monitoring and assessment is to enable management to prevent or minimize harm. To achieve this goal, management must follow up with appropriate corrective action while considering several factors such as the significance and likelihood of occurrence of each type of risk acknowledged and the relative costs and benefits for each corrective action identified.

Although no control weaknesses were cited in the audit, staff concurs with the auditors that certain improvements could be made to the City's risk assessment process. Management will review the current process of identifying and analyzing potential risks to determine if a more formal process of managing potential risks should be developed and documented. Concurrent with this review, management will evaluate the internal process of monitoring controls to determine if the costs to implement additional levels of documentation, review and approval levels would out-weigh the benefits afforded the City.