

McGladrey & Pullen

Certified Public Accountants

Palm Beach County, Florida

Single Audit Report
09.30.2007

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PALM BEACH COUNTY, FLORIDA
SINGLE AUDIT REPORT

Fiscal Year Ended September 30, 2007

TABLE OF CONTENTS (Continued)

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in
Fund Balances – Budget and Actual for General Fund and
Major Special Revenue Funds with Annually Appropriated Budgets:

– General Fund.....	105
– Fire Rescue Special Revenue Fund.....	106
– Sheriff Special Revenue Fund	107
Schedules of Funding Progress – Pension Plans.....	108

Single Audit

Schedule of Expenditures of Federal Awards and State Financial Assistance.....	109
--	-----

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.....	115
--	-----

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards.....	116
--	-----

Independent Auditor's Report on Compliance and on Internal Control Over Compliance With Requirements Applicable to Each Major Federal Program and State Financial Assistance Project and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and Chapter 10.550.....	118
---	-----

Schedule of Findings and Questioned Costs.....	120
--	-----

Summary Schedule of Prior Year Audit Findings	132
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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

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

Honorable Ric L. Bradshaw
Sheriff

Honorable Sharon R. Bock
Clerk and Comptroller

Honorable Arthur Anderson
Supervisor of Elections

Honorable Gary R. Nikolits
Property Appraiser

Honorable Anne Gannon
Tax Collector

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Palm Beach County, Florida (the "County") as of and for the year ended September 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Solid Waste Authority, a major enterprise fund, which represents 27% of the total assets and 53% of total revenues of the business-type activities. We did not audit the financial statements of the Westgate Belvedere Homes Community Redevelopment Agency, a discretely presented component unit, which represents 43% of the total assets and 45% of total revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the Housing Finance Authority, a discretely presented component unit, which represents 55% of the total assets and 28% of the total revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Solid Waste Authority, Westgate Belvedere Homes Community Redevelopment Agency, and Housing Finance Authority, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Palm Beach County, Florida, as of September 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2008 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages xiii through xxviii, the Budgetary Comparison Schedules – General Fund, Fire Rescue Special Revenue Fund and Sheriff Special Fund on pages 105 through 107 and the schedules of funding progress on page 108 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 County's basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

West Palm Beach, Florida
March 19, 2008

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Management's Discussion and Analysis

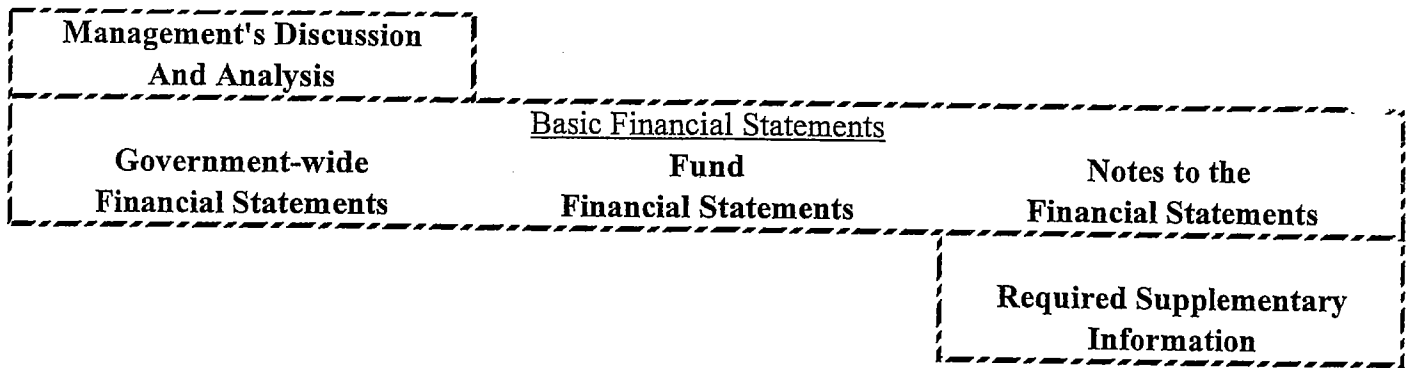
Our discussion and analysis provides an overview of the financial activities of Palm Beach County, Florida (the "County") for the fiscal year ended September 30, 2007. We encourage reading this narrative in conjunction with the additional information provided in the transmittal letter (beginning on page i) and the accompanying financial statements (beginning on page 2).

Financial Highlights

- The County's assets exceeded its liabilities (net assets) by approximately \$3.838 billion and \$3.561 billion at the close of fiscal years 2007 and 2006, respectively. Of these amounts, \$2.346 billion and \$2.098 billion were invested in capital assets, net of related debt. In addition, \$788.2 million and \$728.5 million were restricted by law, grant agreements, debt covenants, or for capital projects. As a result, \$704.3 million and \$734.2 million were available at year-end to meet the County's ongoing obligations to residents, creditors, and enterprise fund customers.
- During the year, the County's net assets increased \$277.5 million, an increase of approximately 7.8% from the previous year. Approximately \$146.3 million of this increase was from business-type activities. Approximately \$131.2 million of the increase was from governmental activities.
- At September 30, 2007, the County's governmental funds reported a combined ending fund balance of \$1.410 billion, a decrease of \$73.9 million or 5.0% from the previous year.
- At September 30, 2007, the unreserved fund balance for the General Fund was \$240.8 million and the total fund balance was \$242.8 million which is an increase of \$21.3 million or 9.6% from the previous year.
- The County's three enterprise funds, the Department of Airports, the Water Utilities Department, and the Solid Waste Authority had increases in net assets of \$24.6 million, \$51.8 million and \$70.6 million, respectively, over the previous year.
- The County's total liabilities at September 30, 2007 and 2006 were \$2.195 billion and \$2.134 billion, respectively.

Overview of the Financial Statements

This CAFR consists of the Basic Financial Statements and other statements. The County's basic financial statements contain three components: government-wide financial statements, fund financial statements, and notes to the financial statements (see chart on next page).



Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental funds

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

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

Proprietary funds

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

Fiduciary funds

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

Notes to the financial statements

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

Other information

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

Government-wide Financial Analysis

Over time, net assets may serve as the most useful indicator of a government's financial position. At September 30, 2007 and 2006, the County's total net assets, or total assets less liabilities, were \$3.838 billion and \$3.561 billion, respectively. A significant portion of the County's net assets, \$2.346 billion or 61.1%, is identified as an investment in capital assets (such as land, buildings, equipment, infrastructure), less related debt outstanding that was used to acquire those assets. Since the County uses capital assets to provide services to its residents, the net assets represented by "invested in capital assets, net of related debt" are not available for future spending. In fact, the payment of maintenance and debt service costs on those capital assets will themselves require governmental resources.

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

As shown on the following chart, the County reported positive balances at September 30, 2007 and 2006, in all three categories of net assets, for governmental activities, business-type activities, as well as the County as a whole.

Palm Beach County, Florida
Net Assets at Year-End (in thousands)

	Governmental Activities		Business-type Activities		TOTAL PRIMARY GOVERNMENT	
	2007	2006	2007	2006	2007	2006
Assets						
Current and other assets	\$ 1,745,922	\$ 1,744,925	\$ 575,790	\$ 667,161	\$ 2,321,712	\$ 2,412,086
Capital assets	2,096,057	1,872,371	1,615,468	1,410,545	3,711,525	3,282,916
Total assets	3,841,979	3,617,296	2,191,258	2,077,706	6,033,237	5,695,002
Liabilities						
Current	369,961	272,943	127,777	113,219	497,738	386,162
Long-term debt due in more than one year	1,097,067	1,100,598	600,357	647,673	1,697,424	1,748,271
Total liabilities	1,467,028	1,373,541	728,134	760,892	2,195,162	2,134,433
Net Assets						
Invested in capital assets, net of related debt	1,258,859	1,149,700	1,086,676	948,166	2,345,535	2,097,866
Restricted	691,922	653,306	96,296	75,198	788,218	728,504
Unrestricted	424,170	440,749	280,152	293,450	704,322	734,199
Total net assets	\$ 2,374,951	\$ 2,243,755	\$ 1,463,124	\$ 1,316,814	\$ 3,838,075	\$ 3,560,569

Governmental activities

Governmental activities were responsible for a \$131.2 million increase in the County's net assets. The growth in net assets from governmental activities represented 47.3% of the County's total growth in net assets. The increase in net assets is attributed to significant increases in two revenue categories:

- An increase in property values accompanied by a small reduction in the overall millage rates resulted in additional ad valorem tax revenue for the year. The assessed value of taxable property located in the County (after exemptions) grew from \$138.7 billion in 2006 to \$146.6 billion in 2007. This represented an increase of \$7.9 billion or 5.7%. Gross property taxes levied for fiscal year 2007 rose from \$831.9 million in 2006 to \$978.1 million for 2007, an increase of \$146.2 million or 17.6%.
- Investment income grew significantly. This is due to several factors, including the overall yield increasing 41 basis points to 5.17% and rebalancing certain securities to increase overall portfolio yield.

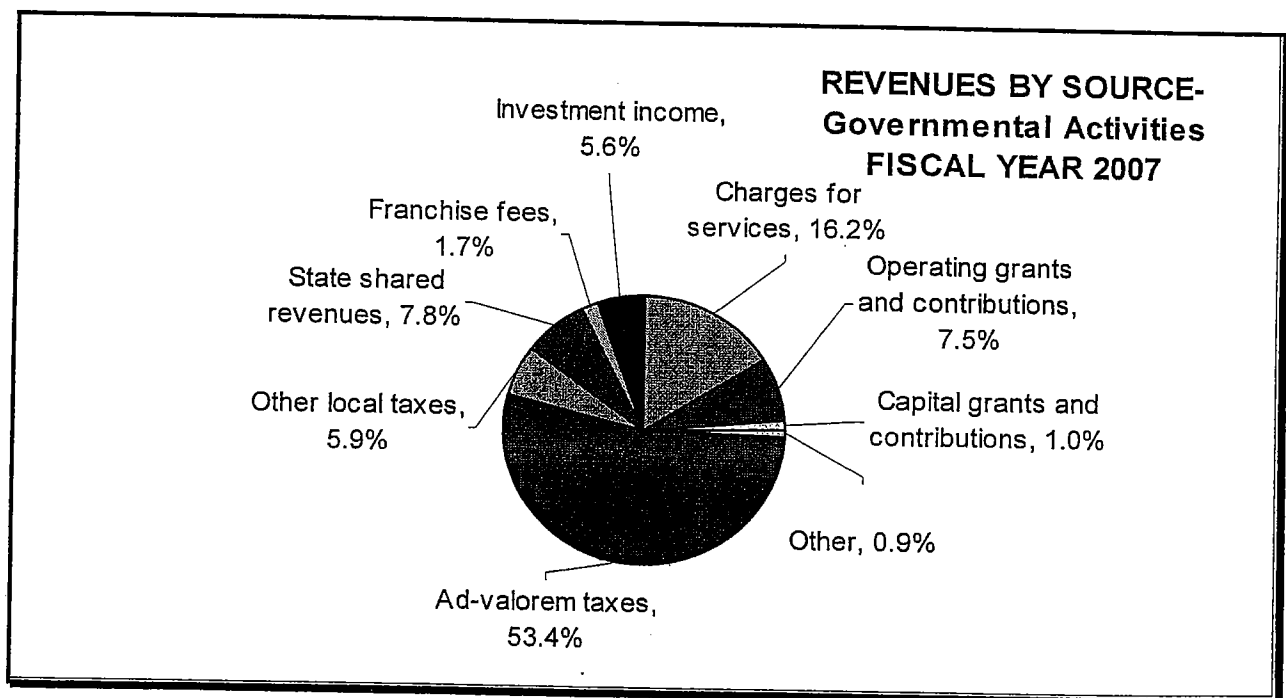
Key elements on the increase in net assets during fiscal year 2007 are on the chart on the following page.

Operating grants and contributions decreased \$37.1 million. This was partially due to additional funds being received from the Federal Emergency Management Agency for hurricane related reimbursements in fiscal year 2006. Since there were no hurricanes during fiscal year 2007, no additional operating grant revenues were recorded during fiscal year 2007.

Investment income increased \$23.5 million. The overall increase was due to an increase in realized interest earnings during the year due to rising market interest rates earned during the fiscal year.

Transportation expenses increased \$22.2 million primarily due to higher transportation related expenditures related to operations (gasoline costs) and maintenance.

The County's governmental activities had net expenses of \$1.193 billion. However, these services are intended to be primarily funded by taxes and other general revenues as opposed to charges for service and grants. Total revenues (both program and general revenues) exceeded total expenses by \$133.7 million.



Business-type activities

The County's business-type activities had total revenues of \$481.4 million and had total revenues in excess of total expenses of \$143.8 million.

Refer to the **Proprietary funds** section of **Financial Analysis of the Government's Funds** which follows for more information on the County's business-type activities.

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

	Governmental Activities		Business-type Activities		TOTAL PRIMARY GOVERNMENT	
	2007	2006	2007	2006	2007	2006
Revenues						
Program Revenues:						
Charges for services	\$ 285,765	\$ 340,030	\$ 380,467	\$ 347,556	\$ 666,232	\$ 687,586
Operating grants and contributions	132,204	169,339	43,763	81,160	175,967	250,499
Capital grants and contributions	18,203	18,861	57,147	86,049	75,350	104,910
	436,172	528,230	481,377	514,765	917,549	1,042,995
General Revenues:						
Ad valorem taxes	939,720	800,033			939,720	800,033
Other local taxes	104,310	101,556			104,310	101,556
State shared revenues	137,690	141,613			137,690	141,613
Franchise fees	30,005	29,708			30,005	29,708
Investment income	98,855	75,370			98,855	75,370
Other	16,446	5,275	20	3,464	16,466	8,739
Total revenues	1,763,198	1,681,785	481,397	518,229	2,244,595	2,200,014
Expenses						
General government	353,586	334,222			353,586	334,222
Public safety	648,701	594,770			648,701	594,770
Physical environment	28,637	22,759			28,637	22,759
Transportation	169,133	146,886			169,133	146,886
Economic environment	160,162	70,954			160,162	70,954
Human services	100,967	92,500			100,967	92,500
Culture and recreation	119,260	135,555			119,260	135,555
Interest expense	49,028	46,868			49,028	46,868
Department of Airports			66,277	65,296	66,277	65,296
Water Utilities Department			112,853	98,664	112,853	98,664
Solid Waste Authority			158,485	211,846	158,485	211,846
Total expenses	1,629,474	1,444,514	337,615	375,806	1,967,089	1,820,320
Excess	133,724	237,271	143,782	142,423	277,506	379,694
Transfers In (Out)	(2,528)	(11,055)	2,528	11,055	-	-
Special items	-	-	-	(32,214)	-	(32,214)
Change in net assets	131,196	226,216	146,310	121,264	277,506	347,480
Beginning net assets	2,243,755	2,017,539	1,316,814	1,195,550	3,560,569	3,213,089
Ending net assets	\$ 2,374,951	\$ 2,243,755	\$ 1,463,124	\$ 1,316,814	\$ 3,838,075	\$ 3,560,569

Financial Analysis of the Government's Funds

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

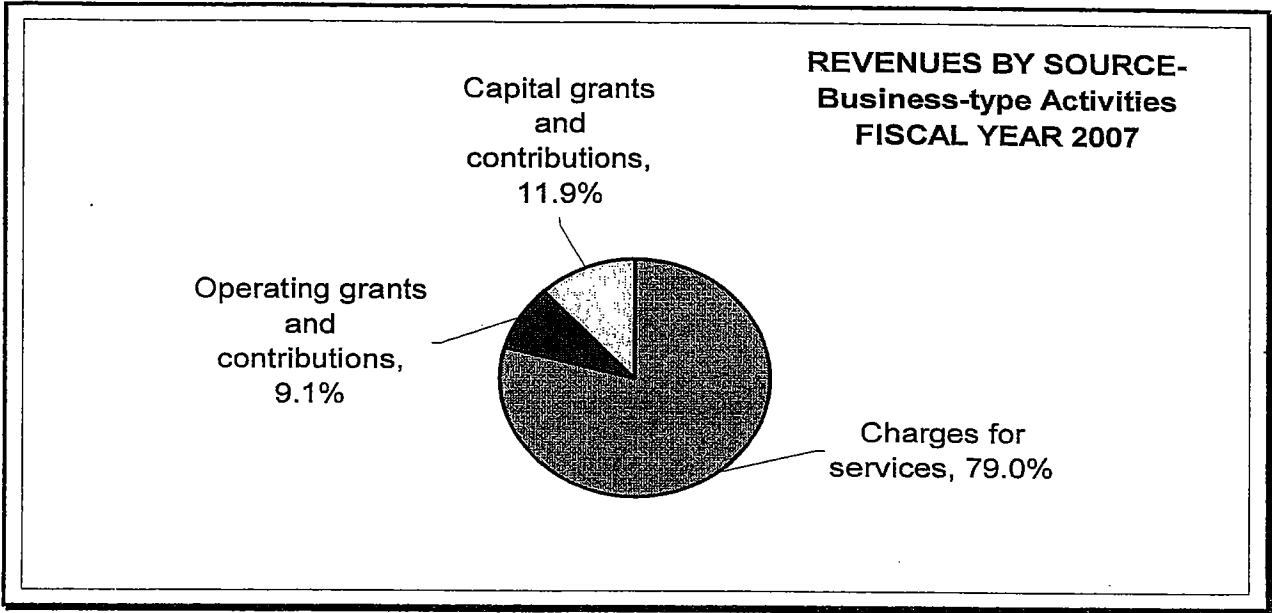
Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in determining the County's financing resources. Unreserved fund balance, in particular, is a useful measure of a government's net resources available for spending at the end of a fiscal year.

Changes in Fund Balance – Governmental Funds

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

- General Fund growth in fund balance can be attributed to investment earnings in excess of budget, the Sheriff's return of \$10 million in excess fees, and the net over-collection/under-spending of the various departmental budgets.
- Balances in the Capital Project funds decreased by \$99 million (24%) due to project activity and completions. Most of the major projects are multi-year projects, funded in the first year, with the unspent balance carrying over into subsequent years. Fund balance not designated for a specific project in the Road Program is carried over and held in reserve for future projects.
- Fund balance in the Fire-Rescue special revenue fund increased due to a planned increase in reserves to offset future operating needs. Also, increased investment earnings and un-expended salary budget for disaster recovery is available for carry over.
- In FY 2007, over \$88 million in ad valorem equivalent funding was provided for capital projects, including street and drainage improvements, park improvements, new computer technology, and facility renovations. Additionally, bond/loan proceeds were recognized to fund other capital projects, including Judicial Parking Garage, South County Golf Course and Environmentally Sensitive Lands. These projects are multi-year projects, whose budgets are established at inception when the revenue is recognized. The expenditure budgets carry over into the ensuing years.

At September 30, 2007, the County's governmental funds reported combined ending fund balances of \$1.410 billion, a decrease of \$73.9 million from the previous year. This decrease was the result of a combination of the \$1.8 million decrease in the ending fund balance of the Road Program Capital Projects Fund; an increase in the General Fund of \$21.3 million; an increase in the Fire Rescue Special Revenue Fund of \$17.9 million; an increase in the Sheriff Special Revenue Fund of \$2.8 million; a decrease in the General Government Capital Projects Fund of \$51.2 million and a decrease in Other Governmental Funds of \$62.9 million.



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

Department of Airports:

- ➔ Operating revenues rose by 3%, increasing from \$64.2 million to \$66 million. Components include an increase in parking revenues of \$1 million and an increase in landing fee revenue of \$400,000. Both revenue increases were attributable to rate increases over the prior year.
- ➔ Operating expenses increased by 3%, totaling \$41 million in fiscal year 2007. Maintenance expenses increased by 11% due to additional equipment maintenance (loading bridges, baggage systems, escalators, vehicles) and additional janitorial costs due to increased terminal areas to maintain.
- ➔ Operating income after depreciation remained at \$5.1 million.
- ➔ Non-operating revenues from Passenger Facility Charges (PFC) increased from \$9.4 million to \$10.7 million. Actual PFC receipts in fiscal year 2007 were substantially the same as receipts in fiscal year 2006.

Water Utilities Department:

- ◆ The Department's net assets increased by \$51.8 million, or 6.4%, during the year.
- ◆ Long-term debt (net of the current portion) decreased by \$13.7 million, or 7.1%, during the year.

- ◆ Operating revenues in fiscal year 2007 totaled \$101.2 million, a 12.7% increase. Fiscal year 2007 also included the effect of an 18% on-line rate increase effective in May, 2007 and a 1.6% increase in the customer base. These were offset by the effects of mandatory water restrictions imposed by the South Florida Water Management District.
- ◆ Operating expenses before depreciation and amortization and equity interest in net loss of joint venture totaled \$73.8 million, an increase of \$8.3 million or 12.7%.
- ◆ Non-operating revenue increased by \$0.3 million, or 2.7% in fiscal year 2007.
- ◆ The Department's total income before contributions and transfers remained strong at \$5.3 million.

Solid Waste Authority:

- ✓ The Authority's assets exceeded its liabilities (net assets) by approximately \$276.8 million at the close of fiscal year 2007. Of this amount, approximately \$102.9 million is considered unrestricted and pursuant to the Authority's trust indenture is available for renewal and replacement of the solid waste system and capital improvements.
- ✓ The Authority's revenues and capital contributions exceeded expenses by approximately \$70.6 million for fiscal year 2007.
- ✓ In fiscal year 2007 the Authority received approximately \$7.8 million from federal and state agencies for reimbursement of costs associated with the clean-up efforts following Hurricanes Wilma, Frances, and Jeanne.
- ✓ The Authority repaid three line of credit agreements that were entered into for the purpose of financing the costs incurred in connection with the removal and disposal of debris and the cost to repair damaged facilities resulting from Hurricanes Wilma, Frances, and Jeanne.
- ✓ During fiscal year 2007, the Authority received insurance proceeds of approximately \$4.55 million relating to a fire that damaged the Authority's waste-to-energy facility in October 2005. The facility was shut down for approximately one month and returned to operation.
- ✓ Tipping Fee revenue for fiscal year 2007 declined by approximately \$7.6 million from fiscal year 2006. This is due in large part to higher than normal amounts of debris being brought to the Authority in 2006 resulting from hurricane activity.
- ✓ The Authority is beginning an aggressive capital renewal and expansion program. As a result of this effort, assessment rates were increased resulting in an increase in assessment revenue of approximately \$22.5 million in fiscal year 2007.

Budgetary Highlights

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

After the original budget is approved, it may be revised for a variety of reasons such as unforeseen circumstances, corrections or errors, new bond or loan proceeds, new grant awards and other revenues. During fiscal year 2007, supplemental appropriations to the Board of County Commissioners' budget excluding component units, were approximately \$281.2 million, or approximately 6.4% of the original adopted budget.

Differences between the original budget for fiscal year 2007 and the final amended budget for the General Fund can be summarized as follows:

- Reappropriations, which represent the "true up" of beginning fund balance to actual fund balance, accounted for \$26.4 million of the difference between adopted budget and the final budget.
- The Utility Tax - Electricity fund was established during the year and the related budget of \$29.6 was moved from the General Fund.
- Additional budget amendments throughout the year accounted for the remaining increase in final budget. The most significant of these increased the Sheriff's budget providing for the establishment of contracts for off-duty patrol and contracts between the Sheriff's Office and the municipalities of Royal Palm Beach and Belle Glade.

Budget to Actual Expenditures

- General Fund budgeted reserves had a balance at year-end of \$169 million which represents 85% of the total unexpended appropriations in the fund. These unexpended funds will be carried over into FY 2008 and will be reappropriated.
- The Tax Collector and Property Appraiser returned/underspent approximately \$6.8 million.
- The remaining unspent funds can be attributed to County departments, overall, spending less than budgeted.

Budget to Actual Revenues

General Fund collections exceeded budget for the year:

- Ad valorem tax collections were 96% of budget, in line with the historical collection rate. Florida Statutes require revenues to be budgeted at 95% of reasonably anticipated receipts. Palm Beach County budgets a negative 5% statutory reserve to accomplish this. Allowing for the reserve, ad valorem taxes were actually over-collected by \$7 million.
- Investment Income exceeded budget by 130%. A significant portion of the difference is attributable to interest earned by the Tax Collector and Sheriff's Office. Moreover, a positive GASB 31 adjustment attributed to an increase in the year-end valuation of investments.

Budget to Actual – Other financing sources

Transfers in:

- Actual transfers in includes \$13.7 million of excess fees received from the Sheriff and Clerk & Comptroller. Excess fees received from the Sheriff were \$10.9 million more than budgeted. Budgeted transfers in totaling \$6 million from the Sales Tax fund did not occur during the year due to under-collection of Sales Tax.

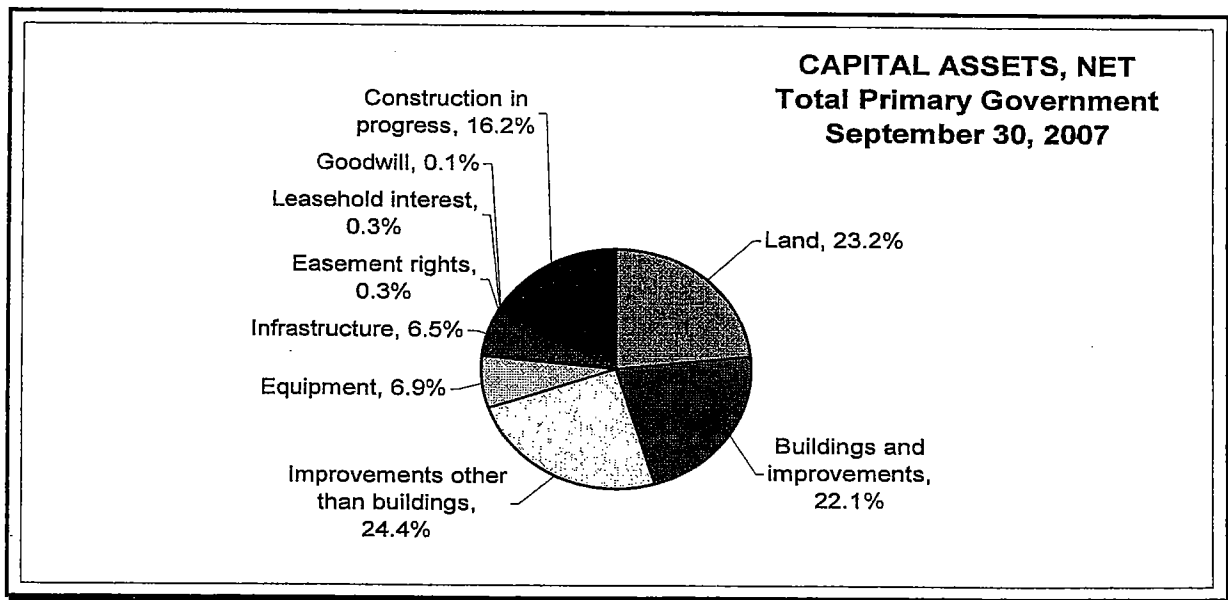
Capital Assets and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of September 30, 2007, amounts to \$3.712 billion (net of accumulated depreciation). This investment in capital assets includes a broad range of capital assets, including land, buildings and improvements, improvements other than buildings, equipment, infrastructure, and construction in progress. The total increase in the County's capital assets for fiscal year 2007 was 13.1% (a 11.9% increase for governmental activities and a 14.5% increase for business-type activities).

Palm Beach County, Florida						
Capital Assets, net of Accumulated Depreciation at Year-End (in thousands)						
	Governmental Activities		Business-type Activities		TOTAL PRIMARY GOVERNMENT	
	2007	2006	2007	2006	2007	2006
Primary Government:						
Land	\$ 700,759	\$ 635,818	\$ 160,616	\$ 152,268	\$ 861,375	\$ 788,086
Buildings & improvements	514,835	449,203	305,701	310,577	820,536	759,780
Improvements other than buildings	126,738	88,417	779,446	684,201	906,184	772,618
Equipment	177,299	150,631	77,606	77,657	254,905	228,288
Infrastructure	241,558	244,798	-	-	241,558	244,798
Easement rights	-	-	11,613	-	11,613	-
Leasehold interest	-	-	10,257	11,457	10,257	11,457
Goodwill	-	-	5,032	5,209	5,032	5,209
Construction in progress	334,868	303,504	265,197	169,176	600,065	472,680
TOTALS	\$ 2,096,057	\$ 1,872,371	\$ 1,615,468	\$ 1,410,545	\$ 3,711,525	\$ 3,282,916

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

- Substantially completed projects for 2007 include the Park Ridge Golf Course for \$9.0 million, the Therapeutic Recreation Complex for \$10 million, District Park “F” (Acreage) for \$11.4 million, the Jim Brandon Equestrian Center for \$11.3 million, and Glades Pioneer Park Pool for \$4.3 million.
- Major capital asset additions by the Water Utilities Department included the completion of the Northern Region Pipeline for \$60.9 million, the completion of water treatment plant improvements for \$18.9 million and construction of the Century Village Reclaimed Water Facility for \$5.9 million.
- The Solid Waste Authority expended approximately \$45.2 million on capital assets, which included approximately \$9 million for equipment, \$12.2 million for construction costs associated with the construction of a golf course on the site of the closed Lantana landfill and \$8.2 million for landfill cell construction.
- The Department of Airports expended \$90.3 million on capital activities. Completed projects during 2007 totaling \$10.3 million were transferred from construction-in-progress to their respective capital accounts. The major project during fiscal year 2007 was construction of an additional long term parking garage which is scheduled for completion in early calendar year 2008.



See Note 4, *Capital Assets*, in the *Notes to the Financial Statements* for additional information.

Long-term liabilities. At September 30, 2007, the primary government had 43 issues of bonded debt totaling \$1.493 billion. Of this amount, \$316 million comprises debt backed by the full faith and credit of the government, \$586 million is special obligation debt secured by dedicated revenue sources and \$591 million is secured by specified enterprise revenue sources. See chart below for more information.

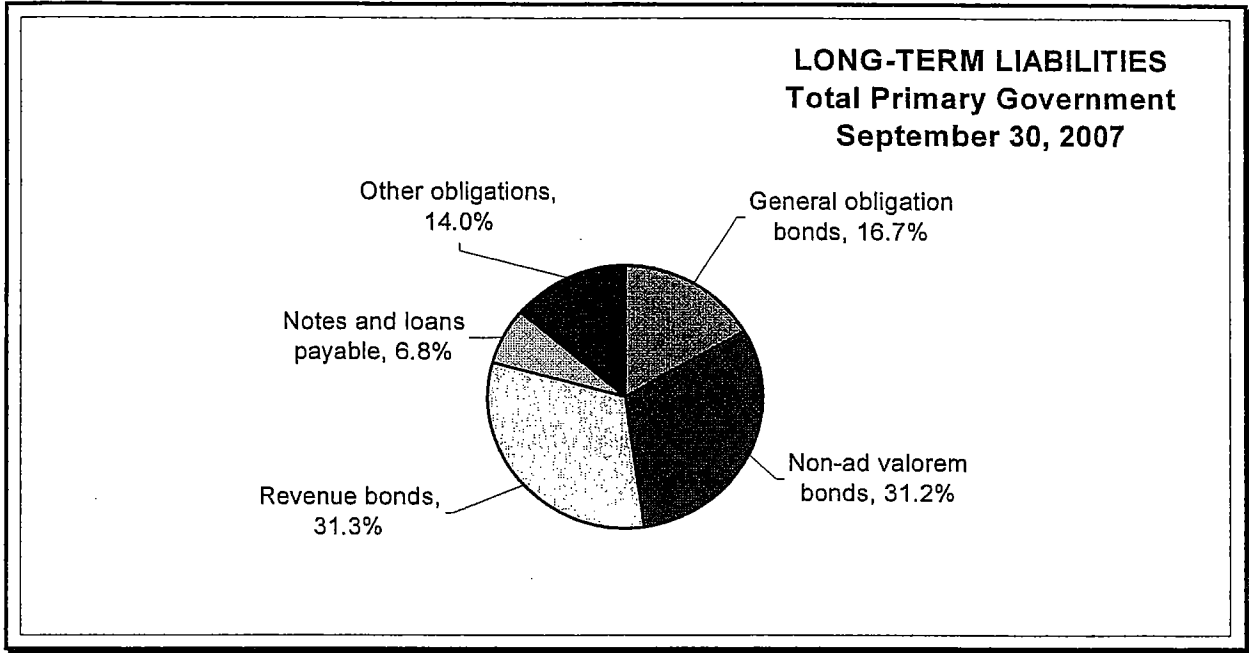
Palm Beach County, Florida
Long-Term Liabilities at Year-End (in thousands)

	Governmental Activities		Business-type Activities		TOTAL PRIMARY GOVERNMENT	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 316,245	\$ 338,918	\$ -	\$ -	\$ 316,245	\$ 338,918
Non-ad valorem revenue bonds	586,021	609,957	-	-	586,021	609,957
Revenue bonds	-	-	591,205	635,635	591,205	635,635
Notes and loans payable	129,057	94,871	250	7,654	129,307	102,525
Other obligations	203,410	179,337	60,884	56,743	264,294	236,080
TOTALS	\$ 1,234,733	\$ 1,223,083	\$ 652,339	\$ 700,032	\$ 1,887,072	\$ 1,923,115

Bonded Debt. The County's bond issues are rated by three primary bond rating agencies; Moody's Investors Service, Standard and Poor's and Fitch Ratings. These ratings, which are listed in the following chart, are indicative of the County's strong management team, broad-based economy, continually well-performing tax base, increasingly strong financial position, minimal debt requirements and high quality residential tax base. At September 30, 2007, the County's non-ad valorem revenues were 4.18 times the debt service required in the current or any future fiscal year.

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

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



Refer to Note 15, *Long-Term Debt*, in the *Notes to the Financial Statements* for more information on long-term liabilities.

Economic Factors

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

- During fiscal year 2007, the Florida Legislature imposed significant restrictions on the ability of municipalities and counties to increase ad valorem millage rates, beginning in fiscal year 2008.
- The Florida Department of Labor and Employment Security reported that the number of employed Palm Beach County residents rose from 645,211 in 2006 to 650,548 in 2007, an increase of less than 1%. This compares to a 3.7% increase in 2006. The County’s unemployment rate increased to 4.8% for 2007 compared to 3.7% for 2006.
- The Consumer Price Index increased 2.76% over the previous year’s rate. Although not specific to Palm Beach County, it does provide economic guidance for budgeting.
- The assessed value of taxable property located in the County (after exemptions) grew from \$138.7 billion in 2006 to \$146.6 billion in 2007. This represented an increase of \$7.9 billion or 5.7%.

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- Palm Beach County has a diversified property tax base. The ten largest property taxpayers in the County represent 6.99% of the total ad valorem property taxes levied.
- Gross property taxes levied for fiscal year 2007 rose from \$831.9 million in 2006 to \$978.1 million for 2007, an increase of \$146.2 million or 17.6%.
- Single family permits decreased from 3,866 in 2006 to 1,697 in 2007, or by 56.1%.
- Existing single family home sales for the month of September 2007 were down 17% with 471 units sold compared to 566 units sold in September 2006.
- The median price for an existing single family home in Palm Beach County declined 3% from September 2006 to \$355,300 in September 2007.

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

To Obtain Further Information

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

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

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

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

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PALM BEACH COUNTY, FLORIDA
SINGLE AUDIT REPORT

Fiscal Year Ended September 30, 2007

TABLE OF CONTENTS

Report of Independent Certified Public Accountants	i
Management's Discussion and Analysis	iii
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	2
Statement of Activities	4
Fund Financial Statements	
Descriptions of Major Funds	7
Balance Sheet - Governmental Funds	8
Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets - Governmental Activities	10
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Governmental Activities	14
Statement of Net Assets - Proprietary Funds	16
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	20
Statement of Cash Flows - Proprietary Funds	22
Statement of Fiduciary Net Assets - Agency Funds	26
Notes to the Financial Statements	28

