

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**TOWN OF PALM BEACH, FLORIDA**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002**



Prepared by the Finance Department

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TOWN OF PALM BEACH, FLORIDA

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SEPTEMBER 30, 2002

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# TOWN OF PALM BEACH

Finance Department

January 14, 2003

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

The Comprehensive Annual Financial Report of the Town of Palm Beach for the fiscal year ended September 30, 2002, is hereby submitted pursuant to Florida Statute 11.45. This document is the official comprehensive publication of the Town's financial position at September 30, 2002, and reports the results of its operations for the fiscal year then ended for all funds and account groups. This report was prepared by the Town's Finance Department. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. To the best of our knowledge and belief, the enclosed data are accurate in all material respects. They are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, Certificate of Achievement, the Town's organizational chart and a list of principal officials. The financial section includes the independent auditor's report, the general purpose financial statements and notes thereon, and the more detailed combining and individual fund statements and schedules. The statistical section includes selected financial and demographic information presented on a multi-year basis.

The financial reporting entity includes all of the funds and account groups of the Town of Palm Beach. It includes all governmental organizations and activities for which the Town is considered to be financially accountable in accordance with Governmental Accounting Standards Board Statement No. 14.

## **GOVERNMENTAL STRUCTURE, ECONOMIC CONDITION AND OUTLOOK**

The Town of Palm Beach, incorporated in 1911, is located on a barrier island in the eastern part of Palm Beach County, which ranks as one of the top growth areas in the State. Palm Beach is a unique, internationally famous residential community known for its distinctive architecture and landscaping, gracious homes and apartments, golf courses and clubs, and attractive stores and restaurants. The taxable value of properties within the Town provides appropriate support for the Town's authorized indebtedness. Median income levels and housing values are well above those for the State and nation.

The Town of Palm Beach services a full-time resident population of 9,676 plus an estimated 15,000 additional seasonal residents (November to May), as well as numerous visitors and other individuals who are employed on the island.

The Town is governed by an elected Mayor and a five-member Council. The Mayor's term is for two years. The five members of the Town Council are elected at large and serve overlapping two-year terms. The Town operates under the Council-Manager form of Government. The Town Council appoints the Town Manager who serves as the Town's Chief Administrative Officer and is responsible for implementing the policies established by the Town Council. The Town has 394 employees, including 78 sworn police officers and 74 full-time firefighters.

The Town provides a full range of services. These services include police and fire protection, emergency medical services, sanitation services, recreational activities, the construction and maintenance of streets, storm water collection system, sanitary sewer collection system and other infrastructure.

The Town of Palm Beach is primarily a residential community. Commercial activities are restricted primarily to Town-serving establishments including banks, retail shops, hotels and restaurants for the Town's permanent population of 9,676 and seasonal residents. There is no industrial development within the Town. Stringent zoning and land use regulations have limited development and over the long term, will preserve the Town's high quality residential character.

The primary source of revenue is property taxes. The increase in the Town's gross taxable value last year of 15.66% to \$6,974,550,633 helped the Town continue to provide services at a modest tax rate. Taxable value is expected to continue to increase due to continued real estate redevelopment and the strong increases in the market values of existing properties.

### **MAJOR INITIATIVES AND ACCOMPLISHMENTS**

**For The Year:** In preparing the 2001-2002 (FY2002) budget, primary attention was given to maintaining the existing variety and quality of municipal services in the most economical ways practical. The type and level of municipal services for FY2002 remained the same as they were in FY2001.

Since the beginning of the fiscal year, staff has been reporting the status of the Town's finances to the Town Council. The economic downturn caused some revenues, especially building permit revenues and investment income, to seriously lag behind their monthly targets. Steps were taken, as early as December 2001, to defer large expenditures until later in the fiscal year when we would have a better idea of the status of revenue receipts. Department heads reduced operating expenditures where they could without reducing services. Overall, due to the expenditure control measures imposed early in the fiscal year, and the improvement in revenue receipts we ended the year with an operating surplus.

During the year substantial efforts were made to implement long-range planning practices. As part of this process Town staff proposed and the Town Council adopted two new financial policies, a Marina Fund Dock Replacement Reserve and a Revenue Shortfall Plan. Modifications were also made to the Reserve for Catastrophic Exposures/Emergencies – Risk Fund to increase the amount of the reserve as recommended in a Risk Insurance study completed during FY2002.

Staff also prepared a draft Long-Term Financial Plan for review by the Strategic Planning Board and the Town Council. This plan will be finalized and formally presented for Town Council consideration during the FY2004 Budget Process.

During fiscal year 2002 the following other major accomplishments occurred:

- The Police Department headquarters building expansion was completed.
- A new tennis facility at Phipps Ocean Park was opened in February 2002 and a pro shop was completed in the fall of 2002. The completion of the new facility increased available public tennis courts in the Town by 37%.
- A Townwide customer service training program and team-building program for management was implemented.
- The Police Department implemented a comprehensive Domestic Security Plan.

- Issued the Town's first Disaster Preparedness Bulletin mailed to every homeowner, condominium, apartment and business location in the Town.
- New Construction Contract and Project Management Procedures were implemented to improve public construction project oversight and control.
- The Town reached a Class 7 rating with the National Flood Insurance Program, Community Rating System. The Class 7 rating provides residents who reside in a Special Flood Hazard Area with a 15% premium discount on their flood insurance policy and a 5% premium discount for residents who reside in a non-special hazard area.
- The Town of Palm Beach's Marina received a Clean Marina Award from the Florida Department of Environmental Protection.
- The Town Council approved a 10 year \$23.7 million pay-as-you-go stormwater program to provide new pump stations, expand existing pump stations, provide new and larger pipes along the "trunk lines" connecting smaller pipes to the pump stations, and providing new or larger pipes in some of the residential side streets.
- Completed the installation of a Townwide telephone system, including I-Net Equipment.
- The Town of Palm Beach was presented with an Award of Excellence from the Safety Council of Palm Beach County for worker safety.
- During fiscal year 2002, the Town was successful in receiving Federal grant funding from various sources. Funds of \$50,000 were received for the construction of a wooden ramp over the Phipps Ocean Park sand dunes to make the beach more accessible to persons with disabilities and also to protect dune vegetation. The Police Department received \$10,000 for the purchase of audio/video equipment and a digital camcorder to assist in the reduction of illegal drugs and the obtainment of convictions, and for the purchase of a Level A Hazmat Suit and related equipment to prepare the department in the event of a biological, chemical or nuclear incident. The Police Department also received \$4,042 from the Bureau of Justice Assistance to aid in the purchase of ten bullet proof vests. Additionally, the Town Marina received a second \$1,500 grant from the Clean Marina Grant Program for the installation of awnings to cover the Australian dock oil tanks.

**For the Future:** Maintenance and expansion of the Town's general infrastructure (such as streets, oceanfront roadway protective seawalls, sanitary sewer collection system and storm drainage collection system) remains a major concern of the Town. To address this concern, the Town each year prepares a five-year Capital Improvement Program that provides the framework for the development and maintenance of infrastructure to meet current and future needs.

The Capital Improvement Program encompasses a five-year period, only the first year of which is actually adopted each year by the Town Council for funding and implementation. The Program is not a budget, but provides appropriate financial information for prudent budget planning recommendations and assists the Town's Elected Officials and Management Staff in the decision making process. Through budgetary action, the first year of the Program becomes the Capital Projects allocation, which is funded from the General Operating Budget of the Town.

The Capital Improvement Program also includes the Town's Comprehensive Coastal Management Plan, which addresses sand and shoreline management practices for the entire Atlantic Ocean shoreline of the Town. Preliminary shoreline management recommendations for the Town are projected to cost

approximately \$43,000,000 over a 5 year period. The project will be financed with Federal, State and Local Grants, Capital Reserves, and a \$23,530,000 Revenue Bond issued in fiscal year 2000.

The following are Townwide goals that were adopted by the Town Council for fiscal year 2003.

- Continue with implementation of plans to improve storm drainage to reduce property damage during future heavy rain events.
- Continue the implementation of the Town's Coastal Management Plan, including construction of the Mid-Town Beach Nourishment Project and final permitting of the Phipps Ocean Park Beach Restoration Project.
- Develop workable strategies for preventing excessively large homes, traffic generating commercial facilities, and in general, overbuilding that will strain infrastructure capabilities.
- Maintain strict zoning regulations in order to preserve and increase green space as well as the beauty of Palm Beach.
- Continue visible and discreet actions to increase the safety and security of Town residents and employees as it related to potential natural disasters (emergency preparedness) and acts of terrorism (domestic security).

Other notable initiatives for fiscal year 2003 will include the following:

- The Town will pursue resolution of the long-term space needs for Town operations. The construction of a new central fire station should begin in the spring of 2003 and the renovation of Town Hall will occur once the fire station is complete.
- A Comprehensive Emergency Management Plan will be completed during fiscal year 2003.
- The construction of a Town park at the corner of South County Road and Peruvian Avenue will be completed in FY 2003.
- The renourishment of Mid-Town Beach will be completed during FY2003.
- The Police Department will initiate a Direct Connect Alarm System to allow business burglar alarms to be connected directly to the Police Department in addition to their alarm company. This will allow the police department to respond even more quickly to an alarm activation.
- The Strategic Planning Board will complete their Strategic Plan and submit it to the Town Council for adoption.
- An Investment Advisory Committee will develop an investment plan for the Town's surplus funds.

## **FINANCIAL INFORMATION**

**Internal Controls:** In developing and evaluating the Town's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding: 1) the safeguarding of assets against loss from unauthorized use or disposition; and, 2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of an internal control system should not exceed the benefits likely to be derived, and that the evaluation of cost and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the Town's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

**Budgeting Controls:** In addition, the Town maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions implied in the annual budget approved by the Town Council. Activities of the General Fund, Debt Service Funds and Capital Projects Funds are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the Fund level. The Town also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Unencumbered amounts lapse at year end. Open encumbrances for outstanding purchase orders are reported as a reservation of fund balance at September 30, 2002 and are re-appropriated as part of the following year's budget.

As demonstrated by the statements and schedules in the financial section of the report, the Town continues to meet its responsibility for sound financial management.

**General Fund Government Functions:** The following schedule presents a summary of General Fund revenue (budgetary basis) for the fiscal year ended September 30, 2002, and the amount and percentage of increases and decreases in relation to the prior year's revenue:

<u>Revenue Source</u>	<u>FY2002 Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From FY2001</u>	<u>Percent Increase (Decrease)</u>
Taxes	\$ 32,777,912	76.0%	\$ 1,151,814	3.6%
Licenses and permits	5,503,582	12.7	(732,531)	(11.7)
Intergovernmental	1,155,058	2.7	106,640	10.2
Charges for services	2,227,358	5.2	(82,124)	(3.6)
Fines and forfeitures	550,323	1.3	(208,131)	(27.4)
Investment earnings	665,828	1.5	(1,116,549)	(62.6)
Grant revenue	44,608	0.1	18,396	70.2
Miscellaneous	223,421	0.5	(58,523)	(20.8)
	<u>\$ 43,148,090</u>	<u>100.0%</u>	<u>\$ (921,008)</u>	<u>(2.1)%</u>

The most significant source of revenue is taxes. Tax revenues include: property taxes, utility taxes, franchise taxes and the local option gasoline taxes. The Town's gross taxable value as determined by the Palm Beach County Property Appraiser increased approximately 15.66% (from \$6,030,344,117 in FY2001 to \$6,974,550,633 in FY2002). The total millage rate (operating and debt service) was decreased from the FY2001 level of 4.5059 mills to a level of 4.0641 mills for FY2002. This represents a decrease of approximately 9.8%.

Current tax collections were 96.78% of the total tax levy. Property tax collections for the past three years were allocated according to the applicable proposed millage rates (per \$1,000 of assessed value) as follows:

<u>Purpose</u>	<u>2001-2002</u>	<u>2000-2001</u>	<u>1999-2000</u>
General Fund	3.9757	4.4019	4.3000
Debt Service Fund	<u>.0884</u>	<u>.1040</u>	<u>.3452</u>
Total	<u>4.0641</u>	<u>4.5059</u>	<u>4.6452</u>

Expenditures by principal sources and the increase or decrease from FY2001 are shown on the following page:

<u>Expenditure Function</u>	<u>FY2002 Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From FY2001</u>	<u>Percent Increase (Decrease)</u>
General government	\$ 6,328,570	17.2%	\$ 1,076,138	19.9%
Public safety	17,682,563	48.1	(93,287)	(0.5)
Physical environment	7,138,860	19.5	201,049	2.9
Transportation	1,094,696	3.0	50,143	4.8
Culture and recreation	1,968,109	5.4	199,801	11.3
Non-departmental	2,292,624	6.3	344,559	17.7
Debt service				
Principal retirement	186,832	.5	(18,647)	(9.1)
Interest & fiscal charges	<u>16,505</u>	<u>0</u>	<u>3,065</u>	<u>(22.8)</u>
	<u>\$ 36,708,759</u>	<u>100.0%</u>	<u>\$ 1,762,821</u>	<u>5.0%</u>

Budgetary basis expenditures for General Fund purposes totaled \$36,708,759 for FY2002 or an increase of approximately 5.0% from FY2001. In addition, \$8,537,597 was transferred to the Capital Projects Funds including the one-time transfer to establish the equipment replacement fund, and \$1,211,858 was transferred to the Debt Service Fund.

**General Fund Balance:** The undesignated fund balance of \$15,212,417 represents approximately 31% of FY2003 budgeted expenditures. The Town adopted a policy to maintain a minimum reserve of 25% of current year General Fund budgeted expenditures to protect against reducing service levels in an economic downturn or other major events affecting finances of the General Fund. This is considered prudent considering the many emergency problems the Town could experience because of age and location of its infrastructure and potential storm related damages. Fund balance of \$3,900,000 was designated in the FY2003 budget to fund a portion of the North Lake Way Drainage Improvement Project.

### **PROPRIETARY FUNDS**

**Enterprise Operations:** The Town's Enterprise operations are comprised of two separate and distinct activities: the Town Marina and Par 3 Golf Course, with each having a dedicated fund.

The Marina Fund accounted for all revenue received from annual, seasonal and transient leases on the Town's 88 dock slips, which range in length from 50' to 262'. The Town does not sell gasoline or other consumables at the Town Docks.

The Golf Fund accounted for revenue received, which includes annual permits, daily fees, driving range and cart rental revenue, at the Town's Par 3 Golf Course.

The results of operations for FY2002 are summarized below:

	<u>Golf</u>	<u>Marina</u>	<u>Total</u>
Operating Revenue	\$ 687,212	\$ 2,160,210	\$ 2,847,422
Less: Operating Expenses	(739,355)	(549,788)	(1,289,143)
Depreciation	<u>(54,042)</u>	<u>(152,538)</u>	<u>(206,580)</u>
Operating Income (Loss)	(106,185)	1,457,884	1,351,699
Non-operating Revenue (Expense)		50,349	50,349
Operating Transfers Out	<u>(25,000)</u>	<u>(650,000)</u>	<u>(675,000)</u>
Net Income (Loss)	<u>\$ (131,185)</u>	<u>\$ 858,233</u>	<u>\$ 727,048</u>

Retained earnings at September 30, 2002, for each of the Enterprise Funds are as follows:

	<u>Golf</u>	<u>Marina</u>	<u>Total</u>
Retained Earnings	<u>\$ 93,089</u>	<u>\$ 5,186,533</u>	<u>\$ 5,279,622</u>

**Internal Service Fund:** The Town is self-insured for certain general liability, property, group health and worker's compensation claims. The Risk Management program and the Health Insurance program activities are accounted for in Internal Service Funds.

The Risk Management program is under the direction of the Town Manager's Office. Responsibility includes self-insurance and excess insurance management; claims investigation and administration including litigation strategies; contractual review regarding hold harmless, indemnification and insurance requirements of vendors, contractors, etc.; safety, loss prevention and control programs; and comprehensive review of proposed legislation which could impact the Town from a self-insurance loss control perspective. As part of the Risk Management Program, resources are being accumulated to meet potential losses.

The Health Insurance program consists of medical, dental, life, long-term disability, accidental death and dismemberment, supplemental life insurance, specific reinsurance, aggregate reinsurance, medical conversion, COBRA, network access fees, utilization review, consulting services, flexible spending program and claims administration. Work in this fund is performed under the direction of the Human Resource Director. In addition, legislation is continually reviewed as it can have either a direct or indirect impact on the program.

The estimated liability for insurance claims includes the estimated future liability on a case-by-case basis for all reported claims and an actuarial accrual for claims incurred but not reported. Contributed capital and retained earnings in the Internal Service Funds at September 30, 2002, totaled \$20,247,152.

**Fiduciary Funds:** The Town operates three fiduciary funds. These include the General Employees' Pension Trust Fund covering General and Lifeguard employees, the Public Safety Pension Trust Fund covering Police and Fire-Rescue employees, and Kreuzler Park Agency Fund. Each is described in greater detail below.

**Retirement Funds:** The Town maintains two single-employer, defined benefit pension plans, which cover all eligible Town employees. The contributions and benefits are segregated between the General Employees' Pension Trust Fund covering the General Employees and Lifeguards and the Public Safety Pension Trust Fund covering Police and Fire-Rescue employees.

Contributions from employees are recorded in the period in which the Plans' participants provide services to the Town. The employee contribution rates for the fiscal year ended September 30, 2002, as a percentage of the employees' annual compensation, were as follows:

General employees	6.47%
Lifeguard employees	7.21
Police employees	6.98
Fire-Rescue employees	6.82

The Town's funding policy for both retirement systems provides for annual employer contributions at actuarially determined rates that, expressed as percentages of the annual covered payroll, are designed to accumulate sufficient assets to pay future benefits. The normal cost and actuarial accrued liability are determined using an entry age actuarial funding method.

In addition to the required actuarial contributions, the Town made supplemental payments totaling \$7,608 from its General Fund, to certain retirees receiving Plan benefits of less than \$300 per month. These supplemental payments combined with the monthly Plan benefit, provide a minimum monthly payment of \$300 to each retiree.

During the year ended September 30, 2002, total contributions received by the Plans were as follows:

	<u>General</u>	<u>Public Safety</u>	<u>Total</u>
Employer Contributions	\$ 567,003	\$ 508,232	\$ 1,075,235
State Shared Revenue			
Police		234,447	234,447
Fire-Rescue		<u>485,453</u>	<u>485,453</u>
	<u>567,003</u>	1,228,132	1,795,135
Employee Contributions	<u>633,203</u>	<u>543,274</u>	<u>1,176,477</u>
Total Contributions	<u>\$ 1,200,206</u>	<u>\$ 1,771,406</u>	<u>\$ 2,971,612</u>

The required contribution requirements were determined by an actuarial valuation of the Plans as of September 30, 2000.

**Kreusler Park Agency Fund:** The Town has an agreement with Palm Beach County to operate and maintain the parking meters at Kreusler Park. The Town receives reimbursement of all direct costs and overhead allocated to its collection and maintenance efforts at the park. During FY2002, the Town invoiced Palm Beach County for \$156,720 and collected \$149,357 of reimbursable costs.

**Debt Administration:** Under the Town's Charter, the Town's general obligation bonded debt issuances are subject to a legal limitation based on 5 percent of total assessed value of real and personal property. As of September 30, 2002, the Town's net general obligation bonded debt of \$1,656,079 amounted to less than 1% of the legal limit of \$349,293,795. Net General Obligation debt per capita equaled \$171.15 based upon a population of 9,676.

The following is a summary of net outstanding bonded debt as of September 30, 2002:

Gross Debt October 1, 2001	\$ 2,515,000
Less: Debt Retired FY2002	<u>(580,000)</u>
Gross Bonded Debt	1,935,000
Less: Amount Available in Debt Service Fund	<u>(278,921)</u>
Net Bonded Debt as of September 30, 2002	<u>\$ 1,656,079</u>

The Town's debt includes a 1993 General Obligation Refunding bond and a 2000 Revenue Bond. The 1993 General Obligation Bond was issued to refund an outstanding 1986 General Obligation Bond. This bond issue will be fully paid in fiscal year 2005.

The 2000 Revenue Bond was issued for the purpose of beach renourishment in accordance with the Town's adopted Coastal Management Plan. The revenue bonds are special obligations of the Town payable solely from and secured solely by non-ad valorem revenues and any unused bond proceeds and related investment income. A Municipal Bond Insurance policy has been issued guaranteeing the scheduled payment of principal and interest on the Bonds when due.

The Revenue Bonds have been rated Aaa by Moody's Investor Service, Inc. and AAA by Standard & Poor's Rating Services based on insurance issued with Financial Security Assurance Inc. (FSA). The Bonds have been rated Aa2 by Moody's and A+ by Standard & Poor's without regard to the bond insurance policy. The Town has maintained a Aaa rating on G.O. Bond issues by Moody's since 1988.

**Cash Management:** The Town invests its excess reserves with the State's Local Government Surplus Funds Trust Fund Investment Pool. The Town discontinued investing surplus funds with First Union National Bank, Capital Management Group during fiscal year 2001. As of September 30, 2002, the investments with the State Investment Pool totaled \$71,752,386. The cash management program utilized by the Town generated the following investment earnings over the past two years on all funds excluding pension trust:

<u>Fund</u>	<u>Fiscal Year 2001-2002</u>	<u>Fiscal Year 2000-2001</u>
General	\$ 665,828	\$ 1,782,377
Special Revenue	15,522	3,516
Debt Service	12,035	38,030
Capital Projects	1,672,383	2,157,467
Internal Service	444,049	1,095,747
Enterprise	<u>50,844</u>	<u>124,489</u>
	<u>\$ 2,860,661</u>	<u>\$ 5,201,626</u>

Interest earnings decreased approximately \$2,341,000 or 45% from FY2001 to FY2002. The decrease in interest earnings is directly related to the dramatic decrease in interest rates between the two fiscal years. Interest rates during the period ranged from 1.90% to 2.86% compared to 3.46% to 6.72% in the prior year.

## OTHER INFORMATION

**Independent Audit:** State Statutes require an annual audit by independent certified public accountants. The accounting firm of Caler, Donten, Levine, Druker, Porter & Veil, P.A. performed this audit for fiscal year 2002. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the Financial Section of this report.

**Awards:** The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Palm Beach for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2001. This was the 14<sup>th</sup> consecutive year the Town has received this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. The contents must conform to program standards. Such reports must satisfy both U.S. generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The Town believes the current report continues to conform to the Certificate of Achievement Program requirements, and we are therefore submitting this year's report to the GFOA.

**Acknowledgments:** The preparation of the comprehensive annual financial report on a timely basis was made possible by the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our genuine appreciation for the contributions made in the preparation of this report. We would also like to acknowledge the efforts of our independent auditors Caler, Donten, Levine, Druker, Porter & Veil, P.A. for their professional work and assistance in producing this report.

We also express our appreciation to the Mayor and Town Council for their leadership and to the Citizens of Palm Beach for their support in ensuring the financial operations of the Town are conducted in a sound and conservative manner, thus assuring the Town a high level of financial security.

Respectfully submitted,



Peter B. Elwell,  
Town Manager



Jane L. Skittone, CPA  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Palm Beach,  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2001

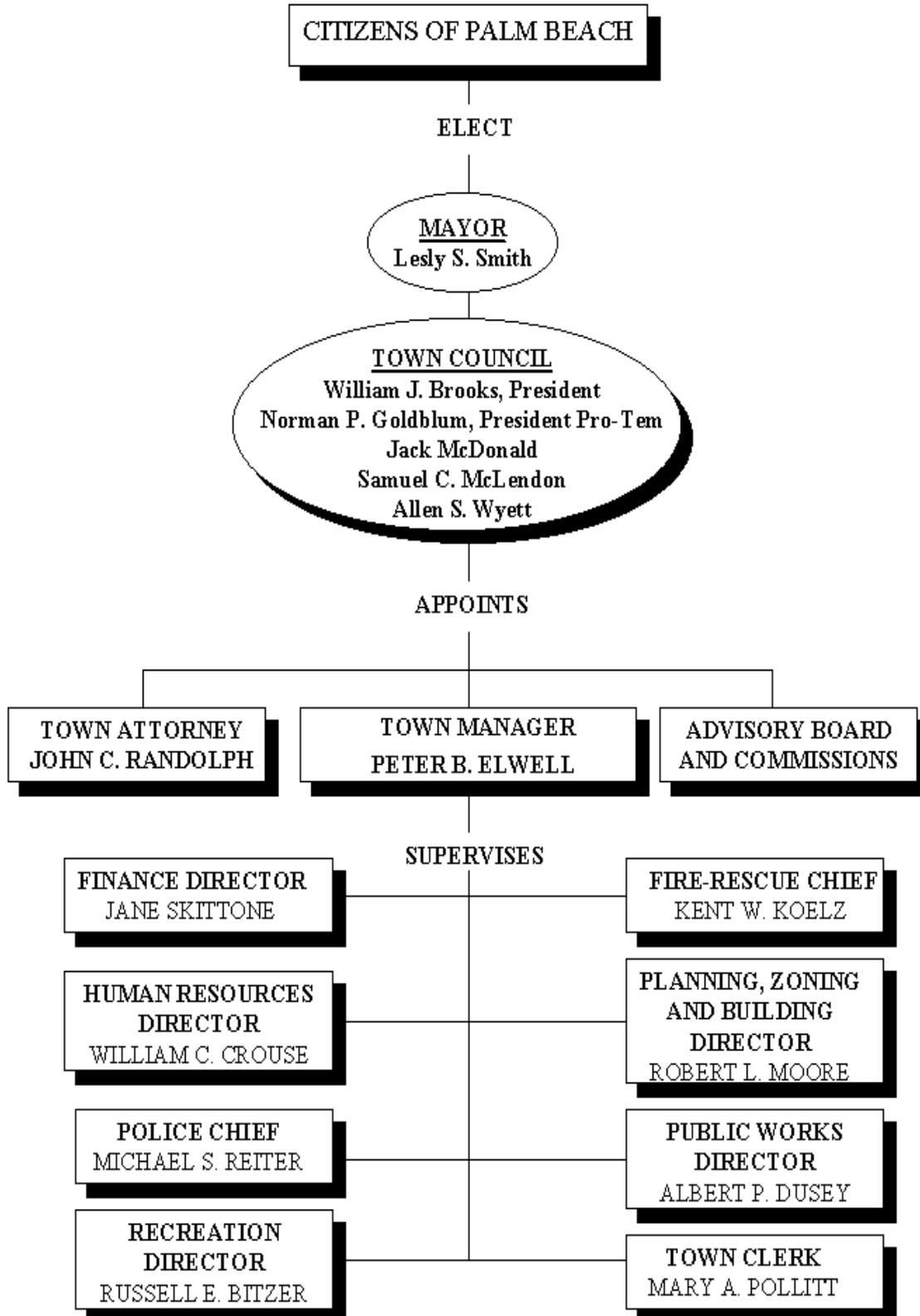
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*William Patrick Pate*  
President

*Jeffrey L. Esler*  
Executive Director

# TOWN OF PALM BEACH ORGANIZATIONAL STRUCTURE





CALER, DONTEN, LEVINE,  
DRUKER, PORTER & VEIL, P.A.

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FLORIDA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

We have audited the accompanying general purpose financial statements of the Town of Palm Beach, Florida, as of and for the year ended September 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the management of the Town of Palm Beach, Florida. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and *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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Palm Beach, Florida, as of September 30, 2002, and the results of its operations and cash flows of its proprietary fund types for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2002 on our consideration of the internal control over financial reporting of the Town of Palm Beach, Florida, and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements, schedules, and statistical data listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Town of Palm Beach, Florida. The accompanying

schedule of expenditures of state financial assistance projects is presented for purposes of additional analysis as required by Chapter 10.550, Rules of the Auditor General, and is also not a required part of the general purpose financial statements of the Town of Palm Beach, Florida. Such information, except for the statistical data marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

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

December 20, 2002

## **FINANCIAL STATEMENTS**

TOWN OF PALM BEACH, FLORIDA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

September 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,048	\$	\$	\$
Equity in pooled cash and investments	23,834,974	1,527,839	279,346	22,882,589
Investments				23,000,000
Accrued interest receivable				304,821
Accounts receivable	331,911			
Grants receivable				194,757
Due from other funds	293,154	2,925		176,400
Inventory	465,328			
Prepaid items	19,077			
Property and equipment, net				
	<u>24,948,492</u>	<u>1,530,764</u>	<u>279,346</u>	<u>46,558,567</u>
<b>OTHER DEBITS</b>				
Amount available in debt service fund				
Amount to be provided for retirement of general long-term debt				
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total assets and other debits	<u>\$ 24,948,492</u>	<u>\$ 1,530,764</u>	<u>\$ 279,346</u>	<u>\$ 46,558,567</u>

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Internal Service</u>	<u>Enterprise</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	
\$ 23,625	\$ 755	\$ 3,314,555	\$	\$	\$ 3,342,983
22,417,069	2,219,749	7,363			73,168,929
		114,718,742			137,718,742
		454,156			758,977
	5,357				337,268
		391			194,757
					472,870
201,632					465,328
10,850	9,135,493		40,502,248		220,709
<u>22,653,176</u>	<u>11,361,354</u>	<u>118,495,207</u>	<u>40,502,248</u>	<u>0</u>	<u>49,648,591</u>
					<u>266,329,154</u>
				278,921	278,921
				28,598,654	28,598,654
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>28,877,575</u>	<u>28,877,575</u>
<u>\$ 22,653,176</u>	<u>\$ 11,361,354</u>	<u>\$ 118,495,207</u>	<u>\$ 40,502,248</u>	<u>\$ 28,877,575</u>	<u>\$ 295,206,729</u>

TOWN OF PALM BEACH, FLORIDA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
(CONTINUED)

September 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 470,546	\$ 29,317	\$ 425	\$ 1,030,324
Accrued liabilities	1,540,168			4,452
Due to other governments				
Due to other funds	3,316			176,400
Deferred revenue	1,259,191			
Compensated absences payable				
Other liabilities				
General obligation bonds payable				
Revenue bonds payable				
Capital lease obligations payable				
Total liabilities	<u>3,273,221</u>	<u>29,317</u>	<u>425</u>	<u>1,211,176</u>
<b>EQUITY AND OTHER CREDITS</b>				
Investment in general fixed assets				
Contributed capital				
Retained earnings				
Fund balances:				
Reserved for inventory	465,328			
Reserved for prepaid items	19,077			
Reserved for specific purposes		1,501,447		
Reserved for employees' pension benefits				
Reserved for encumbrances	473,239			2,890,701
Reserved for debt service			278,921	
Unreserved:				
Designated for 2002-2003 budget	3,900,000			934,900
Designated for East Central Regional Waste- water Treatment Facility	1,605,210			
Designated for beach restoration projects				29,215,267
Designated for specific puposes				12,306,523
Undesignated	15,212,417			
Total equity and other credits	<u>21,675,271</u>	<u>1,501,447</u>	<u>278,921</u>	<u>45,347,391</u>
Total liabilities, equity and other credits	<u>\$ 24,948,492</u>	<u>\$ 1,530,764</u>	<u>\$ 279,346</u>	<u>\$ 46,558,567</u>

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Internal Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt	
\$ 103,429	\$ 23,962	\$ 37,904	\$	\$	\$ 1,695,907
2,281,830	17,882				3,844,332
		7,363			7,363
17,499	275,655				472,870
	256,020				1,515,211
3,266	48,937			2,772,801	2,825,004
		2,814,834			2,814,834
				1,935,000	1,935,000
				23,530,000	23,530,000
				639,774	639,774
<u>2,406,024</u>	<u>622,456</u>	<u>2,860,101</u>	<u>0</u>	<u>28,877,575</u>	<u>39,280,295</u>
			40,502,248		40,502,248
494,000	5,459,276				5,953,276
19,753,152	5,279,622				25,032,774
					465,328
					19,077
					1,501,447
		115,635,106			115,635,106
					3,363,940
					278,921
					4,834,900
					1,605,210
					29,215,267
					12,306,523
					15,212,417
<u>20,247,152</u>	<u>10,738,898</u>	<u>115,635,106</u>	<u>40,502,248</u>	<u>0</u>	<u>255,926,434</u>
<u>\$ 22,653,176</u>	<u>\$ 11,361,354</u>	<u>\$ 118,495,207</u>	<u>\$ 40,502,248</u>	<u>\$ 28,877,575</u>	<u>\$ 295,206,729</u>

TOWN OF PALM BEACH, FLORIDA

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES  
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

Year Ended September 30, 2002

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenue</b>					
Taxes	\$ 32,777,912	\$	\$ 593,496	\$	\$ 33,371,408
Licenses and permits	5,503,582				5,503,582
Intergovernmental	1,874,958				1,874,958
Charges for services	2,227,358				2,227,358
Fines and forfeitures	550,323	15,761			566,084
Contributions		847,213		97,673	944,886
Investment earnings	665,828	15,522	12,035	1,672,383	2,365,768
Grant revenue	44,608			448,245	492,853
Miscellaneous	223,421				223,421
	<u>43,867,990</u>	<u>878,496</u>	<u>605,531</u>	<u>2,218,301</u>	<u>47,570,318</u>
<b>Expenditures</b>					
Current					
General government	5,958,927	16,785			5,975,712
Public safety	17,704,422	214,674			17,919,096
Physical environment	6,720,785			281,173	7,001,958
Transportation	993,183				993,183
Culture and recreation	1,934,764	18,933			1,953,697
Non-departmental	2,292,624				2,292,624
Capital outlay	1,401,782	20,130		7,338,432	8,760,344
Debt service					
Principal retirement	186,832		580,000		766,832
Interest and fiscal charges	16,505		1,330,008		1,346,513
	<u>37,209,824</u>	<u>270,522</u>	<u>1,910,008</u>	<u>7,619,605</u>	<u>47,009,959</u>
Revenue over (under) expenditures	6,658,166	607,974	(1,304,477)	(5,401,304)	560,359
<b>Other financing sources (uses)</b>					
Operating transfers in	675,000		1,211,858	8,564,597	10,451,455
Operating transfers out	(9,749,455)	(27,000)			(9,776,455)
Capital lease proceeds	140,795				140,795
	<u>(8,933,660)</u>	<u>(27,000)</u>	<u>1,211,858</u>	<u>8,564,597</u>	<u>815,795</u>
Revenue and other sources over (under) expenditures and other uses	(2,275,494)	580,974	(92,619)	3,163,293	1,376,154
Fund balances at October 1, 2001,	<u>23,950,765</u>	<u>920,473</u>	<u>371,540</u>	<u>42,184,098</u>	<u>67,426,876</u>
Fund balances at September 30, 2002	<u>\$ 21,675,271</u>	<u>\$ 1,501,447</u>	<u>\$ 278,921</u>	<u>\$ 45,347,391</u>	<u>\$ 68,803,030</u>

TOWN OF PALM BEACH, FLORIDA

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL ON A BUDGETARY BASIS -  
ALL GOVERNMENTAL FUND TYPES

Year Ended September 30, 2002

	General Fund			Debt
	Budget	Actual	Variance Favorable (Unfavorable)	Budget
<b>Revenue</b>				
Taxes	\$ 32,171,650	\$ 32,777,912	\$ 606,262	\$ 587,775
Licenses and permits	5,126,600	5,503,582	376,982	
Intergovernmental	1,071,700	1,155,058	83,358	
Charges for services	2,122,650	2,227,358	104,708	
Fines and forfeitures	645,000	550,323	(94,677)	
Investment earnings	1,316,206	665,828	(650,378)	27,000
Contributions				
Grant revenue		44,608	44,608	
Miscellaneous	356,750	223,421	(133,329)	
	<u>42,810,556</u>	<u>43,148,090</u>	<u>337,534</u>	<u>614,775</u>
<b>Expenditures</b>				
General government	6,515,713	6,328,570	187,143	
Public safety	18,003,376	17,682,563	320,813	
Physical environment	7,737,243	7,138,860	598,383	
Transportation	1,388,518	1,094,696	293,822	
Culture and recreation	2,095,629	1,968,109	127,520	
Non-departmental	2,292,628	2,292,624	4	
Capital outlay				
Debt service				
Principal retirement	186,832	186,832	0	580,000
Interest and fiscal charges	44,142	16,505	27,637	1,330,633
	<u>38,264,081</u>	<u>36,708,759</u>	<u>1,555,322</u>	<u>1,910,633</u>
Revenue over (under) expenditures	4,546,475	6,439,331	1,892,856	(1,295,858)
<b>Other financing sources (uses)</b>				
Operating transfers in	675,000	675,000	0	1,295,858
Operating transfers out	(9,753,385)	(9,749,455)	3,930	
Capital lease proceeds	145,000	140,795	(4,205)	
	<u>(8,933,385)</u>	<u>(8,933,660)</u>	<u>(275)</u>	<u>1,295,858</u>
Revenue and other sources over (under) expenditures and other uses	<u>\$ (4,386,910)</u>	(2,494,329)	<u>\$ 1,892,581</u>	<u>\$ 0</u>
Fund balances at October 1, 2001		23,950,765		
Net difference between GAAP and Non-GAAP budgetary basis		<u>218,835</u>		
Fund balances at September 30, 2002		<u>\$ 21,675,271</u>		

Service Funds		Capital Projects Funds			Totals (Memorandum Only)		
Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 593,496	\$ 5,721				\$ 32,759,425	\$ 33,371,408	\$ 611,983
					5,126,600	5,503,582	376,982
					1,071,700	1,155,058	83,358
					2,122,650	2,227,358	104,708
					645,000	550,323	(94,677)
12,035	(14,965)	1,902,984	1,672,383	(230,601)	3,246,190	2,350,246	(895,944)
		50,000	97,673	47,673	50,000	97,673	47,673
			448,245	448,245	0	492,853	492,853
					356,750	223,421	(133,329)
<u>605,531</u>	<u>(9,244)</u>	<u>1,952,984</u>	<u>2,218,301</u>	<u>265,317</u>	<u>45,378,315</u>	<u>45,971,922</u>	<u>593,607</u>
					6,515,713	6,328,570	187,143
					18,003,376	17,682,563	320,813
		753,834	281,173	472,661	8,491,077	7,420,033	1,071,044
					1,388,518	1,094,696	293,822
					2,095,629	1,968,109	127,520
					2,292,628	2,292,624	4
		39,856,615	4,085,321	35,771,294	39,856,615	4,085,321	35,771,294
580,000	0				766,832	766,832	0
1,330,008	625				1,374,775	1,346,513	28,262
<u>1,910,008</u>	<u>625</u>	<u>40,610,449</u>	<u>4,366,494</u>	<u>36,243,955</u>	<u>80,785,163</u>	<u>42,985,261</u>	<u>37,799,902</u>
(1,304,477)	(8,619)	(38,657,465)	(2,148,193)	36,509,272	(35,406,848)	2,986,661	38,393,509
1,211,858	(84,000)	8,541,535	8,564,597	23,062	10,512,393	10,451,455	(60,938)
					(9,753,385)	(9,749,455)	3,930
					145,000	140,795	(4,205)
<u>1,211,858</u>	<u>(84,000)</u>	<u>8,541,535</u>	<u>8,564,597</u>	<u>23,062</u>	<u>904,008</u>	<u>842,795</u>	<u>(61,213)</u>
(92,619)	<u>\$ (92,619)</u>	<u>\$ (30,115,930)</u>	6,416,404	<u>\$ 36,532,334</u>	<u>\$ (34,502,840)</u>	3,829,456	<u>\$ 38,332,296</u>
371,540			42,184,098			66,506,403	
			<u>(3,253,111)</u>			<u>(3,034,276)</u>	
<u>\$ 278,921</u>			<u>\$ 45,347,391</u>			<u>\$ 67,301,583</u>	

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

COMBINED STATEMENT OF REVENUE, EXPENSES AND CHANGES  
IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES

Year Ended September 30, 2002

	Proprietary Fund Types		Totals
	Internal Service	Enterprise	(Memorandum Only)
<b>Operating revenue</b>			
Charges for services	\$ 6,157,160	\$	\$ 6,157,160
Golf fees and related revenue		687,212	687,212
Marina fees and related revenue		2,160,210	2,160,210
	<u>6,157,160</u>	<u>2,847,422</u>	<u>9,004,582</u>
<b>Operating expenses</b>			
Personal services	150,513	628,067	778,580
Contractual services	99,031	82,400	181,431
Vehicle and equipment maintenance		6,627	6,627
Marina maintenance		31,953	31,953
Equipment rental		16,160	16,160
Materials and supplies		94,653	94,653
Insurance and claims	5,548,405		5,548,405
Utilities		331,022	331,022
Depreciation	2,411	206,580	208,991
Other	29,372	98,261	127,633
	<u>5,829,732</u>	<u>1,495,723</u>	<u>7,325,455</u>
Operating income	327,428	1,351,699	1,679,127
<b>Non-operating revenue (expense)</b>			
Grant revenue		3,000	3,000
Investment earnings	444,049	50,844	494,893
Interest expense		(3,495)	(3,495)
	<u>444,049</u>	<u>50,349</u>	<u>494,398</u>
Income before operating transfers	771,477	1,402,048	2,173,525
Operating transfers out		(675,000)	(675,000)
Net income	771,477	727,048	1,498,525
Retained earnings at October 1, 2001	<u>18,981,675</u>	<u>4,552,574</u>	<u>23,534,249</u>
Retained earnings at September 30, 2002	<u>\$ 19,753,152</u>	<u>\$ 5,279,622</u>	<u>\$ 25,032,774</u>

TOWN OF PALM BEACH, FLORIDA

COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES

Year Ended September 30, 2002

	Proprietary Fund Types		Totals
	Internal Service	Enterprise	(Memorandum Only)
<b>OPERATING ACTIVITIES</b>			
Operating income	\$ 327,428	\$ 1,351,699	\$ 1,679,127
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	2,411	206,580	208,991
Changes in operating assets and liabilities:			
Increase in accounts receivable		(5,357)	(5,357)
Increase in prepaid items	(63,521)		(63,521)
Increase (decrease) in accounts payable	(34,373)	2,226	(32,147)
Increase (decrease) in accrued liabilities	64,352	(25,973)	38,379
Increase in due to other funds	16,839	93,275	110,114
Increase in deferred revenue		18,806	18,806
Increase in compensated absences payable	974	9,435	10,409
Net cash provided by operating activities	314,110	1,650,691	1,964,801
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Grant revenue received		3,000	3,000
Operating transfers out		(675,000)	(675,000)
Net cash used in noncapital financing activities	0	(672,000)	(672,000)
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Note principal payments		(569,694)	(569,694)
Interest paid		(3,495)	(3,495)
Acquisition of property and equipment	(2,740)	(22,636)	(25,376)
Net cash used in capital and related financing activities	(2,740)	(595,825)	(598,565)
<b>INVESTING ACTIVITY</b>			
Investment earnings received	444,049	50,844	494,893
Net cash provided by investing activity	444,049	50,844	494,893
Net increase in cash and cash equivalents	755,419	433,710	1,189,129
Cash and cash equivalents at October 1, 2001	21,685,275	1,786,794	23,472,069
Cash and cash equivalents at September 30, 2002	<u>\$ 22,440,694</u>	<u>\$ 2,220,504</u>	<u>\$ 24,661,198</u>

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF CHANGES IN PLAN NET ASSETS -  
ALL PENSION TRUST FUNDS

Year Ended September 30, 2002

**ADDITIONS**

Contributions		
Employer		\$ 1,075,235
Employee		1,176,477
State		719,900
	Total contributions	<u>2,971,612</u>

Investment income (loss)		
Net depreciation in fair value of investments		(16,519,157)
Interest income		2,928,223
Dividend income		866,523
		<u>(12,724,411)</u>
Less investment expense		525,651
	Net investment loss	<u>(13,250,062)</u>
	Total additions	(10,278,450)

**DEDUCTIONS**

Benefit payments		5,977,936
Refunds		153,483
Administrative expense		196,553
	Total deductions	<u>6,327,972</u>
	Net decrease	(16,606,422)

Net assets held in trust for pension benefits at October 1, 2001		<u>132,241,528</u>
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NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT SEPTEMBER 30, 2002		<u>\$ 115,635,106</u>
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TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity: The Town of Palm Beach, Florida, (the "Town") was incorporated as a municipality in 1911. The Town Charter was enacted by the Legislature of the State of Florida by Special Acts 1917, Chapter 7683. Pursuant to authority granted by the Florida Constitution and Florida Statutes Chapter 165, the Town enacted its current charter by Town Ordinance No. 15-78 adopted on December 12, 1978 and approved by referendum held February 6, 1979. The Town is governed by an elected Mayor and Town Council, which appoints a Town Manager. The Town provides the following services: public safety, recreation, sanitation, streets and roads, planning and zoning, and general administrative services.

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision whether or not to include a potential component unit in the financial reporting entity was made by applying the criteria set forth in U.S. generally accepted accounting principles (GAAP). As defined by U.S. generally accepted accounting principles, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based upon the application of these criteria, the following component units were included within the Town's financial reporting entity.

**Town of Palm Beach General Employees Pension Trust Fund:** The Town administers the Town of Palm Beach General Employees Pension Trust Fund as a single-employer, public employees retirement system. The Plan is for the benefit of all general and lifeguard employees of the Town and is governed by a five member Board of Trustees. The Trustees consist of the Town Manager, two Town residents appointed by the Town Council, and two representatives elected from the general employees and lifeguards.

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

The Town is obligated to fund the Plans' costs based upon annual actuarial valuations. The Town Council is authorized to establish benefit levels and to approve the actuarial assumptions used in the determination of contribution levels. Accordingly, although the Town is not the trustee for the Plans it is financially accountable and obligated for their operation and the Plans are included in the Town's financial reporting entity as fiduciary funds.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Town participates in the following joint venture:

**East Central Regional Wastewater Treatment Facility ("ECR")**

In September 1992 the Town entered into a joint interlocal agreement (the "Agreement") with Palm Beach County and three municipalities (West Palm Beach, Riviera Beach and Lake Worth) whereby prior separate agreements were consolidated into a single unified agreement to establish rules and procedures for the operation and management of the existing East Central Regional Wastewater Treatment Facility in which each participating entity had a financial interest. ECR was created to receive, treat, and dispose of sewage generated within each municipality and the County. The initial term of the Agreement is for thirty years with a renewable term of thirty years. In the event ECR is sold or disposed of, proceeds of the sale or disposition shall be prorated among the entities, based on their reserve capacity as of the date of disposition. As of September 30, 2002, the Town had a 9.091% interest in ECR.

The Agreement provides for the establishment of a Governing Board (the "Board"), comprised of one representative from each entity participating in the Agreement, to administer ECR. Under the Agreement, the Board has the power to enter into contracts, employ personnel and enter into debt in accordance with Section 163.01(7) of Florida Statutes. In accordance with the Agreement, the City of West Palm Beach operates and manages ECR on behalf of the Board.

All costs of operating the ECR, excluding depreciation, are shared by each of the entities based on actual flows of wastewater. Costs associated with capital projects, renewal and replacement, and debt service are shared among the participating governments based on their pro-rata share of reserve capacity. Since the Town's interest in ECR represents an equity interest primarily in capital assets and since the Town's investment was funded from General Fund monies, the Town's net investment in ECR is recorded in the General Fixed Asset Account Group based upon the Town's 9.091% interest in the net assets of ECR. To date, ECR has only experienced losses as a result of depreciation on contributed fixed assets. The Town does not believe that the joint venture is accumulating significant financial resources or experiencing financial stress that may cause a future benefit or burden to the Town.

The latest available audited financial statements for ECR are for the fiscal year ending September 30, 2001. The Town believes that their investment in ECR, as recorded, is fairly stated. Complete financial statements for ECR may be obtained from the City of West Palm Beach, Finance Department, 200 Second Street, West Palm Beach, Florida 33402.

Based on a "Participatory Agreement" signed by all participants in April 1993, ECR constructed improvements amounting to approximately \$22,377,000, which was financed by the State of Florida, Department of Environmental Protection Revolving Loan Fund. Pledged revenue consisting of all fees and payments received by ECR will be used to repay the debt. As of September 30, 2002, the outstanding balance due to the State Loan Fund was \$16,369,372.

At September 30, 2002 the ECR participants and their respective interest in ECR were as follows:

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Participant</u>	<u>Reserve Capacity Percentages</u>
City of West Palm Beach	30.909%
Palm Beach County	22.727%
City of Lake Worth	22.727%
City of Riviera Beach	14.546%
Town of Palm Beach	<u>9.091%</u>
	<u><u>100.00%</u></u>

For the fiscal year ended September 30, 2002, the Town paid the following amounts to ECR:

Operations	\$ 567,176
Sewer disposal	294,971
Debt service	123,120
Renewal and replacement	120,122
Refunding loan	71,046
Licenses	1,220
Fleet reserve	<u>3,152</u>
	<u><u>\$ 1,180,807</u></u>

**Basis of Presentation:** The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for using a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equities, revenue and expenditures or expenses. The various funds are grouped by type in the general purpose financial statements. The following fund types and account groups are used by the Town:

**Governmental Funds:** Governmental Funds are those through which most governmental functions of the Town are financed. The acquisition, use, and balances of the Town's expendable financial resources and related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is based upon the flow of resources into and out of the funds, rather than upon net income determination. The following are the Town's governmental fund types:

*General Fund* - The General Fund is the general operating fund of the Town. It is used to account for all current financial resources except those required to be accounted for in another fund.

*Special Revenue Funds* - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Debt Service Funds* - The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general obligation bonded debt principal, interest and related costs.

*Capital Projects Funds* - The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by proprietary funds).

**Proprietary Funds:** Proprietary Funds are used to account for the Town's organizations and activities, which are similar to those found in the private sector. This means that all assets, liabilities, equities, revenue, expenses and transfers related to the Town's business activities, where net income and capital maintenance are measured, are accounted for through proprietary funds. The measurement focus is based upon the results of operations and capital maintenance. The following are the Town's proprietary fund types:

*Internal Service Funds* - The Internal Service Funds are used to account for the financing of services provided by one department to other departments of the Town, on a cost-reimbursement basis.

*Enterprise Funds* - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The costs of providing goods or services to the general public are financed or recovered primarily through user charges.

**Fiduciary Funds:** Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the Town under the terms of a formal trust agreement. The following are the Town's fiduciary fund types:

*Pension Trust Funds* - The pension trust funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The pension trust funds are used to account for the assets of the Town's retirement funds.

*Agency Fund* - The agency fund is custodial in nature and does not present results of operations or have a measurement focus. This fund is used to account for assets that the Town holds for others in an agency capacity.

**Account Groups:** Account Groups are used to establish accounting control and accountability for the Town's general fixed assets and the unmatured principal of its general long-term obligations. These account groups are not funds. They do not reflect available financial resources and related liabilities, but are accounting records of the general fixed assets and general long-term debt obligations.

*General Fixed Assets Account Group* - This account group is used to account for all fixed assets of the Town other than those accounted for in the proprietary funds.

*General Long-Term Debt Account Group* - This account group is used to account for the long-term portion of compensated absences and the unmatured principal balance of long-term debt, other than that accounted for in the proprietary funds.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting: Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenue is recognized in the period in which it becomes both measurable and available.

Expenditures under the modified accrual basis of accounting are generally recognized when the related fund liability is incurred and expected to be liquidated with available resources. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary fund types and pension trust funds are accounted for using the accrual basis of accounting. Revenue is recognized when earned, and expenses are recognized when they are incurred. The Town's proprietary funds follow all applicable pronouncements of the Governmental Accounting Standards Board (GASB) as well as certain pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors, issued on or before November 30, 1989 unless they conflict with GASB pronouncements. The Town has elected not to apply FASB pronouncements issued after November 30, 1989.

The agency funds are custodial in nature and do not involve measurement of results of operations. They are accounted for under the modified accrual basis of accounting. Assets and liabilities are recognized on the modified accrual basis.

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenditures or expenses. Actual results could vary from the estimates that were used.

Budgets: Budgets are legally required to be adopted for the General Fund, Debt Service Funds and Capital Projects Funds. All governmental fund budgets are prepared on the modified accrual basis of accounting. For budgetary purposes current year encumbrances, if any, are treated as expenditures. Unencumbered appropriations lapse at fiscal year end. State on-behalf payments for Police and Fire-Rescue pensions are not budgeted.

Under the Laws of the State of Florida and the Town Code, the Town Manager submits to the Mayor and Town Council, prior to July 31st, a proposed Annual Budget and Financial Plan for the fiscal year commencing the following October 1st. The Annual Budget and Financial Plan is prepared by fund, function and activity and includes all proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to October 1st, the budget is legally enacted by the Town Council through passage of an ordinance.

Changes or amendments to increase or decrease the total amount of budgeted revenue or expenditures for a given fund must be approved by a majority vote of the Town Council; however, changes, amendments or transfers within the total revenue or expenditures for functions, activities or departments of a given fund may be approved by the Town Manager.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Town has complied with the Florida Statute requirement that budgets be in balance. The budget amounts reflected in the accompanying financial statements represent the final amended budget and expenditures exceed revenue by the amounts budgeted from beginning fund balance.

Encumbrances: Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the General Fund and Capital Projects Funds. On a budgetary basis, encumbrances are recorded as expenditures of the current year.

On a GAAP basis, encumbrances at year-end are reported as a reservation of fund balance for subsequent year expenditures.

Revenue Recognition: Ad valorem taxes are levied each November 1st based on the assessed property valuations at January 1st as established by the County Property Appraiser. These taxes are payable November 1st, with discounts of one to four percent allowed for payments prior to March 1st of the following calendar year. Ad valorem taxes are due March 31st, and become delinquent and subject to lien on April 1st.

Ad valorem taxes are billed and collected by the Palm Beach County Tax Collector and remitted to the Town.

Other material revenue that is susceptible to accrual includes utility taxes, franchise taxes, interest income, and state shared revenue. Revenue that is not both available and measurable, and is thus not susceptible to accrual, includes licenses, permits, fines and occupational licenses. Revenue collected in advance of the year to which it applies is recorded as deferred revenue.

Total Columns on Combined Statements: Total columns on the Combined Statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with U.S. generally accepted accounting principles. Also, such data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Cash and Cash Equivalents: Cash and cash equivalents are defined as deposits with financial institutions, money market accounts 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. Pooled cash and investments include deposits in the Local Government Surplus Funds Trust Fund, which are generally available for withdrawal by the Town on a next day basis and are therefore considered cash equivalents.

Investments: Investments are stated at fair value, except for investments in the Local Government Surplus Funds Trust Fund, an external investment pool administered by the State of Florida and operating as a "2a7-like" pool under GASB Statement No. 31. As such, the pool uses amortized cost for valuation of the pool shares and the fair value of the shares in the pool is the same as the Town's investment in the pool shares. Securities and mutual funds held by the Town and traded on a national exchange are valued at the last reported sales price.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable: Accounts receivable represent amounts due from local businesses for franchise and utility taxes, and solid waste disposal fees, net of an allowance for doubtful accounts of approximately \$3,600. Accounts receivable are not collateralized.

Inventory: Inventory, consisting primarily of expendable materials and supplies, is valued at cost, which approximates fair value, using the first-in, first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

Interfund Transactions: Transfers of financial resources among funds are recognized in the funds affected in the period in which the interfund receivables and payables arise.

Quasi-external transactions are accounted for as revenue, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Fixed Assets: Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Public domain (infrastructure) and similar assets, such as roads and sidewalks that are immovable and of value only to the Town, have not been included in the General Fixed Assets Account Group. Sales or retirements of fixed assets are removed from the accounts at their recorded cost. No depreciation has been provided on general fixed assets.

Fixed assets used by proprietary funds are recorded at cost, except for contributed property, which is recorded at estimated fair value at the date of contribution. Interest incurred during the construction of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed. For the fiscal year ended September 30, 2002, no interest costs were capitalized by the Town. Expenditures for maintenance and repairs are charged to expense as incurred. The cost of fixed assets sold or retired, together with the related accumulated depreciation, is removed from the appropriate accounts, and any resulting gain or loss is included in net income.

Depreciation of property and equipment in the proprietary funds is provided on the straight-line basis over the following estimated useful lives:

Buildings	10-20 years
Improvements other than buildings	3-30 years
Equipment	3-10 years

General Long-Term Debt: General obligation bonds supported by general revenue are obligations of the Town as a whole and not its individual constituent funds. Accordingly, such unmatured obligations of the Town are accounted for in the General Long-Term Debt Account Group.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Reserves: Fund balance reserves signify that a portion of the fund balance is not to be considered as available for subsequent expenditure other than for the specific purpose for which the reserve was established. The following is a list of the reserves established by the Town and a description of each:

**Reserved for inventory** - An account used to segregate a portion of fund balance to indicate that inventory does not represent available, spendable resources even though it is a component of assets.

**Reserved for prepaid items** - An account used to segregate a portion of fund balance to indicate that prepaid items do not represent available, spendable resources even though they are a component of assets.

**Reserved for specific purposes** - An account used to segregate the portion of fund balance that is legally restricted by contract, donor, Town Ordinance or Florida Statutes for specific purposes.

**Reserved for employees' pension benefits** - An account used to segregate the portion of fund balance that is legally restricted for retirement benefits.

**Reserved for encumbrances** - Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as part of the budgetary accounting system in the General Fund, and Capital Projects Fund. Encumbrances outstanding at year-end, if any, are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

**Reserved for debt service** - An account used to segregate the portion of fund balance that is legally restricted to the payment of debt service on the Town's outstanding general obligation bonds.

Compensated Absences: The Town accrues accumulated vacation and sick leave time for all permanent, full-time employees, subject to certain limitations. The Town's policy provides that employees shall receive 100% of their accrued vacation and 50% of their accrued sick leave over 320 hours, upon termination of service. Upon retirement, an employee will be paid 50% of all accrued and unused sick leave not to exceed 800 hours. Accumulated unpaid vacation and sick leave benefits of governmental funds are charged to expenditures to the extent they will be liquidated with expendable available financial resources. The long-term portion is recorded in the General Long-Term Debt Account Group. Accumulated unpaid vacation and sick leave benefits of proprietary funds are accrued as a liability and charged to expense at the time the employees perform services which give rise to the benefits and an employer obligation exists. The Town includes all applicable payroll taxes and benefits in the accrual for compensated absences.

On-behalf Payments: The Town receives on-behalf payments from the State of Florida to be used for Police and Fire-Rescue pension benefits. Such payments are recorded as intergovernmental revenue and public safety expenditures in the GAAP basis General Fund financial statements, but are not budgeted and therefore are not included in the General Fund budgetary basis financial statements. On-behalf payments to the Town totaled \$719,900 for the fiscal year ended September 30, 2002.

Grants: Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the State of Florida. Any disallowed claims, including amounts already received, might constitute a liability of the Town for the return of those funds.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

NOTE B - BUDGET AND ACTUAL COMPARISONS

The Combined Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual on a Budgetary Basis - All Governmental Fund Types is prepared under the basis of accounting used in preparing the budget. As indicated in Note A, current year encumbrances are treated as expenditures for budgetary purposes and state on-behalf payments for Police and Fire-Rescue pensions are not included in the budget. As a result, General Fund and Capital Projects Fund revenue and expenditures reported in the budget and actual statement differ from the corresponding amounts reported on the basis of GAAP.

These differences can be reconciled as follows:

	General Fund	Capital Projects Fund
	<u>                    </u>	<u>                    </u>
Current year encumbrances outstanding at year end	\$ 473,239	\$ 2,890,701
Prior year encumbrances paid in the current year	(254,404)	(6,143,812)
State on-behalf payments for Police and Fire-Rescue pension contributions not included in budgetary basis:		
GAAP basis revenue	719,900	
GAAP basis expenditure	<u>(719,900)</u>	<u>                    </u>
NET DIFFERENCE BETWEEN GAAP AND BUDGETARY BASIS	218,835	(3,253,111)
 Revenue and other sources over (under) expenditures and other uses -- BUDGETARY BASIS	 <u>(2,494,329)</u>	 <u>6,416,404</u>
 Revenue and other sources over (under) expenditures and other uses -- GAAP BASIS	 <u>\$ (2,275,494)</u>	 <u>\$ 3,163,293</u>

Debt service fund revenue and expenditures reported in the budget and actual statement equal revenue and expenditures reported on the GAAP basis. The Town does not budget for its Special Revenue Funds.

NOTE C - CASH AND CASH EQUIVALENTS, EQUITY IN POOLED CASH AND INVESTMENTS, AND INVESTMENTS

Cash and Cash Equivalents: Cash and cash equivalents represent amounts held by individual Town funds, including petty cash of \$3,803; deposits with financial institutions with a carrying value of \$736,279 and a bank balance of \$876,097; and, U.S. Treasury money market mutual funds with a carrying value and bank balance of \$2,602,901.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

NOTE C - CASH AND CASH EQUIVALENTS, EQUITY IN POOLED CASH AND INVESTMENTS, 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 in accordance with the provisions of GASB Statement No. 3. The money market mutual fund deposits are uninsured and uncollateralized.

Equity in Pooled Cash and Investments: The Town maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in pooled cash and investments." The cash balance with a carrying value of \$1,416,543 and a bank balance of \$1,670,751, was included in pooled cash and investments and deposited with a financial institution designated as a qualified public depository by the State Treasurer as described under Cash and Cash Equivalents and, accordingly, is considered fully insured in accordance with the provisions of GASB Statement No. 3. The investments included in pooled cash and investments consist of investments in the Local Government Surplus Funds Trust Fund with a carrying value of \$71,752,386.

The Local Government Surplus Funds Trust Fund consists of equity in an external investment pool administered by the State of Florida pursuant to statutory requirements and operated in a manner consistent with Securities and Exchange Commission (SEC) Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC registered mutual funds to use amortized cost rather than fair value to report net assets used to compute share prices if certain conditions are met. Those conditions include restrictions on the types of investments held, restrictions on the term-to-maturity of individual investments and the dollar-weighted average of the portfolio, requirements for portfolio diversification, requirements for divestiture considerations in the event of security downgrades and defaults, and required actions if the fair value of the portfolio deviates from amortized cost by a specified amount. The fair value of the Town's position in the pool is considered to be the same as the Town's account balance (amortized cost) in the pool. The Town's investment in the Local Government Surplus Funds Trust Fund is not evidenced by securities that exist in physical or book entry form. Accordingly, these investments are not categorized in accordance with the provisions of GASB Statement No. 3.

Investments: Florida Statutes and the Town Code authorize the Town to invest in the Local Government Surplus Funds Trust Fund; negotiable direct obligations of or obligations unconditionally guaranteed by the U.S. Government; interest-bearing time deposits or savings accounts in financial institutions located in Florida and organized under federal or Florida laws; obligations of the Federal Farm Credit Banks, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Association and any additional investments specifically authorized by the Town Pension Board and implemented by investment advisors. Pursuant to the Town Code, the Town Pension Board has full power and authority to invest and reinvest subject to the general

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

NOTE C - CASH AND CASH EQUIVALENTS, EQUITY IN POOLED CASH AND INVESTMENTS, AND INVESTMENTS (Continued)

terms, conditions, limitations and restrictions imposed by Part VII, Chapter 112, Florida Statutes, on the investments of public employee retirement systems. In addition to the previously mentioned investments, the Town Pension Board is also authorized to invest in domestic equity securities and corporate bonds, within certain limitations established by the Town Code.

The Town's investments are categorized to give an indication of the level of risk assumed by the Town at year-end. Category 1 includes investments that are insured or registered, or securities that are held by the Town or its agent in the Town's name. Category 2 includes uninsured and unregistered investments, with the securities held by the counterparty as trust department or agent in the Town's name. Category 3 includes uninsured and unregistered investments, with the securities held by the counterparty, or by its trust department or agent but not in the Town's name.

The following is a summary of investment risk categories and the carrying values and fair values of investments at September 30, 2002:

	Category			Carrying Amount	Fair Value
	1	2	3		
U.S. Government and Agency securities	\$	\$	\$ 17,407,054	\$ 17,407,054	\$ 17,407,054
Corporate bonds			19,938,502	19,938,502	19,938,502
Common stocks			33,871,960	33,871,960	33,871,960
Common Stock Index Mutual Fund				24,666,383	24,666,383
Bond Market Index Mutual Fund				18,834,843	18,834,843
Flex Repurchase Agreement			23,000,000	23,000,000	23,000,000

TOTAL INVESTMENTS    \$(B4 Is Not In Table)    \$(C4 Is Not In Table)    \$(D4 Is Not In Table)    \$(E4 Is Not In Table)    \$(F4 Is Not In Table)

Investments in the Common Stock Index Mutual Fund and the Bond Market Index Mutual Fund are not evidenced by securities that exist in physical or book entry form. Accordingly, these investments are not categorized in accordance with the provisions of GASB Statement No. 3. These financial instruments may be subject to credit and market risk. Information quantifying these risks was not available; however, management believes the impact to the Town, if any, would be minimal. No other types of investments were made during the year by the Town.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

NOTE D - FIXED ASSETS

Fixed assets of the Town at September 30, 2002 are summarized as follows:

	Internal Service Funds	Enterprise Funds	General Fixed Assets Account Group	Total
Land	\$	\$ 5,051,527	\$ 8,715,312	\$ 13,766,839
Buildings		234,582	13,020,292	13,254,874
Improvements other than buildings		5,332,165	1,681,892	7,014,057
Equipment	31,502	267,066	10,718,280	11,016,848
Construction in progress			238,683	238,683
ECR net investment			6,127,789	6,127,789
	<u>31,502</u>	<u>10,885,340</u>	<u>40,502,248</u>	<u>51,419,090</u>
Less accumulated depreciation	<u>(20,652)</u>	<u>(1,749,847)</u>		<u>(1,770,499)</u>
	<u>\$ 10,850</u>	<u>\$ 9,135,493</u>	<u>\$ 40,502,248</u>	<u>\$ 49,648,591</u>

A summary of changes in the general fixed assets follows:

	Balance October 1, 2001	Additions	Deletions	Transfers	Balance September 30, 2002
Land	\$ 8,715,312	\$	\$	\$	\$ 8,715,312
Buildings	12,684,655	14,668		320,969	13,020,292
Improvements other than buildings	1,156,187	31,832		493,873	1,681,892
Equipment	10,536,499	1,281,491	(1,099,710)		10,718,280
Construction in progress	219,478	834,047		(814,842)	238,683
ECR net investment	<u>6,075,907</u>	<u>51,882</u>			<u>6,127,789</u>
	<u>\$ 39,388,038</u>	<u>\$ 2,213,920</u>	<u>\$ (1,099,710)</u>	<u>\$ 0</u>	<u>\$ 0</u>

NOTE E - INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of interfund receivable and payable balances at September 30, 2002:

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

NOTE E - INTERFUND RECEIVABLES AND PAYABLES (Continued)

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund		
Special Revenue Fund		
Donation Fund	\$	\$
Internal Service Funds		2,925
Property, Liability and Workers Compensation Insurance Fund		
Group Health Insurance Fund	226	
Enterprise Funds	17,273	
Golf Fund		
Marina Fund	265,068	
Pension Trust Funds	10,587	
General Employees Pension Trust Fund		
Public Safety Pension Trust Fund		22
		<u>369</u>
	<u>293,154</u>	<u>3,316</u>
Special Revenue Fund		
Donation Fund		
General Fund	2,925	
Capital Projects Funds		
Capital Improvement Fund		
Beach Restoration Project Fund	176,400	
Beach Restoration Project Fund		
Capital Improvement Fund		176,400
Internal Service Funds		
Property, Liability and Workers Compensation Insurance Fund		
General Fund		226
Group Health Insurance Fund		
General Fund		17,273
Enterprise Funds		
Golf Fund		
General Fund		265,068
Marina Fund		
General Fund		10,587
Trust and Agency Funds		
General Employees Pension Trust Fund		
General Fund	22	
Public Safety Pension Trust Fund		
General Fund	<u>369</u>	
	<u>\$ 472,870</u>	<u>\$ 472,870</u>

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

NOTE F - CAPITAL LEASE OBLIGATIONS

The Town leases vehicles and equipment through capital leasing arrangements in the General Fund. The assets and obligations for capital lease agreements of the General Fund are recorded in the general fixed assets account group and the general long-term debt account group, respectively. The assets acquired through capital leases consist of vehicles and equipment with a cost of \$676,387 and \$140,795, respectively.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2002, are as follows:

<u>Year Ending September 30,</u>	<u>General Long-term Debt</u>
2003	\$ 178,612
2004	152,801
2005	98,926
2006	94,821
2007	94,821
Thereafter	<u>94,821</u>
Total minimum lease payments	714,802
Less amount representing interest	<u>(75,028)</u>
Present value of minimum lease payments	<u>\$ 639,774</u>

NOTE G - REVENUE BONDS PAYABLE

In May 2000, the Town issued \$23,530,000 Town of Palm Beach, Florida, Revenue Bonds, Series 2000 to finance the Town's beach restoration project. The Series 2000 Bonds bear interest at rates ranging from 5.0% to 5.3%. Principal payments are due on January 1, and interest payments are due on January 1 and July 1 through 2010. The bonds are special obligations of the Town payable solely from and secured solely by non-ad valorem revenue and any unused bond proceeds and related investment income. A Municipal Bond Insurance Association (MBIA) policy has been issued guaranteeing the scheduled payment of principal and interest on the bonds when due. The annual debt service requirements for these bonds are as follows:

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

NOTE G - REVENUE BONDS PAYABLE (Continued)

Year Ending September 30,	Interest Rate	Principal	Interest	Total
2003		\$	\$ 1,211,858	\$ 1,211,858
2004	5.000%	2,870,000	1,140,108	4,010,108
2005	5.000	3,020,000	992,858	4,012,858
2006	5.100	3,175,000	836,395	4,011,395
2007	5.125	3,340,000	669,845	4,009,845
2008	5.200	3,515,000	492,868	4,007,868
2009	5.250	3,705,000	304,221	4,009,221
2010	5.300	3,905,000	103,483	4,008,483
		<u>\$ 23,530,000</u>	<u>\$ 5,751,636</u>	<u>\$ 29,281,636</u>

NOTE H - GENERAL LONG-TERM DEBT

General obligation bonds payable by the Town at September 30, 2002 consisted of the following:

General Obligation Refunding Bonds, Series 1993

Resolution 19-93 authorized the issuance of \$6,675,000 General Obligation Refunding Bonds, Series 1993. The bonds were issued for the purpose of refunding the Town's General Obligation Refunding Bonds, Series 1986. The Series 1993 Bonds are payable from an ad valorem tax levy on all the taxable property within the Town, sufficient to pay the principal and interest on the bonds as it becomes due. Interest on the Series 1993 Bonds is payable semi-annually on January 1 and July 1 and principal payments are due July 1. The debt service requirements and interest rates of the Series 1993 Bonds are as follows:

Year Ending September 30,	Interest Rate	Principal	Interest	Total
2003	4.60%	\$ 610,000	\$ 90,675	\$ 700,675
2004	4.70	645,000	62,615	707,615
2005	4.75	680,000	32,300	712,300
		<u>\$ 1,935,000</u>	<u>\$ 185,590</u>	<u>\$ 2,120,590</u>

Changes in General Long-Term Debt

The changes in general long-term debt for the year ended September 30, 2002 are as follows:

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

NOTE H - GENERAL LONG-TERM DEBT (Continued)

	Balance October 1, 2001	Accruals	New Borrowings	Payments	Balance September 30, 2002
Compensated absences payable	\$ 2,524,327	\$ 248,474	\$	\$	\$ 2,772,801
\$6,675,000 Refunding Bonds, Series 1993	2,515,000			580,000	1,935,000
\$23,530,000 Revenue Bonds, Series 2000	23,530,000				23,530,000
Capital lease obligations payable	685,812		140,795	186,833	639,774
	<u>\$ 29,255,139</u>	<u>\$ 248,474</u>	<u>\$ 140,795</u>	<u>\$ 766,833</u>	<u>\$ 28,877,575</u>

Annual Requirements

The annual debt service requirements to maturity, including interest of \$6,012,254 for general long-term debt obligations (excluding compensated absences, which have no fixed maturity) are as follows:

Year Ending September 30,	Capital Lease Obligations	Revenue Bonds	General Obligation Bonds	Total
2003	\$ 178,612	\$ 1,211,858	\$ 700,675	\$ 2,091,145
2004	152,801	4,010,108	707,615	4,870,524
2005	98,926	4,012,858	712,300	4,824,084
2006	94,821	4,011,395		4,106,216
2007	94,821	4,009,845		4,104,666
Thereafter	94,821	12,025,572		12,120,393
	<u>\$ 1,429,604</u>	<u>\$ 58,563,272</u>	<u>\$ 4,241,180</u>	<u>\$ 64,234,056</u>

NOTE I - RETIREMENT PLANS

Plan Descriptions: The Town administers two single employer, defined benefit pension plans. The General Employees Trust Fund covers substantially all full time general employees and lifeguards, and the Public Safety Pension Trust Fund covers substantially all full time Police and Fire-Rescue personnel. The Town Council is authorized to establish benefit levels and to approve the actuarial assumptions used in the determination of contribution levels. The contributions and benefits are segregated between general employees (including lifeguards) and public safety employees (Police and Fire-Rescue). The Public Safety Pension Plan also receives payments from the State of Florida pursuant to Chapters 175 and 185 of the Florida Statutes for the benefit of Police officers and Fire-Rescue personnel. Monies received pursuant to Chapters

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

NOTE I - RETIREMENT PLANS (Continued)

175 and 185 can only be used to finance the benefits of participants who are Police officers or Fire-Rescue employees. Both the General Employees Pension Plan and the Public Safety Pension Plan (the "Plans") issue a publicly available financial report that includes financial statements and required supplementary information for the respective Plans. The financial reports may be obtained by writing to the Town of Palm Beach, P. O. Box 2029, Palm Beach, Florida 33480 or by calling (561) 838-5444.

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

Investments: Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price.

Funding Policy: The contribution requirements of Plan members and the Town are established and may be amended by the Town Council. Plan members are required to contribute a percentage of their annual covered salary as described in the following table. The Town is required to contribute at an actuarially determined rate. The contribution rates for the fiscal year ended September 30, 2002, as a percentage of the employees annual compensation, were as follows:

	<u>Member Contribution</u>	<u>Town and State Contribution</u>
General employees	6.47%	10.83%
Lifeguard employees	7.21%	15.59%
Police employees	6.98%	19.34%
Fire-Rescue employees	6.82%	22.36%

Annual Pension Cost and Net Pension Obligation: The annual pension cost, net pension obligation and required contribution for September 30, 2002 were determined as part of the actuarial valuation of the System as of September 30, 2001, using the entry age actuarial cost method. The Town's annual pension cost and net pension obligation to the Plan's Retirement System for the fiscal year ended September 30, 2002 were as follows:

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

NOTE I - RETIREMENT PLANS (Continued)

	<u>General Employees</u>	<u>Public Safety</u>
Annual required contribution	\$ 567,003	\$ 1,228,132
Interest on net pension obligation	0	0
Adjustment to annual required contribution	<u>0</u>	<u>0</u>
Annual pension cost	567,003	1,228,132
Contributions made	<u>(567,003)</u>	<u>(1,228,132)</u>
Increase (decrease) in net pension obligation	0	0
Net pension obligation beginning of year	<u>0</u>	<u>0</u>
Net pension obligation end of year	<u>\$ 0</u>	<u>\$ 0</u>

Actuarial Assumptions: Significant actuarial assumptions used in the latest actuarial valuations of the plans are summarized as follows:

	<u>General Employees</u>	<u>Public Safety</u>
Valuation date	September 30, 2001	September 30, 2001
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level Percent of Payroll Closed Amortization	Level Percent of Payroll Closed Amortization
Remaining amortization period	10-30 years	10-30 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Investment rate of return (includes inflation at 5.5%)	8.0%	8.0%
Projected salary increases (Includes inflation and other general increases at 5.5%)	9.8% to 6.2%	9.8% to 6.2%

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

NOTE I - RETIREMENT PLANS (Continued)

Cost-of-living adjustments	Members who retire after 9/30/68 and prior to 10/1/90 receive an annual 1.0% increase computed on the base benefit. Members retiring after 9/30/90 will be increased 2.0% annually based on their total pension benefit, after a 3-year deferral period. Other adjustments have been made periodically.	Members who retire after 9/30/68 and prior to 10/1/90 receive an annual 1.0% increase computed on the base benefit. Members retiring after 9/30/90 will be increased 2.0% annually based on their total pension benefit, after a 3-year deferral period. Other adjustments have been made periodically.
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The actuarial value of pension plan assets exceeds the actuarial accrued liability at September 30, 2001 for both the General Employees and Public Safety pension plans and there is no unfunded actuarial liability.

Three-Year Trend Information: Prior to January 1, 2000 both the Plans were part of a single defined benefit pension plan, the Town of Palm Beach Employees Retirement System (the "System"). Effective January 1, 2000 a separate plan was established for the Public Safety employees pursuant to Ordinance 16-99, and the corresponding assets and liabilities related to Public Safety members were transferred to the new plan. Since the Plans were not separated until January 1, 2000, separate actuarial valuations were not prepared for the separate Plans until September 30, 2000. Accordingly, the Schedule of Annual Pension Cost and Pension Obligation reflects combined information for 2000, as does the Schedule of Funding Progress for 1999.

The trend information for the Town's Plans for the last three actuarial plan years ended September 30<sup>th</sup> is as follows:

**SCHEDULE OF ANNUAL PENSION COST  
AND PENSION OBLIGATION**

<u>Plan Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<u>General Employees</u>			
2000	\$ 3,159,308	100%	\$ 0
2001	853,793	100%	0
2002	567,003	100%	0
<u>Public Safety</u>			
2001	\$ 1,956,604	100%	\$ 0
2002	1,228,132	100%	0

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

NOTE I - RETIREMENT PLANS (Continued)

**SCHEDULE OF FUNDING PROGRESS**  
(in thousands)

<u>Year</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
<u>General Employees</u>						
1999	\$ 113,770	\$ 98,866	\$ (14,904)	115.1%	\$ 14,422	0%
2000	49,616	39,588	(10,028)	125.3	8,113	0
2001	56,060	48,675	(7,385)	115.2	8,752	0
<u>Public Safety</u>						
2000	\$ 81,196	\$ 69,425	\$ (11,771)	117.0%	\$ 6,230	0%
2001	91,992	82,361	(9,631)	111.7	7,064	0

NOTE J - SEGMENT INFORMATION

The Town maintained two enterprise funds during the year ended September 30, 2002. The Golf Fund and Marina Fund accounted for the operation of the Town's municipal golf course and marina. Segment information for the enterprise funds as of and for the year ended September 30, 2002 is as follows:

	<u>Golf Fund</u>	<u>Marina Fund</u>	<u>Total</u>
Operating revenue	\$ 687,212	\$ 2,160,210	\$ 2,847,422
Depreciation expense	54,042	152,538	206,580
Operating income (loss)	(106,185)	1,457,884	1,351,699
Operating transfers out	(25,000)	(650,000)	(675,000)
Net income (loss)	(131,185)	858,233	727,048
Capital contributions	0	0	0
Property and equipment:			
Additions	22,636	0	22,636
Deletions (at net book value)	0	0	0
Net working capital (deficit)	(341,260)	1,944,665	1,603,405
Total assets	5,462,051	5,899,303	11,361,354
Total equity	5,119,721	5,619,177	10,738,898

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

NOTE K - INSURANCE PROGRAM

The Town retains the risk of loss for certain claims related to general liability and property risks, group accident and health, and workers' compensation. These insurance activities are accounted for in the Internal Service Funds. The Internal Service Funds charge departments of the Town for insurance coverage based upon historical claims experience, insurance costs and relative share of total risk. There have been no significant changes in insurance coverages from the prior year.

A claims liability of approximately \$2,265,000 is included in accrued liabilities of the Internal Service Funds at September 30, 2002. This liability is based on Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be accrued if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Accordingly, the accrued liability for claims includes the estimated future liability on a case-by-case basis for all reported claims and an amount for claims incurred but not reported. The insurance coverages and accrued claims liability of the Internal Service Funds at September 30, 2002 are summarized as follows:

Accrued  
Claims  
Liability

**Group Accident and Health:** Certain employees and retirees of the Town contribute through payroll deductions or deductions from pension payments to the cost of group benefits. The remainder of the necessary funding is contributed by the Town based on an actuarially determined amount. As of September 30, 2002, these benefits covered 365 active employees, 97 retirees and 260 dependents. Net costs for the year ended September 30, 2002 were approximately \$2.2 million. The Town retains the risk of loss up to \$60,000 per occurrence; and up to 125% of the estimated claims in the aggregate (approximately \$2.6 million maximum plan costs for 2002). Insurance coverage for claims in excess of these specific limits (up to the policy maximum of \$1,000,000 per person, per life-time) has been obtained from a commercial carrier. The Town makes available certain health insurance benefits for its retired employees and their dependents in accordance with State Statute. The Town pays approximately 52% of the premiums for retirees' health insurance, as well as for their dependent coverage. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

The Town accounts for the cost of this post-retirement benefit coverage on a pay-as-you-go basis. The net cost to the Town of retiree health care insurance benefits for the year ended September 30, 2002 was approximately \$274,000. The Town received participant contributions of approximately \$332,000.

\$ 587,000



TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

NOTE L - CONTRIBUTED CAPITAL

There were no changes in the contributed capital accounts of the Enterprise Funds and Internal Service Funds during the year ended September 30, 2002. Accordingly, the beginning and end of year balances were as follows:

	<u>Amount</u>
Internal Service Funds	
Property, Liability and Workers Compensation	\$ 346,000
Group Health	<u>148,000</u>
	494,000
Enterprise Funds	
Golf Fund	5,026,632
Marina Fund	<u>432,644</u>
	<u>5,459,276</u>
	<u>\$ 5,953,276</u>

NOTE M - COMMITMENTS

The Town has several uncompleted construction contracts for improvements to Town facilities. The construction is being funded primarily from accumulated funds in the Capital Projects Funds. At September 30, 2002 the remaining commitment on these uncompleted contracts was \$2,637,539. The uncompleted contracts at September 30, 2002 are summarized as follows:

<u>Contract Amounts</u>	<u>Approved Payments</u>	<u>Retainage Payable</u>	<u>Remaining Contract Commitments</u>
\$ 5,715,710	\$ 2,946,479	\$ 131,692	\$ 2,637,539

**SUPPLEMENTAL FINANCIAL INFORMATION**

## **GENERAL FUND**

This fund is used to account for all financial transactions not accounted for in another fund. Revenue is derived primarily from property taxes, state distributions, and other intergovernmental revenue.

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

Year Ended September 30, 2002

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenue</b>			
Taxes			
Ad Valorem	\$ 26,389,250	\$ 26,688,138	\$ 298,888
Local Option Gas Tax	346,000	351,348	5,348
Franchise Fees	1,525,000	1,716,214	191,214
Utility Service	3,911,400	4,022,212	110,812
	<u>32,171,650</u>	<u>32,777,912</u>	<u>606,262</u>
Licenses and permits			
Occupational Licenses	570,000	605,737	35,737
Building Permits	4,351,100	4,781,034	429,934
Other License Fees and Permits	205,500	116,811	(88,689)
	<u>5,126,600</u>	<u>5,503,582</u>	<u>376,982</u>
Intergovernmental			
State shared revenue	917,700	991,187	73,487
Shared revenue-local	154,000	163,871	9,871
	<u>1,071,700</u>	<u>1,155,058</u>	<u>83,358</u>
Charges for services			
General Government	29,900	30,709	809
Public Safety	551,600	662,763	111,163
Physical Environment	880,100	907,551	27,451
Transportation	343,800	351,495	7,695
Culture-recreation	317,250	274,840	(42,410)
	<u>2,122,650</u>	<u>2,227,358</u>	<u>104,708</u>
Fines and forfeitures	645,000	550,323	(94,677)
Investment earnings	1,316,206	665,828	(650,378)
Grant revenue		44,608	44,608
Miscellaneous			
Rents and Royalties	48,800	92,470	43,670
Sale of Fixed Assets	40,000	41,923	1,923
Other Miscellaneous	267,950	89,028	(178,922)
	<u>356,750</u>	<u>223,421</u>	<u>(133,329)</u>
<b>Total Revenue</b>	<b>42,810,556</b>	<b>43,148,090</b>	<b>337,534</b>

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

Year Ended September 30, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Expenditures</b>			
General government			
Town Manager	\$ 1,114,866	\$ 1,122,268	\$ (7,402)
Human Resources	584,361	569,167	15,194
Town Hall Maintenance	243,512	230,760	12,752
Information Systems	839,718	828,032	11,686
Town Clerk	252,179	247,611	4,568
Finance	1,064,100	1,044,934	19,166
Planning, Zoning and Building	539,992	525,473	14,519
Permit Issuance	711,874	672,843	39,031
Contingency	461,371	389,874	71,497
Employee Benefits	703,740	697,608	6,132
	<u>6,515,713</u>	<u>6,328,570</u>	<u>187,143</u>
Public safety			
Inspection and Compliance	731,736	715,929	15,807
Fire-Rescue	6,181,565	5,989,969	191,596
Police	10,980,075	10,902,290	77,785
Emergency/Disaster Response	110,000	74,375	35,625
	<u>18,003,376</u>	<u>17,682,563</u>	<u>320,813</u>
Physical environment			
Administration	501,314	487,410	13,904
Sewer and Sanitation	5,775,568	5,314,946	460,622
Public Works	1,460,361	1,336,504	123,857
	<u>7,737,243</u>	<u>7,138,860</u>	<u>598,383</u>
Transportation			
Streets and Repairs	862,809	701,087	161,722
Traffic Control	525,709	393,609	132,100
	<u>1,388,518</u>	<u>1,094,696</u>	<u>293,822</u>
Culture and recreation			
Recreation	1,152,235	1,098,392	53,843
Library	235,000	235,000	0
Parks and Beaches	708,394	634,717	73,677
	<u>2,095,629</u>	<u>1,968,109</u>	<u>127,520</u>

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

Year Ended September 30, 2002

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Non-departmental	\$ 2,292,628	\$ 2,292,624	\$ 4
Debt service			
Principal	186,832	186,832	0
Interest and Fiscal Charges	<u>44,142</u>	<u>16,505</u>	<u>27,637</u>
	<u>230,974</u>	<u>203,337</u>	<u>27,637</u>
<b>Total Expenditures</b>	38,264,081	36,708,759	1,555,322
<b>Other financing sources (uses)</b>			
Operating transfers in	675,000	675,000	0
Operating transfers out	(9,753,385)	(9,749,455)	3,930
Capital lease proceeds	<u>145,000</u>	<u>140,795</u>	<u>(4,205)</u>
	<u>(8,933,385)</u>	<u>(8,933,660)</u>	<u>(275)</u>
Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (4,386,910)</u>	(2,494,329)	<u>\$ 1,892,581</u>
Fund balance at October 1, 2001		23,950,765	
Net difference between GAAP and Non-GAAP budgetary basis		<u>218,835</u>	
Fund balance at September 30, 2002		<u>\$ 21,675,271</u>	

SPECIAL REVENUE FUNDS  
COMBINING FINANCIAL STATEMENTS

**State Forfeiture Fund** – To account for Law Enforcement Trust Fund monies.

**Federal Forfeiture Fund** – To account for Federal forfeiture receipts.

**Donation Fund** – To account for monies donated to the Town.

TOWN OF PALM BEACH, FLORIDA

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS

September 30, 2002

	State Forfeiture Fund	Federal Forfeiture Fund	Donation Fund	Total
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ 44,209	\$ 38,084	\$ 1,445,546	\$ 1,527,839
Due from other funds			2,925	2,925
Total assets	<u>\$ 44,209</u>	<u>\$ 38,084</u>	<u>\$ 1,448,471</u>	<u>\$ 1,530,764</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$	\$	\$ 29,317	\$ 29,317
<b>FUND BALANCES</b>				
Reserved for specific purposes	44,209	38,084	1,419,154	1,501,447
Total fund balances	<u>44,209</u>	<u>38,084</u>	<u>1,419,154</u>	<u>1,501,447</u>
Total liabilities and fund balances	<u>\$ 44,209</u>	<u>\$ 38,084</u>	<u>\$ 1,448,471</u>	<u>\$ 1,530,764</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS

Year Ended September 30, 2002

	State Forfeiture Fund	Federal Forfeiture Fund	Donation Fund	Total
<b>Revenue</b>				
Fines and forfeitures				
Seizure deposits	\$ 770	\$ 14,991	\$	\$ 15,761
Contributions			847,213	847,213
Investment earnings	973	605	13,944	15,522
	<u>1,743</u>	<u>15,596</u>	<u>861,157</u>	<u>878,496</u>
<b>Expenditures</b>				
Current				
General government			16,785	16,785
Public safety	2,825	2,500	209,349	214,674
Culture and recreation			18,933	18,933
Capital outlay			20,130	20,130
	<u>2,825</u>	<u>2,500</u>	<u>265,197</u>	<u>270,522</u>
Revenue over (under) expenditures	(1,082)	13,096	595,960	607,974
<b>Other financing use</b>				
Operating transfers out			(27,000)	(27,000)
Revenue over (under) expenditures and other use	(1,082)	13,096	568,960	580,974
Fund balances at October 1, 2001	<u>45,291</u>	<u>24,988</u>	<u>850,194</u>	<u>920,473</u>
Fund balances at September 30, 2002	<u>\$ 44,209</u>	<u>\$ 38,084</u>	<u>\$ 1,419,154</u>	<u>\$ 1,501,447</u>

**DEBT SERVICE FUNDS  
COMBINING FINANCIAL STATEMENTS**

To account for the accumulation of resources for, and the payment of debt principal, interest and related costs.

TOWN OF PALM BEACH, FLORIDA

COMBINING BALANCE SHEET - ALL DEBT SERVICE FUNDS

September 30, 2002

	Series 1993 Debt Service Fund	Series 2000 Debt Service Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Equity in pooled cash and investments	\$ 279,346	\$ 0	\$ 279,346
	<u>          </u>	<u>          </u>	<u>          </u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 425	\$	\$ 425
<b>FUND BALANCES</b>			
Reserved for debt service	<u>278,921</u>	<u>0</u>	<u>278,921</u>
Total liabilities and fund balances	<u>\$ 279,346</u>	<u>\$ 0</u>	<u>\$ 279,346</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES - ALL DEBT SERVICE FUNDS

Year Ended September 30, 2002

	Series 1993 Debt Service Fund	Series 2000 Debt Service Fund	Total
<b>Revenue</b>			
Taxes	\$ 593,496	\$	\$ 593,496
Investment earnings	11,987	48	12,035
	<u>605,483</u>	<u>48</u>	<u>605,531</u>
<b>Expenditures</b>			
Debt Service			
Principal retirement	580,000		580,000
Interest and fiscal charges	117,625	1,212,383	1,330,008
	<u>697,625</u>	<u>1,212,383</u>	<u>1,910,008</u>
Revenue over (under) expenditures	(92,142)	(1,212,335)	(1,304,477)
<b>Other financing source</b>			
Operating transfer in		1,211,858	1,211,858
Revenue and other source over (under) expenditures	(92,142)	(477)	(92,619)
Fund balances at October 1, 2001	<u>371,063</u>	<u>477</u>	<u>371,540</u>
Fund balances at September 30, 2002	<u>\$ 278,921</u>	<u>\$ 0</u>	<u>\$ 278,921</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
ALL DEBT SERVICE FUNDS

Year Ended September 30, 2002

	Series 1993 Debt Service Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>			
Taxes	\$ 587,775	\$ 593,496	\$ 5,721
Investment earnings	22,000	11,987	(10,013)
	<u>609,775</u>	<u>605,483</u>	<u>(4,292)</u>
<b>EXPENDITURES</b>			
Debt Service			
Principal retirement	580,000	580,000	0
Interest and fiscal charges	117,775	117,625	150
	<u>697,775</u>	<u>697,625</u>	<u>150</u>
Revenue over (under) expenditures	(88,000)	(92,142)	(4,142)
<b>Other financing source</b>			
Operating transfer in	88,000		(88,000)
	<u>88,000</u>		<u>(88,000)</u>
Revenue and other source over (under) expenditures	<u>\$ 0</u>	(92,142)	<u>\$ (92,142)</u>
Fund balances at October 1, 2001		<u>371,063</u>	
Fund balances at September 30, 2002		<u>\$ 278,921</u>	

Series 2000 Debt Service Fund			Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 5,000	\$ 48	\$ 0 (4,952)	\$ 587,775	\$ 593,496	\$ 5,721 (14,965)
<u>5,000</u>	<u>48</u>	<u>(4,952)</u>	<u>614,775</u>	<u>605,531</u>	<u>(9,244)</u>
		0	580,000	580,000	0
<u>1,212,858</u>	<u>1,212,383</u>	<u>475</u>	<u>1,330,633</u>	<u>1,330,008</u>	<u>625</u>
<u>1,212,858</u>	<u>1,212,383</u>	<u>475</u>	<u>1,910,633</u>	<u>1,910,008</u>	<u>625</u>
(1,207,858)	(1,212,335)	(4,477)	(1,295,858)	(1,304,477)	(8,619)
<u>1,207,858</u>	<u>1,211,858</u>	<u>4,000</u>	<u>1,295,858</u>	<u>1,211,858</u>	<u>(84,000)</u>
<u>\$ 0</u>	(477)	<u>\$ (477)</u>	<u>\$ 0</u>	(92,619)	<u>\$ (92,619)</u>
	<u>477</u>			<u>371,540</u>	
	<u>\$ 0</u>			<u>\$ 278,921</u>	

CAPITAL PROJECTS FUNDS  
COMBINING FINANCIAL STATEMENTS

**Capital Improvement Fund** – To account for financial resources to be used for the acquisition or construction of major capital facilities.

**Beach Restoration Project Fund** - To account for the proceeds of the Town's Series 2000 revenue bonds and other Town funds that are to be used for the beach restoration project.

**Equipment Replacement Fund** – To account for financial resources to be used for the acquisition of capital equipment.

TOWN OF PALM BEACH, FLORIDA

COMBINING BALANCE SHEET - ALL CAPITAL PROJECTS FUNDS

September 30, 2002

	Capital Improvement Fund	Beach Restoration Project Fund	Equipment Replacement Fund	Total
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ 11,557,053	\$ 6,828,034	\$ 4,497,502	\$ 22,882,589
Investments		23,000,000		23,000,000
Accrued interest receivable		304,821		304,821
Grants receivable	10,000	184,757		194,757
Due from other funds	176,400			176,400
	<u>176,400</u>	<u>                    </u>	<u>                    </u>	<u>176,400</u>
Total Assets	<u>\$ 11,743,453</u>	<u>\$ 30,317,612</u>	<u>\$ 4,497,502</u>	<u>\$ 46,558,567</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 912,965	\$ 117,359	\$	\$ 1,030,324
Accrued liabilities	4,452			4,452
Due to other funds		176,400		176,400
	<u>917,417</u>	<u>293,759</u>	<u>0</u>	<u>1,211,176</u>
<b>FUND BALANCES</b>				
Reserved for encumbrances	2,082,115	808,586		2,890,701
Unreserved:				
Designated for 2002-2003 budget	934,900			934,900
Designated for beach restoration projects		29,215,267		29,215,267
Designated for specific purposes	7,809,021		4,497,502	12,306,523
Total fund balances	<u>10,826,036</u>	<u>30,023,853</u>	<u>4,497,502</u>	<u>45,347,391</u>
Total liabilities and fund balances	<u>\$ 11,743,453</u>	<u>\$ 30,317,612</u>	<u>\$ 4,497,502</u>	<u>\$ 46,558,567</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES - ALL CAPITAL PROJECTS FUNDS

Year Ended September 30, 2002

	Capital Improvement Fund	Beach Restoration Project Fund	Equipment Replacement Fund	Total
<b>Revenue</b>				
Contributions	\$ 50,000	\$	\$ 47,673	\$ 97,673
Investment earnings	280,991	1,351,535	39,857	1,672,383
Grant revenue	161,848	286,397		448,245
	<u>492,839</u>	<u>1,637,932</u>	<u>87,530</u>	<u>2,218,301</u>
<b>Expenditures</b>				
Current				
Physical environment		281,173		281,173
Capital outlay	6,958,609	379,823		7,338,432
	<u>6,958,609</u>	<u>660,996</u>	<u>0</u>	<u>7,619,605</u>
Revenue over (under) expenditures	(6,465,770)	976,936	87,530	(5,401,304)
<b>Other financing source</b>				
Operating transfers in	<u>3,370,791</u>	<u>783,834</u>	<u>4,409,972</u>	<u>8,564,597</u>
Revenue and other source over (under) expenditures	(3,094,979)	1,760,770	4,497,502	3,163,293
Fund balances at October 1, 2001	<u>13,921,015</u>	<u>28,263,083</u>	<u>0</u>	<u>42,184,098</u>
Fund balances at September 30, 2002	<u><u>\$ 10,826,036</u></u>	<u><u>\$ 30,023,853</u></u>	<u><u>\$ 4,497,502</u></u>	<u><u>\$ 45,347,391</u></u>

TOWN OF PALM BEACH, FLORIDA

COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
ALL CAPITAL PROJECTS FUNDS

Year Ended September 30, 2002

	Capital Improvement Fund			Beach Restoration Project Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>						
Investment earnings	\$ 400,000	\$ 280,991	\$ (119,009)	\$ 1,352,984	\$ 1,351,535	\$ (1,449)
Contributions	50,000	50,000	0			
Grant revenue		161,848	161,848		286,397	286,397
	<u>450,000</u>	<u>492,839</u>	<u>42,839</u>	<u>1,352,984</u>	<u>1,637,932</u>	<u>284,948</u>
<b>EXPENDITURES</b>						
Current						
Physical environment			0	753,834	281,173	472,661
Capital outlay	19,977,615	3,423,593	16,554,022	19,879,000	661,728	19,217,272
	<u>19,977,615</u>	<u>3,423,593</u>	<u>16,554,022</u>	<u>20,632,834</u>	<u>942,901</u>	<u>19,689,933</u>
Revenue over (under) expenditures	(19,527,615)	(2,930,754)	16,596,861	(19,279,850)	695,031	19,974,881
<b>Other financing source</b>						
Operating transfers in	3,370,791	3,370,791	0	783,834	783,834	0
	<u>3,370,791</u>	<u>3,370,791</u>	<u>0</u>	<u>783,834</u>	<u>783,834</u>	<u>0</u>
Revenue and other financing source over (under) expenditures	<u>\$ (16,156,824)</u>	440,037	<u>\$ 16,596,861</u>	<u>\$ (18,496,016)</u>	1,478,865	<u>\$ 19,974,881</u>
Fund balances at October 1, 2001		13,921,015			28,263,083	
Net differences between GAAP and Non-GAAP budgetary basis		<u>(3,535,016)</u>			<u>281,905</u>	
Fund balances at September 30, 2002		<u>\$ 10,826,036</u>			<u>\$ 30,023,853</u>	

Equipment Replacement Fund			Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 150,000	\$ 39,857 47,673	\$ (110,143) 47,673	\$ 1,902,984 50,000	\$ 1,672,383 97,673 448,245	\$ (230,601) 47,673 448,245
<u>150,000</u>	<u>87,530</u>	<u>(62,470)</u>	<u>1,952,984</u>	<u>2,218,301</u>	<u>265,317</u>
			753,834	281,173	472,661
			39,856,615	4,085,321	35,771,294
<u>0</u>	<u>0</u>	<u>0</u>	<u>40,610,449</u>	<u>4,366,494</u>	<u>36,243,955</u>
150,000	87,530	(62,470)	(38,657,465)	(2,148,193)	36,509,272
4,386,910	4,409,972	23,062	8,541,535	8,564,597	23,062
<u>4,386,910</u>	<u>4,409,972</u>	<u>23,062</u>	<u>8,541,535</u>	<u>8,564,597</u>	<u>23,062</u>
<u>\$ 4,536,910</u>	4,497,502	<u>\$ (39,408)</u>	<u>\$ (30,115,930)</u>	6,416,404	<u>\$ 36,532,334</u>
	0			42,184,098	
	<u>0</u>			<u>(3,253,111)</u>	
	<u>\$ 4,497,502</u>			<u>\$ 45,347,391</u>	

INTERNAL SERVICE FUNDS  
COMBINING FINANCIAL STATEMENTS

**Property, Liability and Workers Compensation Insurance Fund** - To account for the Town's property, liability, and workers compensation insurance activities.

**Group Health Insurance Fund** - To account for the Town's health insurance activities.

TOWN OF PALM BEACH, FLORIDA

COMBINING BALANCE SHEET - ALL INTERNAL SERVICE FUNDS

September 30, 2002

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$	\$ 23,625	\$ 23,625
Equity in pooled cash and investments	6,042,845	16,374,224	22,417,069
Prepaid items	147	201,485	201,632
Total current assets	<u>6,042,992</u>	<u>16,599,334</u>	<u>22,642,326</u>
Property and equipment, net	<u>3,832</u>	<u>7,018</u>	<u>10,850</u>
Total assets	<u>\$ 6,046,824</u>	<u>\$ 16,606,352</u>	<u>\$ 22,653,176</u>
<b>LIABILITIES AND FUND EQUITY</b>			
LIABILITIES			
Current liabilities			
Accounts payable	\$ 48,076	\$ 55,353	\$ 103,429
Accrued liabilities	1,681,373	600,457	2,281,830
Due to other funds	226	17,273	17,499
Compensated absences payable	2,576	690	3,266
Total current liabilities	<u>1,732,251</u>	<u>673,773</u>	<u>2,406,024</u>
FUND EQUITY			
Contributed capital	346,000	148,000	494,000
Retained earnings	3,968,573	15,784,579	19,753,152
Total fund equity	<u>4,314,573</u>	<u>15,932,579</u>	<u>20,247,152</u>
Total liabilities and fund equity	<u>\$ 6,046,824</u>	<u>\$ 16,606,352</u>	<u>\$ 22,653,176</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF REVENUE, EXPENSES AND  
CHANGES IN RETAINED EARNINGS - ALL INTERNAL SERVICE FUNDS

Year Ended September 30, 2002

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Total
<b>Operating revenue</b>			
Charges for services	\$ 2,303,060	\$ 3,854,100	\$ 6,157,160
<b>Operating expenses</b>			
Personal services	77,188	73,325	150,513
Contractual services	36,046	62,985	99,031
Insurance and claims	1,838,168	3,710,237	5,548,405
Depreciation	469	1,942	2,411
Other	8,753	20,619	29,372
	<u>1,960,624</u>	<u>3,869,108</u>	<u>5,829,732</u>
Operating income (loss)	342,436	(15,008)	327,428
<b>Non-operating revenue</b>			
Investment earnings	<u>107,542</u>	<u>336,507</u>	<u>444,049</u>
Net income	449,978	321,499	771,477
Retained earnings at October 1, 2001	<u>3,518,595</u>	<u>15,463,080</u>	<u>18,981,675</u>
Retained earnings at September 30, 2002	<u>\$ 3,968,573</u>	<u>\$ 15,784,579</u>	<u>\$ 19,753,152</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF CASH FLOWS - ALL INTERNAL SERVICE FUNDS

Year Ended September 30, 2002

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Total
<b>OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 342,436	\$ (15,008)	\$ 327,428
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	469	1,942	2,411
Changes in operating assets and liabilities:			
Increase in prepaid items	(147)	(63,374)	(63,521)
Increase (decrease) in accounts payable	29,403	(63,776)	(34,373)
Increase in accrued liabilities	593	63,759	64,352
Increase (decrease) in due to other funds	(434)	17,273	16,839
Increase in compensated absences payable	419	555	974
Net cash provided by (used in) operating activities	372,739	(58,629)	314,110
<b>CAPITAL AND RELATED FINANCING ACTIVITY</b>			
Acquisition of property and equipment	(2,740)		(2,740)
Net cash used in capital and related financing activity	(2,740)	0	(2,740)
<b>INVESTING ACTIVITY</b>			
Investment earnings received	107,542	336,507	444,049
Net cash provided by investing activity	107,542	336,507	444,049
Net increase in cash and cash equivalents	477,541	277,878	755,419
Cash and cash equivalents at October 1, 2001	5,565,304	16,119,971	21,685,275
Cash and cash equivalents at September 30, 2002	\$ 6,042,845	\$ 16,397,849	\$ 22,440,694

ENTERPRISE FUNDS  
COMBINING FINANCIAL STATEMENTS

**Golf Fund** - To account for the operation of the Town's Par 3 Golf Course.

**Marina Fund** - To account for the operation of the Town's 88 dock slips.

TOWN OF PALM BEACH, FLORIDA

COMBINING BALANCE SHEET - ALL ENTERPRISE FUNDS

September 30, 2002

	<u>Golf Fund</u>	<u>Marina Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 543	\$ 212	\$ 755
Equity in pooled cash and investments	527	2,219,222	2,219,749
Accounts receivable		5,357	5,357
Total current assets	<u>1,070</u>	<u>2,224,791</u>	<u>2,225,861</u>
Property and equipment			
Land	5,051,527		5,051,527
Buildings	234,582		234,582
Improvements other than buildings	684,530	4,647,635	5,332,165
Equipment	258,582	8,484	267,066
	<u>6,229,221</u>	<u>4,656,119</u>	<u>10,885,340</u>
Accumulated depreciation	(768,240)	(981,607)	(1,749,847)
	<u>5,460,981</u>	<u>3,674,512</u>	<u>9,135,493</u>
Total assets	<u>\$ 5,462,051</u>	<u>\$ 5,899,303</u>	<u>\$ 11,361,354</u>
<b>LIABILITIES AND FUND EQUITY</b>			
LIABILITIES			
Current liabilities			
Accounts payable	\$ 19,326	\$ 4,636	\$ 23,962
Accrued liabilities	11,845	6,037	17,882
Due to other funds	265,068	10,587	275,655
Deferred revenue		256,020	256,020
Compensated absences payable	46,091	2,846	48,937
Total current liabilities	<u>342,330</u>	<u>280,126</u>	<u>622,456</u>
FUND EQUITY			
Contributed capital	5,026,632	432,644	5,459,276
Retained earnings	93,089	5,186,533	5,279,622
Total fund equity	<u>5,119,721</u>	<u>5,619,177</u>	<u>10,738,898</u>
Total liabilities and fund equity	<u>\$ 5,462,051</u>	<u>\$ 5,899,303</u>	<u>\$ 11,361,354</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF REVENUE, EXPENSES AND  
CHANGES IN RETAINED EARNINGS - ALL ENTERPRISE FUNDS

Year Ended September 30, 2002

	Golf Fund	Marina Fund	Total
<b>Operating revenue</b>			
Golf fees and related revenue	\$ 687,212	\$	\$ 687,212
Marina fees and related revenue		2,160,210	2,160,210
	<u>687,212</u>	<u>2,160,210</u>	<u>2,847,422</u>
<b>Operating expenses</b>			
Personal services	459,172	168,895	628,067
Contractual services	26,788	55,612	82,400
Vehicle and equipment maintenance	6,627		6,627
Marina maintenance		31,953	31,953
Equipment rental	16,160		16,160
Materials and supplies	88,424	6,229	94,653
Utilities	115,821	215,201	331,022
Depreciation	54,042	152,538	206,580
Other	26,363	71,898	98,261
	<u>793,397</u>	<u>702,326</u>	<u>1,495,723</u>
Operating income (loss)	(106,185)	1,457,884	1,351,699
<b>Non-operating revenue (expense)</b>			
Grant revenue		3,000	3,000
Investment earnings		50,844	50,844
Interest expense		(3,495)	(3,495)
		<u>50,349</u>	<u>50,349</u>
Income (loss) before operating transfers	(106,185)	1,508,233	1,402,048
Operating transfers to General Fund	<u>(25,000)</u>	<u>(650,000)</u>	<u>(675,000)</u>
Net income (loss)	(131,185)	858,233	727,048
Retained earnings at October 1, 2001	<u>224,274</u>	<u>4,328,300</u>	<u>4,552,574</u>
Retained earnings at September 30, 2002	<u>\$ 93,089</u>	<u>\$ 5,186,533</u>	<u>\$ 5,279,622</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF CASH FLOWS - ALL ENTERPRISE FUNDS

Year Ended September 30, 2002

	Golf Fund	Marina Fund	Total
<b>OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (106,185)	\$ 1,457,884	\$ 1,351,699
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	54,042	152,538	206,580
Changes in operating assets and liabilities:			
Increase in accounts receivable		(5,357)	(5,357)
Increase (decrease) in accounts payable	6,407	(4,181)	2,226
Increase (decrease) in accrued liabilities	2,611	(28,584)	(25,973)
Increase in due to other funds	83,149	10,126	93,275
Increase in deferred revenue		18,806	18,806
Increase in compensated absences payable	8,050	1,385	9,435
Net cash provided by operating activities	48,074	1,602,617	1,650,691
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Grant revenue received		3,000	3,000
Operating transfers to General Fund	(25,000)	(650,000)	(675,000)
Net cash used in noncapital financing activities	(25,000)	(647,000)	(672,000)
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Note principal payments		(569,694)	(569,694)
Interest paid		(3,495)	(3,495)
Acquisition of property and equipment	(22,636)		(22,636)
Net cash used in capital and related financing activities	(22,636)	(573,189)	(595,825)
<b>INVESTING ACTIVITY</b>			
Investment earnings received		50,844	50,844
Net cash provided by investing activity	0	50,844	50,844
Net increase in cash and cash equivalents	438	433,272	433,710
Cash and cash equivalents at October 1, 2001	632	1,786,162	1,786,794
Cash and cash equivalents at September 30, 2002	<u>\$ 1,070</u>	<u>\$ 2,219,434</u>	<u>\$ 2,220,504</u>

FIDUCIARY FUNDS  
COMBINING FINANCIAL STATEMENTS

PENSION TRUST FUNDS

**General Employees Pension Trust Fund** - To account for the accumulation of resources to be used for retirement benefits payable to eligible Town general employees and lifeguards.

**Public Safety Pension Trust Fund** - To account for the accumulation of resources to be used for retirement benefits payable to eligible Town police and fire-rescue employees.

AGENCY FUND

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

TOWN OF PALM BEACH, FLORIDA

COMBINING BALANCE SHEET - ALL FIDUCIARY FUND TYPES

September 30, 2002

	General Employees Pension Trust Fund	Public Safety Pension Trust Fund	<u>Agency Fund</u>  Kreusler Park Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,297,800	\$ 2,016,755	\$	\$ 3,314,555
Equity in pooled cash and investments			7,363	7,363
Investments	42,613,744	72,104,998		114,718,742
Accrued interest receivable	230,463	223,693		454,156
Due from other funds	22	369		391
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 44,142,029</u>	<u>\$ 74,345,815</u>	<u>\$ 7,363</u>	<u>\$ 118,495,207</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 11,764	\$ 26,140	\$	37,904
Due to other governments			7,363	7,363
DROP plan liability	533,460	2,281,374		2,814,834
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	545,224	2,307,514	7,363	2,860,101
 <b>FUND BALANCES</b>				
Reserved for employees' pension benefits	43,596,805	72,038,301		115,635,106
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balances	<u>\$ 44,142,029</u>	<u>\$ 74,345,815</u>	<u>\$ 7,363</u>	<u>\$ 118,495,207</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF PLAN NET ASSETS -  
ALL PENSION TRUST FUNDS

September 30, 2002

	General Employees Pension Trust Fund	Public Safety Pension Trust Fund	Total
<b>ASSETS</b>			
Cash and short-term investments	\$ 1,297,800	\$ 2,016,755	\$ 3,314,555
Accrued interest and dividends receivable	230,463	223,693	454,156
Due from General Fund	22	369	391
Investments, at fair value			
U.S. Government and Agency securities	8,522,838	8,884,216	17,407,054
Passive Bond Market Index Fund		18,834,843	18,834,843
Domestic common stocks	13,307,885	20,564,075	33,871,960
Common Stock Index Fund	9,730,604	14,935,779	24,666,383
Domestic corporate bonds	11,052,417	8,886,085	19,938,502
Total investments	<u>42,613,744</u>	<u>72,104,998</u>	<u>114,718,742</u>
Total assets	44,142,029	74,345,815	118,487,844
<b>LIABILITIES</b>			
Accounts payable	11,764	26,140	37,904
DROP plan liability	533,460	2,281,374	2,814,834
Total liabilities	<u>545,224</u>	<u>2,307,514</u>	<u>2,852,738</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>			
(A schedule of funding progress is presented in Note I)	<u>\$ 43,596,805</u>	<u>\$ 72,038,301</u>	<u>\$ 115,635,106</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS -  
ALL PENSION TRUST FUNDS

Year Ended September 30, 2002

	General Employees Pension Trust Fund	Public Safety Pension Trust Fund	Total
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 567,003	\$ 508,232	\$ 1,075,235
Employee	633,203	543,274	1,176,477
State		719,900	719,900
Total contributions	<u>1,200,206</u>	<u>1,771,406</u>	<u>2,971,612</u>
Investment income (loss)			
Net depreciation in fair value of investments	(6,665,626)	(9,853,531)	(16,519,157)
Interest income	1,386,545	1,541,678	2,928,223
Dividend income	293,743	572,780	866,523
	<u>(4,985,338)</u>	<u>(7,739,073)</u>	<u>(12,724,411)</u>
Less investment expense	239,458	286,193	525,651
Net investment loss	<u>(5,224,796)</u>	<u>(8,025,266)</u>	<u>(13,250,062)</u>
Total additions	(4,024,590)	(6,253,860)	(10,278,450)
<b>DEDUCTIONS</b>			
Benefit payments	2,195,555	3,782,381	5,977,936
Refunds	122,109	31,374	153,483
Administrative expense	76,580	119,973	196,553
Total deductions	<u>2,394,244</u>	<u>3,933,728</u>	<u>6,327,972</u>
Net decrease	(6,418,834)	(10,187,588)	(16,606,422)
Net assets held in trust for pension benefits at October 1, 2001	<u>50,015,639</u>	<u>82,225,889</u>	<u>132,241,528</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT SEPTEMBER 30, 2002	<u>\$ 43,596,805</u>	<u>\$ 72,038,301</u>	<u>\$ 115,635,106</u>

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
AGENCY FUND

Year Ended September 30, 2002

	Balance October 1, 2001	Additions	Deductions	Balance September 30, 2002
<b>KREUSLER PARK FUND</b>				
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ 0	\$ 270,938	\$ 263,575	\$ 7,363
Due from other governments	<u>11,105</u>	<u>55,860</u>	<u>66,965</u>	<u>0</u>
Total assets	<u>\$ 11,105</u>	<u>\$ 326,798</u>	<u>\$ 330,540</u>	<u>\$ 7,363</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 0	\$ 212,580	\$ 205,217	\$ 7,363
Due to other funds	<u>11,105</u>	<u>114,218</u>	<u>125,323</u>	<u>0</u>
Total liabilities	<u>\$ 11,105</u>	<u>\$ 326,798</u>	<u>\$ 330,540</u>	<u>\$ 7,363</u>

GENERAL FIXED ASSETS  
ACCOUNT GROUP

This account group represents the fixed assets of the Town utilized in its general operations (nonproprietary fixed assets).

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF GENERAL FIXED ASSETS - BY SOURCE

September 30, 2002

**Investment in General Fixed Assets by Source**

General Fund	\$ 27,408,538
Capital Projects Funds	7,987,171
Donations	4,494,020
Transfer from Parking Fund at closure	<u>612,519</u>
Total investment in general fixed assets	<u><u>\$ 40,502,248</u></u>

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY

September 30, 2002

Function and Activity	Land	Buildings	Improvements other than Buildings	Equipment	Construction In Progress	Net Investment in ECR	Total
General Government							
Assets acquired prior to 1989	\$ 1,906,407	\$ 4,298,079	\$ 721,417	\$ 8,073	\$	\$	\$ 6,933,976
Town Manager			69,990	67,007	99,275		236,272
Human Resources				44,795			44,795
Information Systems				841,407			841,407
Finance				58,851			58,851
Purchasing				33,777			33,777
Planning, Zoning and Building		34,394		192,763			227,157
Town Clerk				21,115			21,115
Total General Government	1,906,407	4,332,473	791,407	1,267,788	99,275	0	8,397,350
Public Safety							
Assets acquired prior to 1989	1,675,000	4,149,604		5,852			5,830,456
Police		372,942	173,703	2,369,441	24,370		2,940,456
Fire-Rescue		1,941,113	7,435	3,136,788	115,038		5,200,374
Total Public Safety	1,675,000	6,463,659	181,138	5,512,081	139,408	0	13,971,286
Public Works	2,583,905	1,467,338	29,941	3,846,348		6,127,789	14,055,321
Recreation	2,550,000	756,822	679,406	92,063			4,078,291
Total General Fixed Assets	<u>\$ 8,715,312</u>	<u>\$ 13,020,292</u>	<u>\$ 1,681,892</u>	<u>\$ 10,718,280</u>	<u>\$ 238,683</u>	<u>\$ 6,127,789</u>	<u>\$ 40,502,248</u>

A more detailed segregation of general fixed assets by activity is not available for years prior to 1989. This information is being developed prospectively.

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY

Year Ended September 30, 2002

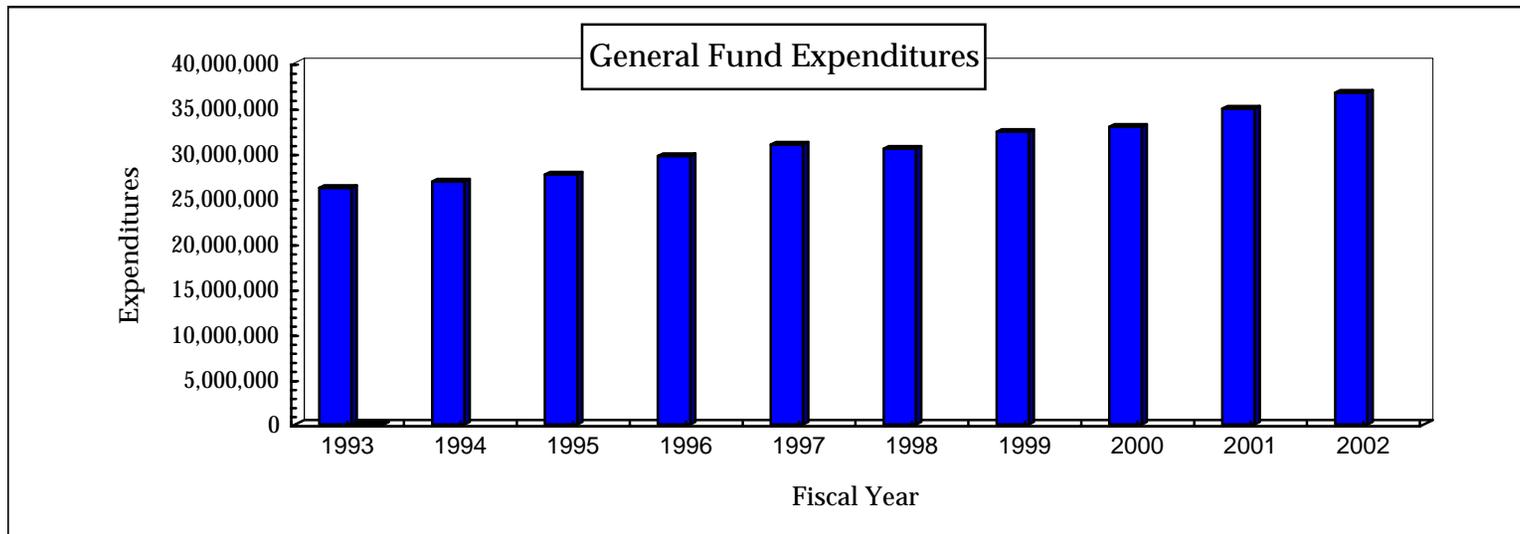
Function and Activity	Balance October 1, 2001	Additions	Deletions	Transfers	Balance September 30, 2002
<b>General Government</b>					
Assets acquired prior to 1989	\$ 6,933,976	\$	\$	\$	\$ 6,933,976
Town Manager	143,717	99,072	6,517		236,272
Human Resources	53,787	2,299	11,291		44,795
Information Systems	496,088	386,995	41,676		841,407
Finance	71,716		12,865		58,851
Purchasing	45,400		11,623		33,777
Planning, Zoning and Building	227,022	22,990	22,855		227,157
Town Clerk	30,154		9,039		21,115
Total General Government	8,001,860	511,356	115,866	0	8,397,350
<b>Public Safety</b>					
Assets acquired prior to 1989	5,830,456				5,830,456
Police	2,391,834	967,294	388,933	(29,739)	2,940,456
Fire-Rescue	5,623,769	82,082	504,127	(1,350)	5,200,374
Total Public Safety	13,846,059	1,049,376	893,060	(31,089)	13,971,286
Public Works	13,866,811	225,185	67,764	31,089	14,055,321
Recreation	3,673,308	428,003	23,020		4,078,291
Total General Fixed Assets	<u>\$ 39,388,038</u>	<u>\$ 2,213,920</u>	<u>\$ 1,099,710</u>	<u>\$ 0</u>	<u>\$ 40,502,248</u>

A more detailed segregation of general fixed assets by activity is not available for years prior to 1989. This information is being developed prospectively.

## **STATISTICAL SECTION**

TOWN OF PALM BEACH, FLORIDA  
 GENERAL FUND EXPENDITURES BY FUNCTION (UNAUDITED)  
 (Budgetary Basis)  
 Last Ten Fiscal Years  
 September 30, 2002

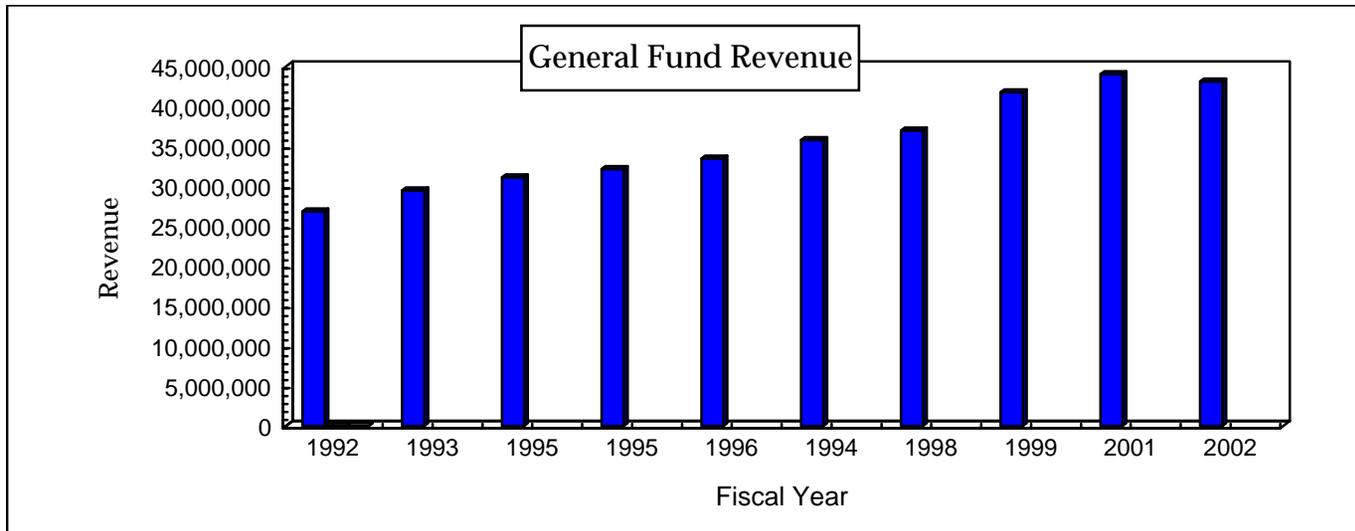
Fiscal Year Ended September 30 ,	General Government	Public Safety	Physical Environment	Transportation	Culture and Recreation	Non- Departmental	Principal Retirement & Interest	Total
1993	\$ 4,641,422	\$ 12,544,080	\$ 7,247,009	\$ 967,794	\$ 770,262			\$ 26,170,567
1994	4,797,464	12,843,546	7,375,728	952,570	847,779		54,703	26,871,790
1995	4,820,706	13,229,969	7,668,558	886,672	873,600		164,120	27,643,625
1996	4,498,077	14,906,964	7,228,727	1,419,436	1,461,882		160,306	29,675,392
1997	4,503,564	16,364,613	6,818,348	1,297,611	1,621,330		346,457	30,951,923
1998	4,235,479	16,035,798	7,009,601	1,306,321	1,647,815		270,203	30,505,217
1999	4,872,891	17,219,047	7,191,528	1,143,373	1,723,938		222,523	32,373,300
2000	5,279,003	16,266,034	6,685,106	1,117,010	1,723,095	1,650,768	222,523	32,943,539
2001	5,252,432	17,775,850	6,937,811	1,044,553	1,768,308	1,948,065	218,919	34,945,938
2002	6,328,570	17,682,563	7,138,860	1,094,696	1,968,109	2,292,624	203,337	36,708,759



Source: Town of Palm Beach Finance Department

TOWN OF PALM BEACH, FLORIDA  
 GENERAL FUND REVENUE BY SOURCE (UNAUDITED)  
 (Budgetary Basis)  
 Last Ten Fiscal Years  
 September 30, 2002

Fiscal Year Ended September 30 ,	Taxes	Licenses and Permits	Inter-governmental	Charges for Services	Fines and Forfeitures	Investment Earnings	Contributions	Grants and Miscellaneous	Total
1993	\$ 21,375,896	\$ 1,936,181	\$ 868,402	\$ 891,775	\$ 392,193	\$ 476,057	\$ 49,095	\$ 894,604	\$ 26,884,203
1994	23,283,228	2,296,155	905,255	976,794	390,133	584,370	92,402	965,358	29,493,695
1995	23,791,343	2,883,641	868,807	1,111,711	402,128	875,580	264,405	934,205	31,131,820
1996	24,158,004	3,282,750	897,595	1,119,324	812,305	932,083	179,140	788,537	32,169,738
1997	24,939,339	3,732,758	893,603	1,238,421	527,623	1,169,809	178,723	806,995	33,487,271
1998	25,193,310	5,528,132	941,954	1,709,726	592,507	1,076,220	114,083	644,155	35,800,087
1999	26,374,622	5,338,440	953,627	1,952,511	632,805	1,208,413	145,201	402,466	37,008,085
2000	28,217,763	7,309,553	1,499,244	2,131,584	600,722	1,637,841	0	393,650	41,790,357
2001	31,626,098	6,236,113	1,048,418	2,309,482	758,454	1,782,377	0	308,156	44,069,098
2002	32,777,912	5,503,582	1,155,058	2,227,358	550,323	665,828	0	268,029	43,148,090



Source: Town of Palm Beach Finance Department

TOWN OF PALM BEACH , FLORIDA

SCHEDULE OF HISTORIC AND BUDGETED NON-AD VALOREM REVENUES AS DEFINED IN BOND DOCUMENT (UNAUDITED)  
LAST SEVEN FISCAL YEARS

September 30, 2002

	<u>Actual FY1996</u>	<u>Actual FY1997</u>	<u>Actual FY1998</u>	<u>Actual FY1999</u>	<u>Actual FY2000</u>	<u>Actual FY2001</u>	<u>Actual FY2002</u>	<u>Budget FY2003</u>
Franchise fees	\$ 1,515,995	\$ 1,687,967	\$ 1,682,379	\$ 1,725,946	\$ 1,693,857	\$ 2,049,125	\$ 1,716,214	\$ 1,575,000
Utility service tax	2,953,824	3,226,614	3,387,188	3,556,197	3,549,952	3,560,240	4,022,212	4,173,500
Occupational licenses	559,651	543,183	580,162	572,005	547,441	634,645	605,737	600,000
Building permits (1)	2,516,443	2,947,032	4,672,211	4,460,447	6,406,102	5,179,678	4,781,034	2,842,150
Other license fees & permits	147,635	149,934	170,214	207,819	245,086	219,919	116,811	112,500
State shared revenue (2)	779,065	774,033	825,207	840,777	872,579	875,883	991,187	970,500
Local shared revenue	45,896	44,874	34,349	32,483	596,486	86,922	163,871	22,500
General government	20,108	23,048	32,585	41,421	34,135	28,739	30,709	275,605
Public safety	180,622	266,222	326,572	527,801	655,934	775,900	662,763	23,650
Physical environment	611,983	589,790	739,993	789,701	829,803	893,973	907,551	1,045,575
Transportation	257,205	296,453	319,286	331,804	343,076	340,899	351,495	900,300
Culture-recreation	306,611	348,781	271,769	281,102	268,636	269,969	274,840	373,500
Fines & Forfeitures	812,305	527,623	592,508	632,805	600,722	758,453	550,323	296,100
Contributions	179,140	178,723	114,083	145,201	0	0	0	626,000
Investment earnings	932,083	1,093,463	1,076,220	1,208,413	1,637,841	1,782,377	665,828	0
Grant revenue	15,944	17,181	8,889	10,178	217,939	26,212	44,608	802,616
Rents and royalties	8,245	9,412	10,128	21,973	71,695	70,203	92,470	97,300
Special assessments	4,147	1,126	1,415	0	0	0	0	0
Sale of fixed assets	40,568	73,014	47,632	101,622	33,041	35,013	41,923	0
Other miscellaneous	55,584	46,522	576,091	266,727	70,975	150,926	89,028	75,650
<b>Total Non Ad Valorem Revenues</b>	<b><u>\$ 11,943,054</u></b>	<b><u>\$ 12,844,995</u></b>	<b><u>\$ 15,468,881</u></b>	<b><u>\$ 15,754,422</u></b>	<b><u>\$ 18,675,300</u></b>	<b><u>\$ 17,739,076</u></b>	<b><u>\$ 16,108,604</u></b>	<b><u>\$ 14,812,446</u></b>

(1) Excludes community service fee. (Community Service fee discontinued for FY 2003)

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

Source: Town of Palm Beach Finance Department

Note: This schedule provides information required by the Town's Series 2001 bond documents.

## **Description of Certain Major Sources of Non-Ad Valorem Revenues As Defined in Bond Document (Unaudited)**

### **Franchise Fees**

Public utilities operating within the Town of Palm Beach must pay to the Town a franchise fee in return for the right to do business within the Town and for the right to use public rights-of-way. Franchise agreements currently in effect include: Florida Public Utilities, Florida Power & Light, Bell South Telecommunications, and Adelphia Cable. (See note under Utility Service Tax regarding fiscal year 2002 budget for Telecommunications and Cable franchise fees.)

### **Utility Service Tax**

The Town levies a utility tax on the purchase of electricity, metered or bottled gas, water service and telecommunication services. The Town levies this tax at the State allowed maximum of 10% for all services. In fiscal year 2002, franchise fees for telecommunication and cable providers have been consolidated with the utility service tax on these services for a new communication services tax that was enacted by the State of Florida.

### **Occupational Licenses**

Any person engaging in or managing any business, occupation or profession, within the limits of the Town of Palm Beach must obtain an occupational license. All licenses must be secured at the time the business begins operation and are renewed thereafter each October 1. The fee for each license is based on the business in which the entity is engaged.

### **Building Permits**

Building permit fees include all building, electrical, mechanical and plumbing permits as well as architectural fees, variance application fees, and landmark application fees.

### **Other License Fees and Permits**

These revenues include, right of way permits, parking permits and registrations.

### **State Shared Revenue**

Revenues that are distributed from the State of Florida to the Town of Palm Beach are included in this line item. A portion of this revenue is State Revenue Sharing. The current structure of the revenue sharing program has three revenue sources for municipalities: Cigarette Tax, one-cent Municipal Gas Tax and the State Alternative Fuel Decal Users Fee. Of these sources, the one-cent Municipal Gas Tax (Local Option Gas Tax) is restricted to expenditures for roads and has not been included in the *Historic and Projected Non Ad Valorem Revenue* chart. Also included in the State Shared Revenue sections are the following distributions from the State of Florida: Alcoholic Beverage License, Sales Tax and a separate Cigarette Tax distribution.

### **Local Revenue Sharing**

Local shared revenue includes a portion of the Palm Beach County Occupational License fees and a 911 equipment reimbursement.

### **General Government Revenues**

These revenues include charges for copies, meeting tapes, lien search fees, microfiche, certification of copies and sales of maps and code books.

**Public Safety Revenue**

Public Safety Revenue includes special detail pay for police and fire officers, burglar alarm registration and false alarm fees, police ID cards, and tent permits. For FY 2003 an EMS Transport fee and a Direct Connect Alarm fee were instituted.

**Physical Environment Revenue**

Physical Environment Revenue includes solid waste collection fees, recycling fees and beach cleaning fees.

**Transportation**

Revenues include parking meter collections.

**Culture – Recreation**

Revenues include Tennis registration, lesson and court fees, Youth and Adult program registration and program fees.

**Fines and Forfeitures**

Fines and penalties received from traffic violations and parking meter violations.

**Investment Earnings**

Interest earnings on cash, cash equivalents, and investments.

**Grants**

Reflected in the grant total for FY 2003 budget is the anticipated receipt of funds for a local law enforcement block grant and a historic preservation grant.

**Rents and Royalties**

Includes rental of public property, pay phone and vending machine commissions.

**Other Miscellaneous Revenue**

Revenues include a fee paid to the Town for the administration of Kreuzler Park Parking lot, fees associated with charitable solicitations, a rebate for Town towing and other miscellaneous revenues.

**Outstanding Town Indebtedness**

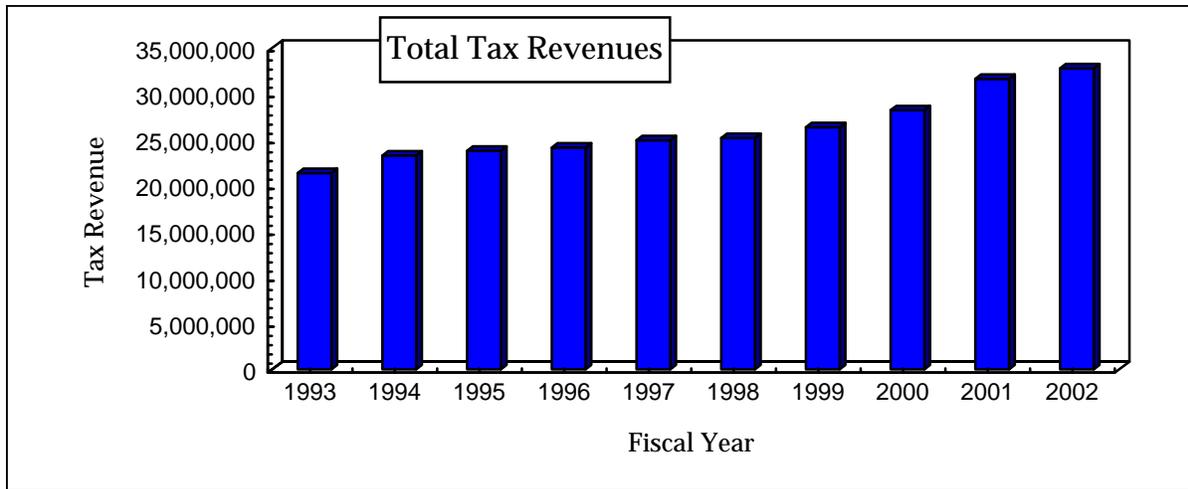
The Town has one series of general obligation bonds outstanding. As of September 30, 2002, the Series 1993 General Obligation Bonds were outstanding in the amount of \$1,935,000 and have a final maturity date of July 1, 2005. In May 2000, the Town issued \$23,530,000 of Non-Ad Valorem Revenue Bonds, the total amount of which remains outstanding as of September 30, 2002.

The Town has no outstanding short-term indebtedness other than certain capital lease obligations. The Town leases vehicles and equipment through capital leasing arrangements in the General Fund. The assets acquired through capital leases consist of vehicles with a carrying value (original cost) of \$676,387 and equipment with a carrying value (original cost) of \$140,795 for a total of \$817,182, as of September 30, 2002. At the present time the Town does not have any other authorized but unissued debt.

TOWN OF PALM BEACH, FLORIDA  
TAX REVENUE BY SOURCE (UNAUDITED)  
Last Ten Fiscal Years  
September 30, 2002

Fiscal Year	Ad Valorem*	Local Option Gas Tax	Franchise Fees	Utility Service	Total
1993	\$ 16,725,385	\$ 232,653	\$ 1,547,856	\$ 2,870,002	\$ 21,375,896
1994	18,427,993	338,953	1,483,036	3,033,248	23,283,230
1995	18,918,705	373,871	1,469,744	3,029,023	23,791,343
1996	19,078,793	318,019	1,628,215	3,132,977	24,158,004
1997	19,712,824	311,934	1,687,967	3,226,614	24,939,339
1998	19,799,200	324,541	1,682,380	3,387,189	25,193,310
1999	20,788,015	330,628	1,725,946	3,530,033	26,374,622
2000	22,589,537	384,417	1,693,857	3,549,952	28,217,763
2001	25,674,254	342,479	2,049,125	3,560,240	31,626,098
2002	26,688,138	351,348	1,716,214	4,022,212	32,777,912

\* Property tax revenues related to General Fund



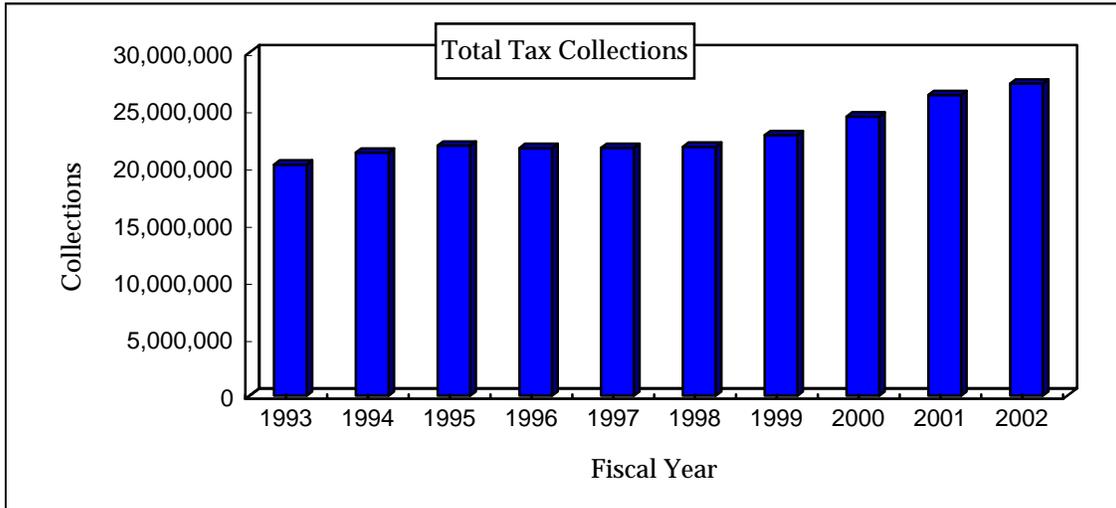
Source: Town of Palm Beach Finance Department

TOWN OF PALM BEACH, FLORIDA  
PROPERTY TAX LEVY AND COLLECTIONS (UNAUDITED)  
Last Ten Fiscal Years  
September 30, 2002

Fiscal Year	Tax Levy*	Collections*	Ratio of Tax Collections To Tax Levy	Delinquent Taxes**
1993	\$ 20,582,783	\$ 20,202,081	99.34%	\$ 380,702
1994	21,567,945	21,250,403	98.53%	317,542
1995	22,061,224	21,853,554	99.06%	35,824
1996	21,851,210	21,643,097	99.05%	24,456
1997	22,506,475	21,664,902	96.26%	34,414
1998	22,648,882	21,758,483	96.07%	36,111
1999	23,743,569	22,763,823	95.87%	21,276
2000	25,307,729	24,401,036	96.42%	19,382
2001	27,216,139	26,280,565	96.56%	10,646
2002	28,188,467	27,281,634	96.78%	43,368

\* Tax Levy and Collections reflect totals for General and Debt Service Funds.

\*\* Delinquent taxes are reflected in dollar value on a year-by-year basis.  
Historical data to provide cumulative delinquent taxes was not available.



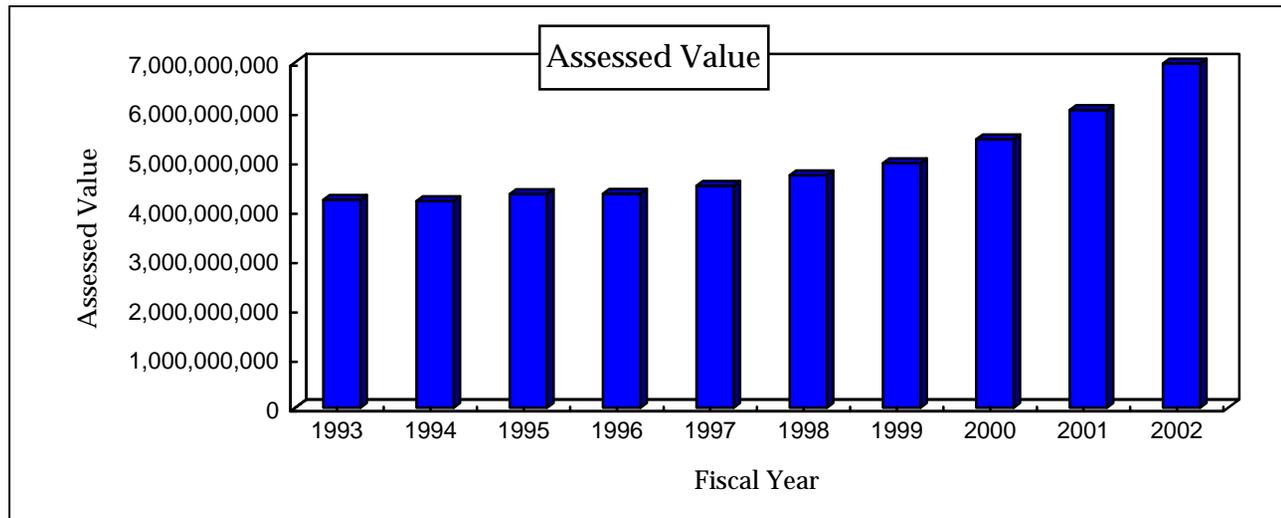
Source: Palm Beach County Tax Collector

TOWN OF PALM BEACH, FLORIDA  
 ASSESSED VALUE (UNAUDITED)  
 Last Ten Fiscal Years  
 September 30, 2002

Fiscal Year	Real Property	Personal Property	Total Assessed Value*	Actual Value**	Ratio of Assessed Value To Actual Value
1993	\$ 4,131,261,985	\$ 81,594,881	\$ 4,212,856,866	\$ 4,366,126,380	96.49%
1994	4,107,661,545	80,160,155	4,187,821,700	4,339,004,341	96.52%
1995	4,248,470,609	80,159,719	4,328,630,328	4,482,257,506	96.57%
1996	4,252,049,769	84,780,765	4,336,830,534	4,617,563,137	93.92%
1997	4,403,468,339	94,559,070	4,498,027,409	4,745,553,620	94.78%
1998	4,614,143,500	96,488,910	4,710,632,410	5,067,691,701	92.95%
1999	4,851,764,460	102,737,810	4,954,502,270	5,374,428,558	92.19%
2000	5,331,406,355	108,068,849	5,439,475,204	6,015,732,506	90.42%
2001	5,919,009,753	111,334,364	6,030,344,117	6,854,754,512	87.97%
2002	6,849,533,998	125,016,635	6,974,550,633	8,152,037,838	85.56%

\* Total Assessed Value = Real Property + Personal Property - Homestead - Historic Exemptions

\*\* Actual Value = Just Value



TOWN OF PALM BEACH, FLORIDA  
TOWN AND ALL OVERLAPPING GOVERNMENTAL TAX RATES (UNAUDITED)  
Last Ten Fiscal Years  
September 30, 2002

Fiscal Year Ended September 30,	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Town of Palm Beach	4.9322	5.2039	5.1679	4.9960	4.9810	4.7901	4.7528	4.6452	4.5059	4.0641
Palm Beach County	4.6221	4.5499	4.5193	4.5191	4.5191	4.8666	4.8582	4.9456	4.9362	4.9351
Palm Beach County School District	9.6030	10.0630	10.1850	9.7970	9.7880	9.5570	9.6820	9.0430	8.9180	8.9780
South Florida Water Management District	0.5470	0.5970	0.6470	0.6470	0.5720	0.5970	0.5970	0.5970	0.5970	0.5970
South Lake Worth Inlet District (2)	0.1014	0.1014	0.1017	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Children Services Council	0.3038	0.3297	0.3515	0.3730	0.3756	0.4530	0.4403	0.4696	0.5000	0.5703
Florida Inland Navigation District	0.0520	0.0510	0.0490	0.0400	0.0380	0.0500	0.0470	0.0440	0.0410	0.0385
Health Care District	1.4750	1.4750	1.4750	1.4250	1.2000	1.1600	1.0500	0.9750	1.0250	1.1500
Everglades Construction	0.0000	0.0000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
	<u>21.6365</u>	<u>22.3709</u>	<u>22.5964</u>	<u>21.8971</u>	<u>21.5737</u>	<u>21.5737</u>	<u>21.5273</u>	<u>20.8194</u>	<u>20.6231</u>	<u>20.4330</u>

(1) All rates expressed in mills

(2) Applicable only to properties in the Town south of Southern Boulevard.

Note: 1 Mill = \$1.00 per \$1,000 of Taxable Value

TOWN OF PALM BEACH, FLORIDA  
TOWN AND OVERLAPPING TAX RATES (UNAUDITED)  
Last Ten Fiscal Years  
September 30, 2002

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<b>TAXING UNIT</b>										
Town of Palm Beach	22.80%	23.26%	22.86%	22.82%	23.08%	22.20%	22.08%	22.31%	21.85%	19.89%
Palm Beach County	21.36%	20.34%	20.00%	20.64%	20.96%	22.56%	22.57%	23.75%	23.94%	24.15%
Palm Beach County School District	44.38%	44.98%	45.06%	44.74%	45.37%	44.30%	44.97%	43.44%	43.24%	43.94%
<b>OTHER</b>										
South Florida Water Management District	2.53%	2.67%	2.86%	2.95%	2.65%	2.77%	2.77%	2.87%	2.89%	2.92%
South Lake Worth Inlet Dist.*	0.47%	0.45%	0.45%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Children Services Council	1.40%	1.47%	1.56%	1.70%	1.74%	2.10%	2.05%	2.26%	2.42%	2.79%
Florida Inland Navigation Dist.	0.24%	0.23%	0.22%	0.18%	0.18%	0.23%	0.22%	0.21%	0.20%	0.19%
Health Care District	6.82%	6.60%	6.55%	6.51%	5.56%	5.38%	4.88%	4.68%	4.97%	5.63%
Everglades Construction	0.00%	0.00%	0.44%	0.46%	0.46%	0.46%	0.46%	0.48%	0.49%	0.49%
<b>GRAND TOTAL</b>	<u>100.00%</u>									

\* Applicable only to properties in the Town south of Southern Boulevard.

Source: Palm Beach County Tax Collector's Office

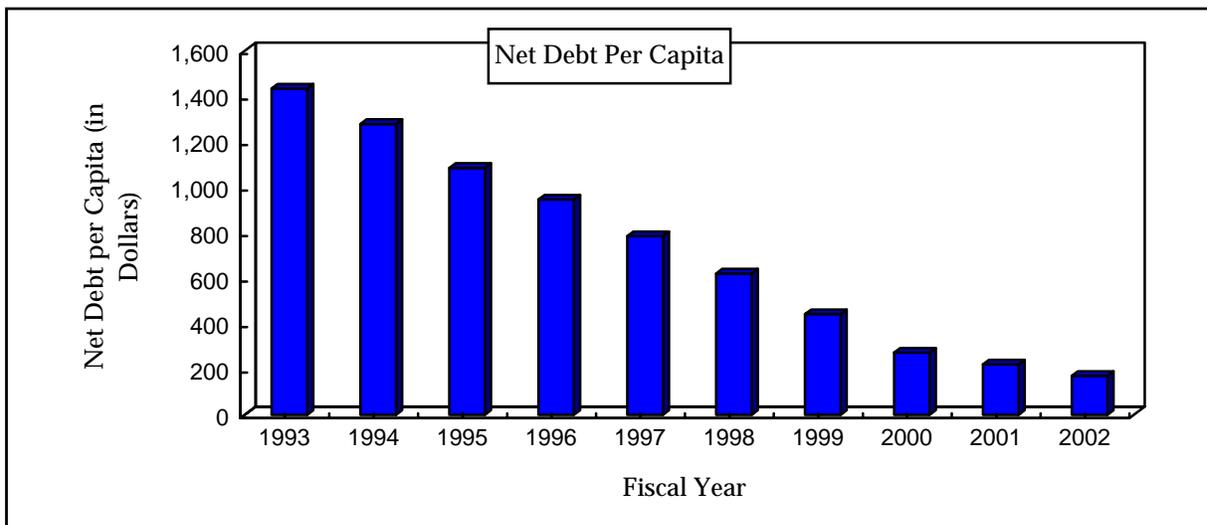
TOWN OF PALM BEACH, FLORIDA  
 RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE  
 AND NET BONDED DEBT PER CAPITA (UNAUDITED)  
 Last Ten Fiscal Years  
 September 30, 2002

Fiscal Year	Population	Assessed* Value (2)	Gross Bonded Debt*	Amount* Available	Net Bonded Debt*	Ratio Debt to Assessed Value	Net Debt Per Capita
1993	9,814 (1)	\$ 4,123,034	\$ 14,365	\$ 297	\$ 14,068	0.34%	\$ 1,433
1994	9,814 (1)	4,099,190	12,690	155	12,535	0.31%	1,277
1995	9,856 (1)	4,239,351	10,885	195	10,690	0.25%	1,085
1996	9,790 (1)	4,336,831	9,480	228	9,252	0.21%	945
1997	9,781 (1)	4,498,027	7,990	319	7,671	0.17%	784
1998	9,722 (1)	4,710,632	6,440	410	6,030	0.13%	620
1999	9,722 (1)	4,954,502	4,810	507	4,303	0.09%	443
2000	9,676 (1)	5,439,475	3,080	437	2,643	0.05%	273
2001	9,676 (3)	6,030,344	2,515	371	2,144	0.04%	222
2002	9,676 (3)	6,974,551	1,935	279	1,656	0.02%	171

\* In thousands. Bonded debt includes only general obligation bonds.

Source:

- (1) University of Florida Estimate
- (2) Palm Beach County Property Appraiser
- (3) 2000 Census



TOWN OF PALM BEACH, FLORIDA  
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT (UNAUDITED)  
 September 30, 2002

Jurisdiction	Gross Debt Outstanding	Percent Overlapping	Direct and Overlapping Debt
<b>DIRECT DEBT</b>			
Town of Palm Beach	\$ 1,935,000	100.00%	\$ 1,935,000
<b>OVERLAPPING DEBT</b>			
Palm Beach County	251,430,000	8.77%	22,050,411
Palm Beach County School District	194,475,000	8.77%	17,055,458
Total Overlapping Debt	<u>445,905,000</u>		<u>39,105,869</u>
Town Direct and Overlapping Debt	<u>\$ 447,840,000</u>		<u>\$ 41,040,869</u>

Source: Palm Beach County Finance Department  
 Palm Beach County School District Finance Department  
 Town of Palm Beach Finance Department

TOWN OF PALM BEACH, FLORIDA  
 COMPUTATION OF DEBT MARGIN (UNAUDITED)  
 September 30, 2002

The Town of Palm Beach has a 5% debt limit as a percent of assessed valuation per Section 7.01 of the Town Charter.

Assessed Valuation *		\$ <u>6,985,875,892</u>
Legal Debt Margin:		
Debt Limitation - 5% of assessed value		\$ 349,293,795
Debt Applicable to Limitation:		
General Obligation Bonded Debt	\$ 1,935,000	
Less: Amount Available for Repayment of General Obligation Bonds	<u>278,921</u>	
Net Debt Applicable to Limitation		<u>1,656,079</u>
Legal Debt Margin		<u>\$ 347,637,716</u>

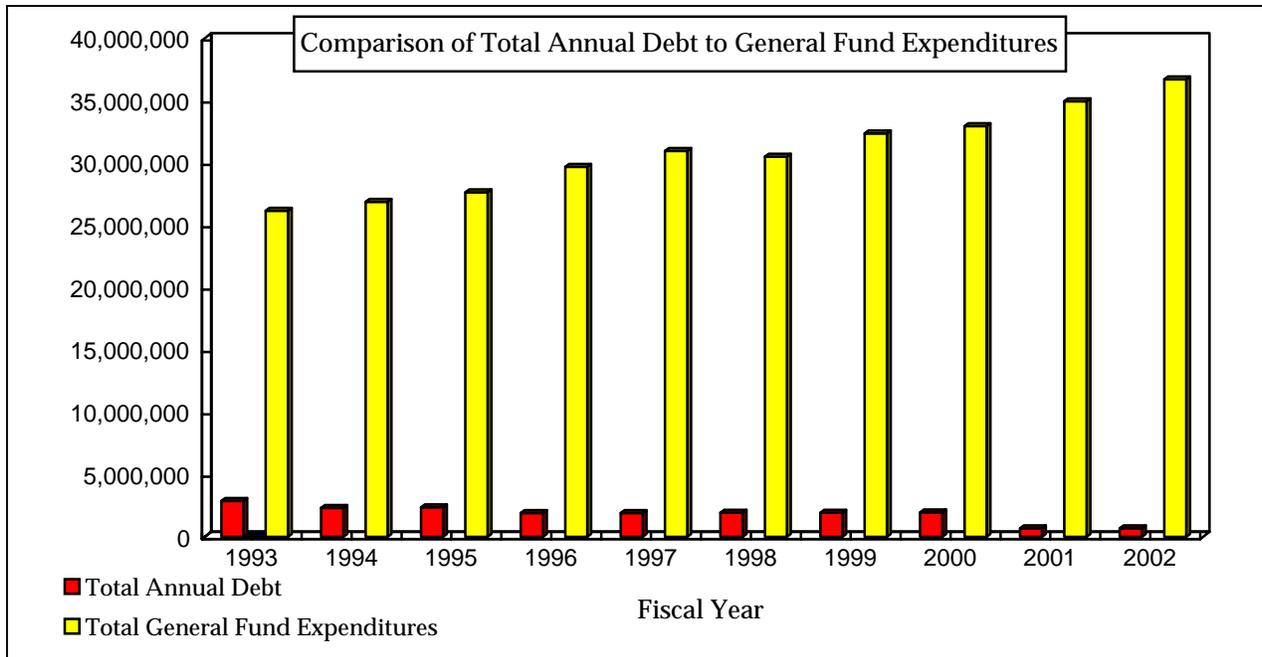
\* Assessed Valuation not reduced by allowable Historic Exemptions (\$11,325,229)

Source: Town of Palm Beach Finance Department

TOWN OF PALM BEACH, FLORIDA  
 RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED DEBT  
 TO GENERAL FUND EXPENDITURES (UNAUDITED)

Last Ten Fiscal Years  
 September 30, 2002

Fiscal Year	Debt Service		Total	General Fund Budgetary Expenditures	Ratio of Debt Service to General Expenditures
	Principal	Interest			
1993	\$ 2,185,000	\$ 700,785	\$ 2,885,785	\$ 26,170,567	11.03%
1994	1,675,000	648,385	2,323,385	26,871,790	8.65%
1995	1,805,000	582,630	2,387,630	27,643,625	8.64%
1996	1,405,000	511,940	1,916,940	29,675,392	6.46%
1997	1,470,000	452,017	1,922,017	30,951,923	6.21%
1998	1,550,000	385,237	1,935,237	30,505,217	6.34%
1999	1,630,000	311,925	1,941,925	32,373,300	6.00%
2000	1,730,000	231,159	1,961,159	32,943,539	5.95%
2001	565,000	141,635	706,635	34,945,938	2.02%
2002	580,000	116,775	696,775	36,708,759	1.90%



Source: Town of Palm Beach Finance Department

TOWN OF PALM BEACH, FLORIDA  
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS (UNAUDITED)  
Last Ten Fiscal Years  
September 30, 2002

Fiscal Year	Taxable Property Value			Commercial Construction (1) New Construction		Residential Construction (1) New Construction		Bank Deposits(2)*
	Real Property*	Personal Property*	Total*	Number of Permits	Value*	Number of Permits	Value*	
1993	\$ 4,131,262	\$ 81,595	\$ 4,212,857	2	\$ 350	12	\$ 8,993	\$ 800,385
1994	4,019,030	80,160	4,099,190	0	0	20	17,704	663,498
1995	4,159,181	80,160	4,239,341	1	80	41	21,937	697,357
1996	4,252,050	84,781	4,336,831	2	1,825	30	36,057	953,167
1997	4,403,468	94,559	4,498,027	0	0	63	51,532	812,338
1998	4,614,143	96,489	4,710,632	1	13,178	28	37,900	1,174,145
1999	4,851,764	102,738	4,954,502	2	7,346	28	25,673	1,116,242
2000	5,331,406	108,069	5,439,475	1	733	48	63,275	1,004,300
2001	5,919,010	111,334	6,030,344	1	950	26	35,772	1,039,200
2002	6,849,534	125,017	6,974,551	0	0	20	43,942	1,197,700

(\*) In thousands

Source: (1) Town of Palm Beach Planning, Zoning & Building Department  
(2) Florida Banking Association

TOWN OF PALM BEACH, FLORIDA  
 LAND USE (UNAUDITED)  
 September 30, 2002

<u>Land Use Category</u>	<u>Estimated Acres</u>	<u>Percentage</u>
Residential		
Single Family/Estate	1,103	45.67%
Multi-Family	343	14.20%
Commercial	93	3.85%
Public and Recreation	110	4.55%
Private Group Use	219	9.07%
Approved PUD	169	7.00%
Rights-of-Way	339	14.04%
Conservation	39	1.61%
	<hr/>	<hr/>
TOTAL	<u>2,415</u>	<u>100.00%</u>

Source: Town of Palm Beach  
 Planning, Zoning & Building Department, 2002

TOWN OF PALM BEACH, FLORIDA  
 PRINCIPAL TAXPAYERS (UNAUDITED)  
 September 30, 2002

<u>Taxpayer</u>	<u>2001 Taxable Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
The Breaker's Hotel	\$ 172,783,088	2.48%
J. V. Associates	52,000,000	0.75%
Nelson and Claudia Peltz	46,138,199	0.66%
Worth Avenue Association	32,900,000	0.47%
Everglades Club	31,170,769	0.45%
Sidney Kimmel	31,176,946	0.45%
Thirty Eight East Corp.	28,111,719	0.40%
Abraham Gosman	26,799,779	0.38%
Mar-a-Lago Club, Inc.	25,670,002	0.37%
Sydney Spiegel Trust	25,057,600	0.36%
Denmar Association	<u>24,656,732</u>	<u>0.35%</u>
Total	<u><u>\$ 496,464,834</u></u> *	<u><u>7.13%</u></u>

\*Total Assessed Valuation \$6,974,550,633

Source: Palm Beach County Property Appraiser

TOWN OF PALM BEACH, FLORIDA  
DEMOGRAPHIC AND MISCELLANEOUS STATISTICS (UNAUDITED)  
September 30, 2002

**Location:** The Town of Palm Beach is a municipal corporation organized and existing under the laws of the State of Florida. The Town, located on a barrier island, is on the east coast of Florida in the eastern portion of Palm Beach County.

The land area of the Town is approximately 3.77 square miles with 12.1 miles of coastline on the Atlantic Ocean. The Town is also bound on the west by 15.9 miles of Intracoastal frontage (Lake Worth), on the north by the Palm Beach Inlet, and on the south by the Town of South Palm Beach.

Listed below are various statistics regarding elevation and weather in Palm Beach:

Island Elevation	
Average .....	4.0 ft. above sea level
Maximum.....	15.0 ft. above sea level
Temperature	
Annual Average.....	74.7F degrees
August Average.....	82.5F degrees
January Average .....	65.1F degrees
Annual Precipitation .....	60.7 inches

**Economy:** The Town is a unique, long-established, internationally famous upscale residential/estate community known for its distinctive architecture and landscaping, gracious homes and apartments, golf courses and clubs, attractive stores and restaurants. Commercial activities are restricted primarily to Town-serving sources rendered by banks, retail shops, hotels, and restaurants to its permanent population of 9,676 and seasonal residents. There is no industrial development within the Town.

**Town Government:** Incorporated on April 17, 1911, the Town is governed by an elected Mayor and a five member Council. The Mayor's term is for two years. The five members of the Town Council are elected at large and serve overlapping two year terms. The Town has 8,304 registered voters as of January 2002.

The Governing Body meets in regular session once each month for purposes of setting policy and carrying out the legislative matters of the Town. The administrative day to day responsibilities are carried out through the Town Manager who is appointed annually by the Governing Body. All of the Town departments and staff report to the Town Manager. As of September 30, 2002, the Town employed approximately 394 full and part time employees.

The Town of Palm Beach provides a full range of municipal services including Fire-Rescue and Police protection, Sanitation, Recreation, Streets and Roads Maintenance, Planning, Zoning and Building and General Administrative Services.

The following services are provided to residents by other governments:

Transit.....	Palm Beach County
Solid Waste Disposal.....	Solid Waste Authority of Palm Beach County
Potable Water .....	City of West Palm Beach
Sanitary Sewage Disposal.....	City of West Palm Beach

TOWN OF PALM BEACH, FLORIDA  
 DEMOGRAPHIC AND MISCELLANEOUS STATISTICS (UNAUDITED)  
 September 30, 2002

**Population:** The Town has a year round population of approximately 9,676. The Town's population will grow during the time of year traditionally known as the "Season" (generally from November 15th to April 1st) at which time the population swells to approximately 25,000. The Town has experienced considerable growth in its year-round resident population over the last few decades.

<u>Year</u>	<u>Population</u>	<u>% Change</u>
1950	3,886	
1960	6,055	55.8%
1970	9,086	50.1%
1980	9,432	3.8%
1990	9,814	4.1%
2000	9,676	(1.4)%

**Demographics**

Per Capita Income (2000).....	\$109,219
Median Household Income (2000) .....	\$94,562
Median Age (2000).....	66.6 years

**Infrastructure**

Police Stations (78 sworn officers).....	1	Recreation Areas	
Fire-Rescue Stations (74 full-time firefighters) .....	3	Phipps Ocean Park.....	24 Acres
Fire Hydrants .....	367	Seaview Park .....	4.6 Acres
Public Elementary School (County) .....	1	Neighborhood Parks	
Enrollment (Kindergarten – Fifth).....	414	Bradley Park.....	4.5 Acres
Public Libraries .....	1	Kaplan Park.....	0.3 Acres
Recreation Facilities		Special Use Parks/Facilities	
Tennis Courts .....	9	Public Park on Beach.....	3.0 Acres
Golf Course (Par 3) .....	1	Municipal Beach .....	5.6 Acres
Marina (88 Boat Slips) .....	1	Municipal Docks.....	5.3 Acres
Community Building .....	1	Southern Boulevard Causeway.....	9.6 Acres
Playfields .....	5	Nature Islands.....	39.0 Acres
Bicycle Paths.....	9.3 miles	Public Roads – Paved.....	90 Lane Miles
Picnic Tables .....	77		
Outdoor Grills.....	28		

**Bond Ratings**

<u>Rating Agency</u>	<u>(1) 2000 Rev Bd</u>	<u>General Obligation</u>
Moody's	Aaa	Aaa
Standard & Poor's	AAA	AA

(1) Based on a policy of insurance issued by FSA.

TOWN OF PALM BEACH, FLORIDA  
 DEMOGRAPHIC AND MISCELLANEOUS STATISTICS (UNAUDITED)  
 September 30, 2002

**Real Estate Parcels by Type**

The following information reflects the taxable value of real estate by type:

Type	Taxable Value (In Bill)	# of Parcels
Vacant Residential	\$ 250.8	207
Single Family Residential	4,704.9	2,254
Multi-Family, 10 units or more	76.9	15
Condominiums	1,574.3	5,454
Cooperatives	113.7	1,040
Retirement Homes & Miscellaneous	.8	3
Multi-Family Less Than 10 Units	70.0	75
Vacant Commercial	1.8	3
Improved Commercial	692.3	195
Improved Industrial	.5	1
Institutional	41.0	21
Government	.2	49
Miscellaneous	2.8	40
<b>Total</b>	<b>\$ 7,529.7</b>	<b>\$ 9,357</b>

**Homestead Exemptions**

All homesteaded property within the State of Florida is subject to a \$25,000 exemption in taxable value. The annual increase in taxable value is limited to 3% or the National Consumer Price Index, whichever is less. The increase for FY2003 was 1.6%. The Town has 3,408 (36.4%) homesteaded properties.

TOWN OF PALM BEACH  
INSURANCE PROGRAM (UNAUDITED)  
FISCAL YEAR 01/02

TYPE OF POLICY	COMPANY	DATES	LIMITS	DESCRIPTION	RETENTION	PREMIUM
Premier Public Entity Package	United National Insurance Company	10/01/01-02	\$2,500,000	Property - All risk coverage including Windstorm for all buildings, owned and leased, all contents, extra expense, EDP, automobile, fine arts, physical damages, glass and contractors equipment	\$100,000	\$720,000
			1,000,000	Broad Form General and Automobile Liability - including EMT Medical Directors Malpractice, Contract Physician and Occupational Nurse, Watercraft Liability, Host Liquor Liability, Police Professional Liability and Special Events coverage.	100,000	Included
			450,000	Workers Compensation - Provides coverage in accordance with Florida Statute protecting employees who become injured or ill while in the course and scope of employment.	100,000	Included
Excess Liability	United National Insurance Company	10/01/01-02	9,000,000	Following Form of Excess Broad Form General and Automobile Liability.	N/A	112,750
Second Layer Excess Property	Lloyds of London	10/01/01-02	2,500,000	Following Form of Excess Property Real & Real Personal Property, Automobile Physical Damage, replacement cost for F/R vehicle, business interruption - docks/golf course.	N/A	150,004
Third Layer Excess Property	Essex Insurance Company	10/01/01-02	2,500,000	Following Form Excess Property	N/A	34,504
Fourth Layer Excess Property	Lloyd's of London Westchester Surplus Lines Ins. Company	10/01/01-02	38,291,684	Following Form Excess Property	N/A	60,208
Excess Blanket Bond	Hartford Insurance Co. of the Southeast	10/01/01-02	1,000,000	Faithful Performance, Forgery and Alteration, Theft, Disappearance and Destruction.	100,000	4,047
Boiler and Machinery	American Manufacturers	10/01/01-02	50,000,000	Comprehensive coverage for all machinery and public utility including business interruption and extra expenses	1,000	8,426
Flood Insurance	National Flood Insurance Program	08/08/01-02	Varies	Per Locations as follows: Town Hall, Recreation Center, N. Fire Station, Police Station, Public Works. Limit applies separately to building and contents.	500	20,238
Flood Insurance	National Flood Insurance Program	07/30/01-02	500,000	S. Fire Station. Limit applies separately to building and contents.	500	1,325
Excess Workers Compensation	Midwest Employers Casualty Company	10/01/01-02	Statutory (WC) 1,000,000 (EL)	Workers Compensation - Provides coverage in accordance with Florida Statute protecting employees who become injured or ill while in the course and scope of employment.	N/A	19,009
Loss Fund	Not Applicable	10/01/01-02	735,000	For payment of losses that fall within the retention levels. Only applicable to retentions included in London Package/Drop Down. Aggregate \$1M Excess of Loss Fund.	N/A	N/A
Public Officials Liability (POL)	National Union Fire Insurance Company	10/01/01-02	10,000,000	Extends coverage for actual or alleged error or misstatement or misleading statement or act of omission or neglect or breach of duty by a public official or employee of the public entity. Includes members of commissions, boards or other units operated by and under the jurisdiction of the governing body. Includes practices liability.	100,000	144,000
Fiduciary Liability*	National Union Fire Insurance Company	01/01/02 - 12/31/02	25,000,000	Provides coverage for claims made against the Board of Trustees of the Retirement System for any breach of Fiduciary duty including any negligent acts, errors or omissions in the administration of the General Employee Plan.	75,000	40,729
Fiduciary Liability*	National Union Fire Insurance Company	01/01/02 - 12/31/02	25,000,000	Provides coverage for claims made against the Board of Trustees of the Retirement System for any breach of Fiduciary duty including any negligent acts, errors or omissions in the administration of the Public Safety Plan.	75,000	61,438

\*Fiduciary Liability funded through the Retirement System.

**COMPLIANCE REPORTS AND  
MANAGEMENT LETTER**



**CALER, DONTEN, LEVINE,  
DRUKER, PORTER & VEIL, P.A.**

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MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
PRIVATE COMPANIES PRACTICE SECTION

FLORIDA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the general purpose financial statements of the Town of Palm Beach, Florida, as of and for the year ended September 30, 2002, and have issued our report thereon dated December 20, 2002. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Compliance***

As part of obtaining reasonable assurance about whether the general purpose financial statements of the Town of Palm Beach, Florida, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose 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 that are required to be reported under *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the internal control over financial reporting of the Town of Palm Beach, Florida, in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control

over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Mayor and Town Council and management of the Town of Palm Beach, Florida, the Auditor General for the State of Florida, and the Town's grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

December 20, 2002



**CALER, DONTEN, LEVINE,  
DRUKER, PORTER & VEIL, P.A.**

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**Independent Auditor's Report on Compliance and Internal Control Over  
Compliance Applicable to Each Major State Financial Assistance Project**

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

***Compliance***

We have audited the compliance of the Town of Palm Beach, Florida, with the types of compliance requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major state financial assistance projects for the year ended September 30, 2002. The major state financial assistance projects of the Town of Palm Beach, Florida are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state financial assistance projects is the responsibility of the management of the Town of Palm Beach, Florida. Our responsibility is to express an opinion on compliance by the Town of Palm Beach, Florida, based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. Those standards and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state financial assistance project occurred. An audit includes examining on a test basis, evidence about compliance by the Town of Palm Beach, Florida, with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on compliance by the Town of Palm Beach, Florida, with those requirements.

In our opinion, the Town of Palm Beach, Florida, complied, in all material respects, with the requirements referred to above that are applicable to each of its major state financial assistance projects for the year ended September 30, 2002.

***Internal Control Over Compliance***

The management of the Town of Palm Beach, Florida, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state financial assistance projects. In planning and performing our audit, we considered the Town of Palm Beach, Florida's, internal control over compliance with requirements that could have a direct and material effect on a major state financial assistance project to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major state financial assistance project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Mayor and Town Council and management of the Town of Palm Beach, Florida, the Auditor General for the State of Florida, and the Town's grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

December 20, 2002

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE PROJECTS

Year Ended September 30, 2002

Grantor/ Program Title	State CSFA Number	Grant Number/ Contract Number	Program or Award Amount
<b>Department of Environmental Protection</b>			
<b>Florida Beach Erosion Control Program</b>			
Lake Worth Inlet Management Implementation	37.003	97PB-5	\$ 909,100
Palm Beach Island Beach Restoration	37.003	OOPB1	6,359,182
Pass through Palm Beach County Department of Environmental Resources Management	37.039	R2000-0234	<u>200,000</u>
<b>Total State Financial Assistance Projects</b>			<u><u>\$ 7,468,282</u></u>

<u>Accrued Grant Revenue at October 1, 2001</u>	<u>2002 Grant Receipts</u>	<u>2002 Earned Grant Revenue</u>	<u>2002 Grant Expenditures</u>	<u>Accrued Grant Revenue at September 30, 2002</u>
\$ 57,928	\$ 159,568	\$ 180,111	\$ 180,111	\$ 78,471
0	0	106,285	106,285	106,285
<u>106,175</u>	<u>198,023</u>	<u>91,848</u>	<u>91,848</u>	<u>0</u>
<u><u>\$ 164,103</u></u>	<u><u>\$ 357,591</u></u>	<u><u>\$ 378,244</u></u>	<u><u>\$ 378,244</u></u>	<u><u>\$ 184,756</u></u>

See notes to schedule of expenditures of state financial assistance projects.

TOWN OF PALM BEACH, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE PROJECTS

September 30, 2002

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of State Financial Assistance Projects includes the state grant activity of the Town of Palm Beach, Florida, (the "Town") and is presented in accordance with the requirements of the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General for the State of Florida. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements of the Town presented in accordance with U.S. generally accepted accounting principles. The Schedule of Expenditures of State Financial Assistance Projects has been prepared on the modified accrual basis of accounting.

NOTE B - SCOPE OF AUDIT

The State financial assistance projects have been audited in accordance with the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General for the State of Florida, for program transactions occurring during the year ended September 30, 2002. The Town had one State financial assistance project with expended funds meeting the definition of a Type A program under the provisions of the Florida Single Audit Act and one Type B program audited as a major State financial assistance project to meet the requirement to audit at least 50% of the total expenditures of State financial assistance.. The following programs were audited as major State financial assistance projects:

	<u>State CSFA No.</u>	<u>State of Florida Grant Number/ Contract Number</u>
<b>Florida Department of Environmental Protection – Florida Beach Erosion Control</b>		
Lake Worth Inlet Management Implementation	37.003	97PB-5
Palm Beach Island Beach Restoration	37.003	OOPB1

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
STATE FINANCIAL ASSISTANCE PROJECTS

Year Ended September 30, 2002

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Town of Palm Beach, Florida.
2. There were no reportable conditions disclosed during the audit of the general purpose financial statements of the Town of Palm Beach, Florida.
3. No instances of noncompliance material to the general purpose financial statements of the Town of Palm Beach, Florida, were disclosed during the audit.
4. There were no reportable conditions relating to the audit of the major state financial assistance projects.
5. The auditor's report on compliance for the major state financial assistance projects for the Town of Palm Beach, Florida, expresses an unqualified opinion.
6. There are no audit findings relative to the major state financial assistance projects for the Town of Palm Beach, Florida.
7. The programs tested as major state financial assistance projects were as follows:

<u>Program</u>	<u>State CSFA No.</u>
<b>Florida Department of Environmental Protection - Florida Beach Erosion Control</b>	
Lake Worth Inlet Management Implementation	37.003
Palm Beach Island Beach Restoration	37.003

8. The threshold for distinguishing Type A and B state financial assistance projects was \$113,473.
9. The Town of Palm Beach, Florida, did not qualify as a low-risk auditee.

**B. FINDINGS – GENERAL PURPOSE FINANCIAL STATEMENTS**

NONE

**C. FINDING AND QUESTIONED COST – MAJOR STATE FINANCIAL ASSISTANCE PROJECTS**

NONE

TOWN OF PALM BEACH, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
STATE FINANCIAL ASSISTANCE PROJECTS

Year Ended September 30, 2002

**D. OTHER ISSUES**

1. A Summary Schedule of Prior Audit Findings is not required because there were no prior audit findings related to state financial assistance projects.
2. A Corrective Action Plan is not required because there were no findings required to be reported under the Florida Single Audit Act.



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Management Letter

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

We have audited the general purpose financial statements of the Town of Palm Beach, Florida, as of and for the year ended September 30, 2002 and have issued our report thereon dated December 20, 2002.

We conducted our audit in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance and Internal Control Over Compliance Applicable to Each Major State Financial Assistance Project; and Schedules of Findings and Questioned Costs. Disclosures in these reports and schedule, which are dated December 20, 2002, 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 requires that we address certain compliance and other matters in the management letter, if not already addressed in the auditor's reports on compliance and internal control or schedule of findings and questioned costs. In planning and performing our audit of the general purpose financial statements of the Town of Palm Beach, Florida, for the year ended September 30, 2002, we considered the Town's internal controls in order to determine the scope of our audit procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. While our purpose was not to provide assurance on internal control, certain matters came to our attention that we want to report to you. These matters, along with our recommendations, and the communications required by the Rules of the Auditor General are as follows.

**CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

Opening and Closing Bank Accounts

The Town does not have a policy or procedure regarding the opening and closing of Town bank accounts. Current policy only requires that the authorized depositories used by the Town be approved annually by resolution of the Town Council. We recommend that a policy be implemented that states how and who may open and close bank accounts.

*Management Response: Currently, since signature cards are required to open accounts, all current authorized account signatories sign the signature cards. These individuals include: The Town Manager, Assistant Town Manager, Finance Director, Assistant Finance Director and Accounting Supervisor. To close accounts a letter is sent to the bank requesting the account be closed and the letter is signed either by the Finance Director or Assistant Finance Director. We will formalize the procedure in an administrative policy or by incorporating it into the annual Resolution that Designates Town Depositories and parties to sign checks on behalf of the Town.*

### Payroll Approvals

We noted several instances in which the Recreation department submitted unsigned payroll time sheets to the Finance Department. The Town's policy requires time sheets to be reviewed and approved by each respective department head before submission to the Finance Department. We noted that the Recreation Department had several changes on almost every employee's time report, but there was no indication of the department head's review or approval. We recommend that all payroll time reports be reviewed and approved by the appropriate supervisor or department head prior to submission to the Finance Department for processing. This will provide evidence of the review and approval process, as well as minimize any adjustments to subsequent payrolls for errors on time sheets.

*Management response: The Recreation department submitted unsigned payroll time sheets because the Department Head was out of the office. If the Department Head is out of the office, the time sheets will be signed by one of the assistant department heads and then submitted to the Finance Department. The Assistant Department Heads are authorized to sign time sheets.*

### Unrecorded Accounts Payable

Subsequent to September 30, 2002, the Engineering Department submitted several large invoices totaling approximately \$294,000 to the Finance Department for payment. The invoices related to contracts and services received prior to September 30, 2002, but they were not submitted to the Finance Department until December 2002. In order for the Finance Department to properly record such invoices and produce accurate accounting records, all invoices must be forwarded and processed on a timely basis. We recommend that the Town review the existing procedures for processing vendor invoices to ensure that the information is processed timely.

*Management response: A spot check of a number of the invoices in question reveals that the processing to the Town occurred in November with the invoices paid in December. Some invoices are submitted with errors and are sent back to the vendor for correction. The invoice dates may not change but the processing may appear to be delayed. A copy of the invoices will be forwarded to the Finance Department to record the liability. In any case, the Public Works Department attempts to process all invoices in a timely way. In addition, these invoices are charged to the Capital Improvement Program which normally extends across multiple fiscal years.*

### Slow Moving Inventory

The inventory (stores) account balance at September 30, 2002 is approximately \$448,000. A slow moving inventory report was run at September 30, 2002 by the Information Systems Department for the previous five years showing the usage of inventory items. The slow moving inventory report shows a total cost of approximately \$89,000 for inventory items with one or zero usage in five years, of which items with no movement totaled approximately \$68,000. We recommend that this slow moving inventory report be reviewed periodically to monitor the usage of inventory items. If items are no longer used or are significantly overstocked, consideration should be given to returning items to the original vendor for credit or selling the items at auction.

*Management response: In July of 2001, a review was made of the slow moving inventory by the Public Works Department. At that time it was determined that approximately \$30,000 of obsolete inventory would be written off. The Public Works Director determined that the items remaining in inventory, even though they were slow or non-moving, were required to remain in stock to properly support the mission of the department. The bi-annual review will be conducted during FY2003 to determine if any additional obsolete inventory should be written off.*

#### Golf Course Losses

The Town's golf course continued to lose money in 2002 and has a balance due to the General Fund that continues to increase. Since it appears unlikely that this interfund balance will be reduced or repaid in the near future, consideration should be given to making a permanent transfer from the General Fund to cover the accumulated deficits and eliminate the interfund balance.

*Management response: The staff recommendations in the draft Long-Term Financial Plan included the following recommendation: During FY2003 staff would review the financial condition and make recommendations to improve the long term financial stability for this fund and present these recommendations during the FY2004 budget process.*

#### Filing of Grant Reports

Grant PB1, Palm Beach Island Beach Restoration project requires quarterly reports to be prepared (12/31, 3/31, 6/30, 9/30) and submitted to the Florida Department of Environmental Protection no later than the 15<sup>th</sup> of the subsequent month. The September 2002 quarterly report was not prepared until 6 business days after October 15<sup>th</sup>.

*Management Response: The Coastal Coordinator was out of Town at a conference, then when she returned was out of the office due to illness which delayed the processing of this specific grant report. These circumstances should not happen again, but steps will be taken to assure that the grant report will be filed on time in the future.*

### **PRIOR YEAR COMMENTS AND RECOMMENDATIONS**

The Rules of the Auditor General require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal control, whether or not inaccuracies, shortages, defalcations, fraud and/or violations of laws, rules, regulations and contractual provisions reported in the preceding annual financial audit report have been corrected. Our audit for the year ended September 30, 2001 disclosed none of the foregoing matters.

Additionally, the Rules of the Auditor General require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal controls, whether or not recommendations made in the preceding management letter have been followed or otherwise no longer apply. We noted that our recommendations related to payroll, miscellaneous accounts receivable, computer access passwords, and approval of retirement applications included in our management letter dated December 15, 2001 for the year ended September 30, 2001 were satisfactorily resolved by the Town during the 2001-2002 fiscal year or no longer apply.

## **OTHER REQUIRED INFORMATION**

### Consideration of Financial Emergency Criteria

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit, we determined that the Town of Palm Beach, Florida, was not in a state of financial emergency during the fiscal year ended September 30, 2002 as a consequence described in Section 218.503(1), Florida Statutes.

### Financial Condition Assessment Procedures

In connection with our audit, we applied financial condition assessment procedures, pursuant to Rule 10.556(8), Rules of the Auditor General, for the year ended September 30, 2002. The results of our procedures disclosed no matters that are required to be reported.

### Annual Financial Report

In connection with our audit, we reviewed the Annual Financial Report of Units of Local Governments filed by the Town of Palm Beach, Florida, with the Florida Department of Banking and Finance for the fiscal year ended September 30, 2002. We noted that the amounts reported in the annual financial report were in substantial agreement with the audited financial statements for the year ended September 30, 2002.

### Investment of Public Funds

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town of Palm Beach, Florida complied with Section 218.415, Florida Statutes.

### Other Matters

The Rules of the Auditor General require disclosure in the management letter of the following matters if not already addressed in the auditor's reports on compliance and internal controls: (1) violations of laws, rules, regulations and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures; (4) failures to properly record financial transactions and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit for the year ended September 30, 2002 disclosed none of the foregoing matters that are required to be disclosed.

This report is intended solely for the information of the Mayor and Town Council and management of the Town of Palm Beach, Florida, the Auditor General for the State of Florida and the Town's grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

December 20, 2002