

COMPREHENSIVE ANNUAL FINANCIAL REPORT
TOWN OF PALM BEACH, FLORIDA
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003



Prepared by the Finance Department

Jane Skitton, CPA
Finance Director

TOWN OF PALM BEACH, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2003

TABLE OF CONTENTS

	<u>Page Number</u>
INTRODUCTORY SECTION	
Title Page	i
Table of Contents.....	ii
Letter of Transmittal	v
Certificate of Achievement for Excellence in Financial Reporting	xi
Town of Palm Beach Organizational Structure and Principal Officials.....	xii
 FINANCIAL SECTION	
Independent Auditor's Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets.....	13
Statement of Activities.....	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	16
Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenue, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Net Assets – Proprietary Funds.....	19
Statement of Revenue, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	20
Statement of Cash Flows – Proprietary Funds	21
Statement of Fiduciary Net Assets – Fiduciary Funds	22
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	23
Notes to Financial Statements	24
 Supplementary Financial Information	
Required Supplementary Information	
Schedule of Revenue and Expenditures – General Fund – Budget and Actual.....	52
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	58
Schedule of Revenue and Expenditures – Series 1993 Debt Service Fund – Budget and Actual.....	60
Schedule of Revenue and Expenditures – Series 2000 Debt Service Fund – Budget and Actual.....	61
Schedule of Revenue and Expenditures – Capital Improvement Fund – Budget and Actual.....	62

Combining and Individual Fund Financial Statements and Schedules (Continued)

Nonmajor Governmental Funds

Schedule of Revenue and Expenditures – Beach Restoration Project
 Fund – Budget and Actual 63

Schedule of Revenue and Expenditures – Equipment Replacement
 Fund – Budget and Actual 64

Internal Service Funds

Combining Balance Sheet 66

Combining Statement of Revenue, Expenses and Changes in
 Retained Earnings 67

Combining Statement of Cash Flows 68

Fiduciary Funds

Combining Statement of Plan Net Assets –
 Pension Trust Funds 70

Combining Statement of Changes in Plan Net Assets –
 Pension Trust Funds 71

Capital Assets Used in the Operation of Governmental Funds

Schedule of Capital Assets Used in the Operation of Governmental Funds –
 By Source 73

Schedule of Capital Assets Used in the Operation of Governmental Funds –
 By Function and Activity 74

Schedule of Changes in Capital Assets Used in the Operation of Governmental Funds –
 By Function and Activity 75

STATISTICAL SECTION

General Fund Expenditures By Function – Last Ten Fiscal Years 76

General Fund Revenue By Source – Last Ten Fiscal Years 77

General Fund Unreserved and Undesignated Fund Balance Compared to Annual
 Expenditures GAAP Basis – Last Ten Fiscal Years 78

Schedule of Historic and Budgeted Non-Ad Valorem Revenue
 As Defined in Bond Document 79

Property Tax Levy and Collections – Last Ten Fiscal Years 82

Tax Revenue by Source – Last Ten Fiscal Years 83

Assessed Value – Last Ten Fiscal Years 84

Town and All Overlapping Governmental Tax Rates – Last Ten
 Fiscal Years 85

Town and Overlapping Tax Rates – Last Ten Fiscal Years 86

Ratio of Net General Bonded Debt to Assessed Value and Net
 Bonded Debt Per Capita – Last Ten Fiscal Years 87

Computation of Direct and Overlapping Debt 88

Computation of Debt Margin 89

Ratio of Annual Debt Service for General Bonded Debt
 to General Fund Expenditures 90

Property Value, Construction and Bank Deposits – Last Ten
 Fiscal Years 91

Land Use 92

Principal Taxpayers 93

Demographic and Miscellaneous Statistics 94

Insurance Program 97

COMPLIANCE REPORTS

Independent Auditor's Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of Basic Financial
Statements Performed in Accordance With *Government Auditing Standards*..... 98

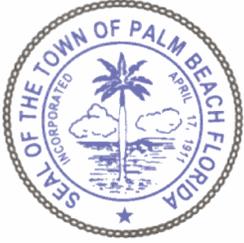
Independent Auditor's Report on Compliance and Internal Control Over
Compliance Applicable to Each Major State Financial Assistance Project..... 100

Schedule of Expenditures of State Financial Assistance 102

Notes to Schedule of Expenditures of State Financial Assistance..... 103

Schedule of Findings and Questioned Costs – State Financial Assistance 104

Management Letter Required by the Rules of the Auditor
General for the State of Florida..... 106



TOWN OF PALM BEACH

Finance Department

February 12, 2004

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

The Comprehensive Annual Financial Report for the Town of Palm Beach's fiscal year ended September 30, 2003 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, 2003. 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 on a government-wide and fund level. 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 (CAFR) consists of the following four sections:

1. The Introductory Section, which is unaudited, includes the Table of Contents, this Letter of Transmittal, the Certificate of Achievement for Excellence in Financial Reporting, a list of Town officials and the Town of Palm Beach's organizational chart;
2. The Financial Section includes the independent auditor's report, Management's Discussion and Analysis (MD&A), the Basic Financial Statements, Required Supplementary Information, and other Supplementary Information;
3. The Statistical Section, which is unaudited, includes financial and demographic information presented on a multi-year basis.
4. The Compliance Reports Section includes reports on compliance with *Government Auditing Standards* and reports required for State Financial Assistance expended during the year ended September 30, 2003.

The Town of Palm Beach has implemented a significant change in governmental accounting for the year ended September 30, 2003. GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments* (GASB 34) was issued in June 1999 and it changes the way state and local governments report their finances to the public. The format and purpose of these changes are addressed in the Management's Discussion and Analysis (MD&A) (see page 3 of the Financial Section). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

THE TOWN OF PALM BEACH

The Town of Palm Beach, Florida, 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, golf courses and clubs, and world famous stores and restaurants. The taxable value of properties within the Town provides appropriate support for the Town's authorized indebtedness.

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 398 employees, including 78 sworn police officers and 77 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 systems, sanitary sewer collection system and other infrastructure.

THE REPORTING ENTITY

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.

ECONOMIC CONDITIONS AND OUTLOOK

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 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 and will preserve the Town's high quality residential character.

The Town maintains AAA ratings by both Moody's Investor Services and Standard & Poor's for General Obligation Debt (GO). The primary source of revenue is property taxes. The increase in the Town's gross taxable value last year of 9.8% to \$7,634,262,235 helped the Town continue to provide services at a modest tax rate. Since fiscal year 2001, taxable value has increased by 27%. Taxable value is expected to continue to increase due to continued real estate development and the strong increases in the market values of existing properties.

Median household income for the Town of Palm Beach is \$94,562, which is above the state and national average.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

For the Year

The Town of Palm Beach has made major progress in strategic planning and goal driven management. A strategic plan was adopted by the Town Council in fiscal year 2003, which outlines a vision and 10 year plan for the Town. The plan was the culmination of many months of effort by the Strategic Planning Board. The

board held community forums and public hearings from which they obtained the input to draft the vision statement: “A Legacy Worth Keeping” and guided the preparation of the strategic plan. The strategic plan includes initiatives which, when effectively implemented, will help to achieve the community characteristics described by the vision statement.

The Town Council approved the issuance of a revenue bond in 2003 to refinance the 2000 Beach Revenue Bonds and to provide financing for the Town facilities projects. As part of the preparation for the 2003 bonds the Town’s GO and revenue bond ratings were reviewed by both Moody’s and Standard & Poor’s. The Town’s conservative financial policies and strong management of its financial resources were recognized, and it resulted in rating upgrades in both revenue and general obligation categories. Moody’s Investors Services upgraded the Town’s credit rating to Aa1 from Aa2 for the 2003 Revenue Bonds and confirmed the Town’s current Aaa GO credit rating. Standard and Poor’s upgraded the credit rating on the Revenue Bonds to AA+ from A+ and upgraded the Town’s 1993 GO credit rating to AAA from AA. The AAA credit ratings are the highest ratings that these two rating services issue and represents the highest quality investment grade debt. The Town is one of only three municipalities in the State of Florida to maintain a AAA rating from both Moody’s and Standard & Poor’s.

These bond upgrades provided cost savings to the Town. Credit quality spreads in the current market enabled many of the maturities to be offered without insurance, instead using the Aa1/AA+ ratings and avoiding the insurance premium required to elevate the rating to the insured Aaa/AAA level. As a result, insurance costs that were estimated to be \$90,000 were actually only \$25,394. This cost reduction was passed onto the Town in the form of lower debt service on the new money bonds and increased savings on the refunding bonds.

Construction began on a new central Fire-Rescue station. The total cost of the project is estimated to be \$4,200,000 and should be completed in the fall of 2004.

Staff prepared the Town’s first Long Term Financial Plan that serves as a tool to provide the Mayor, Town Council and staff with insight to address issues impacting the Town’s future financial condition. The plan contains the FY2004 budget as well as forecasts for FY2005 through FY2008. This plan will be updated annually as part of the budget process.

Staff prepared a Business Plan for the newly created Leisure Services Enterprise Fund that will begin October 2003. The Fund will consist of all leisure activities in the Town, including golf, tennis, and other recreation activities for youth and adults and the operation of the Town docks. The plan sets forth the goals and objectives of the fund and established action items for implementation. It, too, will be updated annually.

The Town Council approved the formation of an Investment Advisory Committee. This ad-hoc committee assisted Town staff in the development of an investment plan. The investment plan was approved by the Town Council and is being monitored and reported by Town staff.

During fiscal year 2003 the following other major accomplishments occurred:

- Completed construction of a Town park at the corner of South County Road and Peruvian Avenue.
- The renourishment of Mid-Town Beach was completed in the spring of 2003.

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 annually 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 Operation 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.

The following are Townwide goals that were adopted by the Town Council for fiscal year 2004.

- Continue the implementation of the Town's Coastal Management Plan, including final permitting and construction of the Phipps Ocean Park Beach Restoration Project and initial permitting activities for Reach 2, Reach 5 and Reach 8.
- Continue the implementation of the approved 10-year drainage improvement program for the basins north of Wells Road.
- Implement engineering, financial and legal studies in order to establish a long range plan to bury electric, telephone and cable wires.
- Maintain a high level of safety and security of the community (crime, natural disaster and terrorism) and address new threats as they may develop.
- Implement actions recommended in the Town's Strategic Plan and add to it a Strategic Plan for the Fire-Rescue Department and a Traffic and Parking Improvement Plan.

Other notable initiatives for fiscal year 2004 will include the following:

- The development of a master plan for the Town docks which will include a 3 year phased rebuilding of the marina buildings, extend 18 slips by ten feet, enhance parking and add customer conveniences.
- Complete the construction of an additional tennis court at the Phipps Ocean Park facility.
- The development of an implementation plan for the reconstruction of the Seaview tennis facility and the remaining construction of two additional tennis courts at Phipps Ocean Park.
- Develop the plans for the renovation of Town Hall to improve the long-term space needs for Town operations.

FINANCIAL INFORMATION

Please read the MD&A and the Notes to the Financial Statements for specific financial information.

Internal Controls: In developing and evaluating the Town's accounting system, consideration is given to the adequacy of internal accounting controls, which 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 costs and benefits requires estimates and judgments by management.

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 laps at year-end. Open encumbrances for outstanding purchase orders are reported as a reservation of fund balance at September 30, 2003 and are re-appropriated as part of the following year's budget.

Cash Management: The Town invests its excess reserves with the State's Local Government Surplus Funds Trust Fund Investment Pool and the Florida League of Cities Investment Trust. As of September 30, 2003, the investments with the State Investment Pool totaled \$79,119,524 and the Florida League of Cities Investment Trust balance was \$25,884,593. The Town generated investment earnings of \$2,341,004 on all funds, excluding pension trusts.

Risk Management: 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.

PROPRIETARY FUNDS

Enterprise Operations: The Town's Enterprise operations are comprised of 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.

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 the Kreuzler Park Agency Fund.

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 2003. The auditor's report is included on page one of 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, 2002. This was the 15th 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. This report must satisfy both 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 submitting it to the GFOA to determine its eligibility for another certificate.

The Town also received the GFOA Award for Distinguished Budget Presentation for the Town budget for the fiscal year ended September 30, 2003 and the Certificate of Achievement in Popular Annual Financial Reporting for the Town's Annual Report for the fiscal year ended September 30, 2002.

Acknowledgements: 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 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, 2002

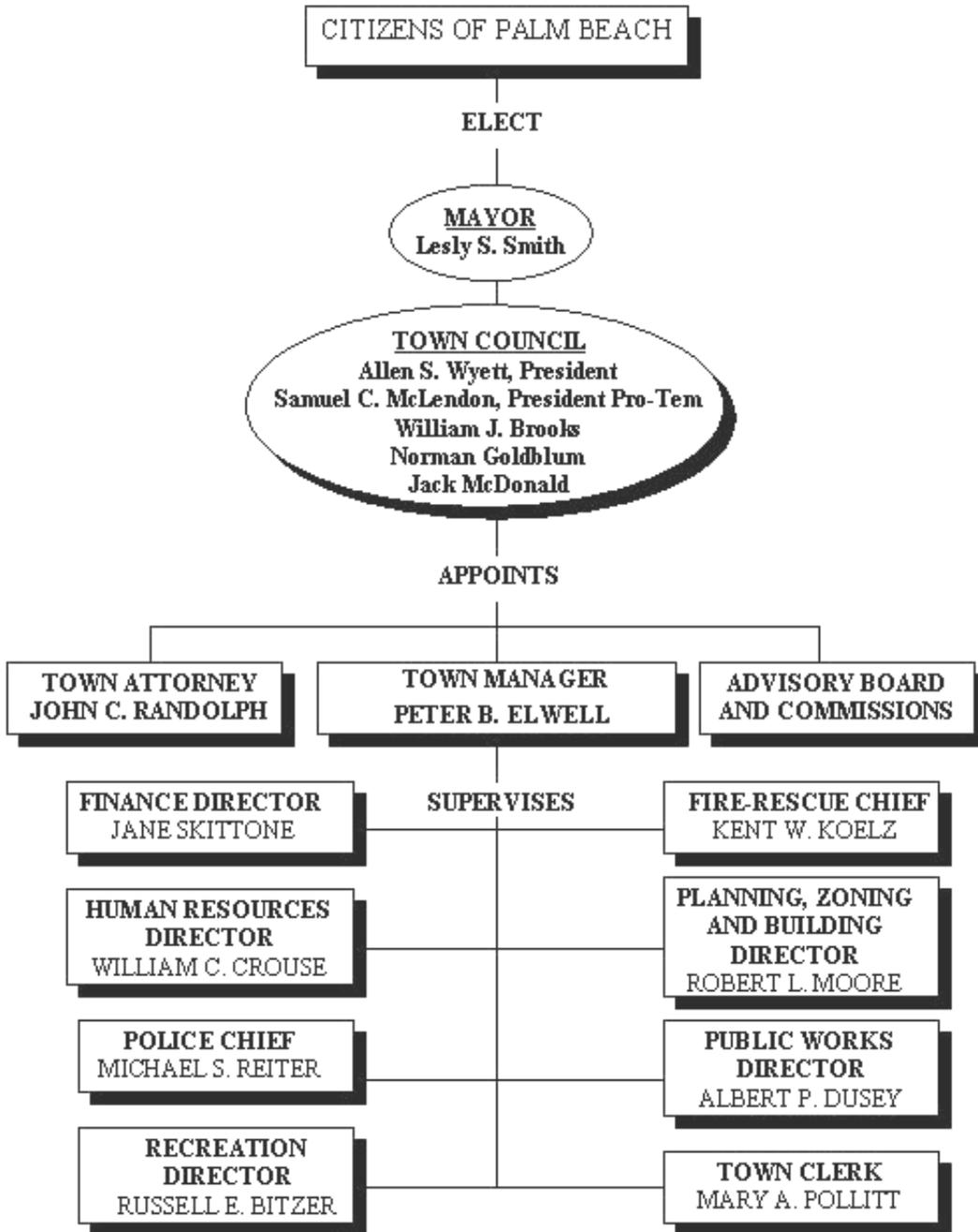
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



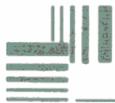
President

Executive Director

TOWN OF PALM BEACH ORGANIZATIONAL STRUCTURE



Note: Organizational structure as of February 12, 2004



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

CERTIFIED PUBLIC ACCOUNTANTS

505 SOUTH FLAGLER DRIVE, SUITE 900
WEST PALM BEACH, FL 33401-5948

TELEPHONE (561) 832-9292
FAX (561) 832-9455

info@cdlcpa.com

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM K. CALER, JR., CPA
LOUIS M. COHEN, CPA
DAVID S. DONTEN, CPA
SCOTT D. DRUKER, CPA, JD
JAMES B. HUTCHISON, CPA
JOEL H. LEVINE, CPA
JAMES F. MULLEN, IV, CPA
THOMAS A. PENCE, JR., CPA
SCOTT L. PORTER, CPA
MARK D. VEIL, CPA

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 financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Palm Beach, Florida, as of and for the year ended September 30, 2003, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the management of the Town of Palm Beach, Florida. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Palm Beach, Florida, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note K to the basic financial statements, the Town of Palm Beach, Florida, has implemented a new financial reporting model as of October 1, 2002, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*; and, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2004 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.

The information identified in the accompanying table of contents as *management's discussion and analysis* is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Palm Beach, Florida. The introductory section, *required supplementary information* on pages 52 to 54, the combining and individual fund financial statements, and schedules, and the statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town of Palm Beach, Florida. The accompanying Schedule of Expenditures of State Financial Assistance 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 basic financial statements of the Town of Palm Beach, Florida. The required supplementary information and the combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

January 23, 2004

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Palm Beach, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town of Palm Beach for the fiscal year ended September 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages v-xi of this report.

This is the first year the Town has presented its financial statements in accordance with the new reporting model required by Governmental Accounting Standards Board Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*" (Statement 34). This new reporting model significantly changes not only the presentation of financial data, but also the manner in which the information is recorded.

The information contained within this Management's Discussion and Analysis (MD&A) is only a component of the entire financial statement report. Readers should take time to read and evaluate all sections of the report, including the footnotes and the other Required Supplementary Information that is provided in addition to this MD&A.

Financial Highlights

1. The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$138,536,472 (net assets). Of this amount, \$77,994,481 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
2. At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$77,445,424 an increase of \$8,642,394 in comparison with the prior year. Approximately 25% of the total amount is available for spending at the Town's discretion (unreserved, undesignated fund balance).
3. At the end of the current fiscal year, unreserved fund balance for the general fund was \$20,511,244 or 53.5% of the general fund expenditures.
4. The Town's total government-wide revenues were \$58,820,142, while total expenses were \$43,390,226.
5. Governmental Activities generated \$55,627,384 in revenue (excluding transfers) with \$41,861,683 in expenses.
6. Business-type Activities generated \$3,192,758 in revenue (excluding transfers) with \$1,528,543 in expenses.
7. The Town's long-term debt increased by \$5,479,456 during the current fiscal year. The key factors to this increase were the issuance of bonds to fund the Fire-Rescue facility and to refinance the 2000 Revenue bonds.

Overview of the Financial Statements

The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

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

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, physical environment, transportation, and culture and recreation. The business-type activities include the marina and golf course.

The Town's government-wide financial statements are presented on pages 13-15 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Palm Beach, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Palm Beach can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The Town of Palm Beach maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital improvement fund, and the beach restoration project fund all of which are considered to be major funds. Data for the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is presented in the form of *combining statements* elsewhere in this report.

The governmental fund financial statements can be found on pages 16-18 of this report.

Proprietary funds. The Town of Palm Beach maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Palm Beach uses enterprise funds to account for its marina and golf course enterprises. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Town of Palm Beach's various functions. The Town of Palm Beach uses internal service funds to account for its self-insurance health fund and self-insurance risk fund. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the two enterprise funds. Conversely, both of the internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The proprietary fund financial statements can be found on pages 19-21 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town of Palm Beach's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Fiduciary financial statements consist of a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

The Town's fiduciary fund financial statements are presented on pages 22-23.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-51 of this report.

Other information. In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information containing a comparison between the Town's adopted budget and actual financial results. The required supplementary information can be found on pages 52-54 of this report.

Combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds and fiduciary funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 55-75 of this report.

Government-wide Financial Analysis

Net assets. This fiscal year is the first year of implementation of GASB34. In future years, a comparative analysis of government-wide data will be presented. On the following page, is a summary of the fiscal year 2003 Statement of Net Assets found on page 13.

Town of Palm Beach, Florida
Net Assets
September 30, 2003

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current and other assets	\$ 112,440,703	\$ 3,354,771	\$ 115,795,474
Capital assets	55,529,086	8,946,928	64,476,014
Total Assets	167,969,789	12,301,699	180,271,488
LIABILITIES			
Long-term liabilities outstanding	34,258,064	57,713	34,315,777
Other liabilities	6,903,366	515,873	7,419,239
Total Liabilities	41,161,430	573,586	41,735,016
NET ASSETS			
Invested in capital assets, net of related debt	51,595,063	8,946,928	60,541,991
Unrestricted	75,213,296	2,781,185	77,994,481
Total Net Assets	\$ 126,808,359	\$ 11,728,113	\$ 138,536,472

Net assets may serve over time as a useful indicator of a government's financial position. At September 30, 2003, the Town's assets exceeded liabilities by \$138,536,472.

By far the largest portion of the Town of Palm Beach's net assets (44 percent) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, equipment infrastructure and construction in progress) less any related debt used to acquire those assets that is still outstanding and any unspent bond proceeds. The Town of Palm beach uses those capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Palm Beach's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the Town of Palm Beach reported positive balances in all categories of net assets for both governmental and business type activities.

Change in Net Assets: This fiscal year is the first year of implementation of GASB34. In future years, when detailed prior year information is available, a comparative analysis will be presented. The table on the following page is a summary of the changes in net assets for the year ended September 30, 2003:

Town of Palm Beach, Florida
Changes in Net Assets of Primary Government
For the fiscal year ended September 30, 2003

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
REVENUES:			
Program revenues:			
Charges for services	\$ 11,554,087	\$ 3,137,471	\$ 14,691,558
Operating contributions and grants	1,436,480		1,436,480
Capital contributions and grants	2,620,291		2,620,291
General revenue:			
Property taxes	29,815,341		29,815,341
Local option gas tax	224,517		224,517
Franchise fees	1,726,221		1,726,221
Utility service taxes	4,156,003		4,156,003
Intergovernmental	958,145		958,145
Investment earnings	2,285,717	55,287	2,341,004
Other	<u>850,582</u>		<u>850,582</u>
Total Revenues	55,627,384	3,192,758	58,820,142
EXPENSES:			
General government	8,402,847		8,402,847
Public safety	19,803,167		19,803,167
Physical environment	9,307,102		9,307,102
Transportation	582,376		582,376
Culture and recreation	2,489,073		2,489,073
Interest on long-term debt	1,277,118		1,277,118
Golf		799,651	799,651
Marina		<u>728,892</u>	<u>728,892</u>
Total Expenses	<u>41,861,683</u>	<u>1,528,543</u>	<u>43,390,226</u>
Increase in net assets before transfers	13,765,701	1,664,215	15,429,916
Transfers	<u>675,000</u>	<u>(675,000)</u>	<u>0</u>
Increase in net assets	14,440,701	989,215	15,429,916
Net assets beginning of year	<u>112,367,658</u>	<u>10,738,898</u>	<u>123,106,556</u>
Net assets end of year	<u>\$ 126,808,359</u>	<u>\$ 11,728,113</u>	<u>\$ 138,536,472</u>

The Town's combined net assets increased by \$15,429,916 or 12.5% during 2003. This improvement can be primarily attributed to governmental activities that increased \$14,440,701 or 94% of the total growth in net assets of the Town. The increase over the prior year is attributable to increased property tax revenue, grant revenue received for the Mid-Town Beach renourishment project, funds received from FDOT for Royal Palm Way, and funds received from the City of West Palm Beach for water main improvements. Approximately \$11,000,000 of the increase in net assets was invested in capital assets, including infrastructure projects and equipment. The business-type activities net assets increased primarily due to marina fund revenues exceeding expenses.

Financial Analysis

Governmental funds. The fund financial statements for the governmental funds are provided on pages 16 – 18. The focus of the Town of Palm Beach’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town of Palm Beach’s financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year. As the end of the current fiscal year, the Town of Palm Beach’s governmental funds reported combined ending fund balances of \$77,445,424.

The following schedule presents a summary of all governmental fund revenues and other financing sources for the fiscal year ended September 30, 2003 and the amount and percentage of increases and decreases in relation to prior year revenues:

	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2002</u>	<u>Percent Increase (Decrease)</u>
Revenues				
Taxes	\$ 35,922,082	50.6%	\$ 2,550,674	7.1%
Licenses and permits	5,654,137	8.0%	150,555	2.7%
Intergovernmental	3,671,884	5.2%	1,796,926	48.9%
Charges for services	2,560,809	3.6%	333,451	13.0%
Fines and forfeitures	878,545	1.2%	312,461	35.6%
Investment income	1,907,116	2.7%	(458,652)	(24.0%)
Grant revenue	2,620,291	3.7%	2,127,438	81.2%
Miscellaneous	1,183,337	1.7%	15,030	1.3%
Other Financing Sources				
Operating transfers in	10,333,656	14.6%	(117,799)	(1.1%)
Bond proceeds	6,108,358	8.6%	5,967,563	97.7%
Net refunding proceeds	<u>80,210</u>	<u>0.1%</u>	<u>80,210</u>	<u>100.0%</u>
Total Revenues and Other Financing Sources	<u>\$ 70,920,425</u>	<u>100.0%</u>	<u>\$ 12,757,857</u>	<u>18.0%</u>

The most significant increases in revenues and other financing sources were in intergovernmental revenue, charges for services, fines and forfeitures, grant revenue and bond proceeds categories. The increases are described below:

- Intergovernmental revenue increased due to funds received from the City of West Palm Beach for water main improvements.
- Fines and forfeiture income increased due to increased collection in parking ticket fines and penalties and higher code compliance fines.
- Charges for services increased due to the implementation of an EMS transport fee.
- Grant revenue increased due to funding received on the Town beach restoration project.
- Bond proceeds increased due to the issuance of the 2003 revenue bond for the financing of the new fire-rescue station and town hall renovation project.

The schedule on the following page presents a summary of all governmental funds expenditures and other financing uses for the fiscal year ended September 30, 2003 and the percentage of increases and decreases in relation to prior year amounts:

	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2002</u>	<u>Percent Increase (Decrease)</u>
Expenditures				
Current:				
General government	\$ 5,610,928	9.0%	\$ (364,784)	(6.5%)
Public safety	18,716,632	30.1%	797,536	4.3%
Physical environment	7,879,102	12.7%	877,144	11.1%
Transportation	582,376	0.9%	(410,807)	(70.5%)
Culture and recreation	2,448,947	3.9%	495,250	20.2%
Non-departmental	2,746,915	4.4%	454,291	16.5%
Capital outlay	12,360,305	19.8%	3,599,961	29.1%
Debt Service:				
Principal	765,063	1.2%	(1,769)	(0.2%)
Interest	1,158,641	1.9%	(187,872)	(16.2%)
Bond issue costs	350,466	0.6%	350,466	100.0%
Other Financing Uses				
Operating transfer out	<u>9,658,656</u>	<u>15.5%</u>	<u>(117,799)</u>	<u>(1.2%)</u>
Total Expenditures and Other Financing Uses	<u>\$ 62,278,031</u>	<u>100.0%</u>	<u>\$ 5,491,617</u>	<u>8.8%</u>

Total expenditures increased 8.8% from FY2002. The reasons for the major increases and decreases are as follows:

- General government expenditures declined due to the reallocation of Town Hall maintenance expenditures to a physical environment classification.
- Public Safety expenditures increased due to the hiring of 4 additional personnel in the fire-rescue department to improve emergency response service.
- Physical Environment costs increased due to the consolidation of all building maintenance accounts into the public works budget. Increased costs associated with the beach renourishment program also contributed to the increase.
- Transportation expenditures decreased due to the equipment replacement fund making all equipment purchases beginning in FY2003 and the consolidation of certain expenditures into the culture and recreation classification.
- Culture and recreation expenditures increased due to the consolidation of some transportation and physical environment costs into the culture and recreation classification. In addition, the Town expanded the lethal yellowing program.
- Capital Outlay increased due to expenditures relating to the renourishment of the Mid-Town Beach.
- Bond issue costs are related to the issuance cost of the 2003 revenue bond.
-

General Fund. The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, *unreserved*, undesignated fund balance of the general fund was \$19,015,967, while the total fund balance was \$21,429,468. The fund balance of the General Fund decreased by \$245,803. General Fund revenues exceeded expenditures by \$3,654,197, due to higher than expected revenues relating to property taxes, permits, and fines and lower than expected expenditures due to budget controls. An appropriation of \$3,900,000 from undesignated fund balance for the North Lake Way drainage project caused the net decrease in fund balance for the fiscal year. As a measure of the General Funds' liquidity, it is useful to compare unreserved fund balance to total general fund expenditures. Unreserved fund balance represents 40% of total general fund expenditures including transfers out.

The fund balance of the Capital Improvement Fund increased from the prior year by \$3,736,431. This increase resulted from unspent funds from appropriated capital projects. A majority of the projects will be completed in future years.

Other governmental funds which include special revenue funds, debt service funds and two capital projects funds (equipment replacement fund and town facilities fund) had an increase in fund balance of \$5,551,897. This increase is due in part to the issuance of a bond for the Town facilities projects that include a new central fire-rescue station and renovation of Town hall. The balance of the increase is due to a surplus in the equipment replacement fund for the fiscal year.

Proprietary funds. The Town of Palm Beach's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The enterprise funds of the Town include the golf and marina fund.

Unrestricted net assets of the proprietary funds was \$2,781,185; \$3,162,232 for the marina fund and (\$381,047) for the golf fund. Net assets for these funds increased \$989,215, which is attributable to increased income for the marina fund.

General Fund Budgetary Highlights

The annual General Fund budget is adopted after two public hearings and approval of the Town Council. Any amendments that would exceed the original budget at the fund level would require a formal budget amendment requiring an ordinance and two readings by the Town Council. The total General Fund appropriation did not require any amendments. Differences between the original budget and the final amended budget were minor. Funds were transferred from an appropriated General Fund contingency account to program accounts in the budget to provide for unanticipated expenditures in accordance with specific Town Council authorizations.

Capital Assets and Debt Administration

Capital Assets

Capital assets are those assets (fixed assets and infrastructure) that are used in the performance of the Town's functions. As of September 30, 2003, net capital assets of governmental activities totaled \$55,529,086 and the net capital assets of the business-type activities totaled \$8,946,928 (both net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure and construction in progress.

A summary of the Town of Palm Beach's capital assets (net of depreciation) can be found on the next page. Additional information on the Town's capital assets can be found in Note C and on pages 73-75.

**Town of Palm Beach
Capital Assets
September 30, 2003**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 8,715,312	\$ 5,051,527	\$ 13,766,839
Buildings	5,129,179	3,212	5,132,391
Improvements other than buildings	1,064,743	3,834,090	4,898,833
Equipment	5,651,281	58,099	5,709,380
Infrastructure	27,742,401	0	27,742,401
Construction in progress	<u>7,226,170</u>	<u>0</u>	<u>7,226,170</u>
 Total	 <u>\$ 55,529,086</u>	 <u>\$ 8,946,928</u>	 <u>\$ 64,476,014</u>

Major capital projects completed during the fiscal year included the following:

- Lake Way storm drainage improvements from Orange Grove Road to Mediterranean Road. Storm drainage, water mains and sanitary sewers were improved or upgraded within the project area.
- Two sanitary force mains for the E-1 and E-2 pump stations were replaced during the Lake Way drainage improvements.
- Storm drainage improvement project from Emerald Lane to the D-4 stormwater pumping station south of Miraflores Drive.
- A fourth tennis court was added to the Phipps Ocean Park Tennis facility.
- The Town Park at South County Road and Peruvian Avenue was completed and formally dedicated in February 2003.
- Construction on the new central Fire-Rescue station began in May 2003.

Debt Administration

As of September 30, 2003, the Town had \$31,730,000 in bonds outstanding and \$484,711 in capital lease obligations totaling \$32,214,711 as compared to \$26,104,774 a 23% increase (considering new borrowing and debt retirement) in fiscal year 2003. Of the \$32,214,711 of debt outstanding as of the end of the fiscal year, 4.1% was backed by the full faith and credit of the government and the balance was secured by various revenue sources.

The debt position of the Town is summarized below and more fully explained in Note E.

**Town of Palm Beach
Outstanding Debt
September 30, 2003**

General Obligation Bonds	\$ 1,325,000
Revenue Bonds	30,405,000
Capital Lease Obligations	<u>484,711</u>
Total	<u>\$ 32,214,711</u>

The Town's debt increased due to the issuance of a revenue bond to finance the acquisition, construction and equipping of a fire-rescue facility and the renovation of Town Hall.

During the current fiscal year, the Town partially refunded its Series 2000 Revenue bonds to take advantage of favorable interest rates.

The Town of Palm Beach maintains an AAA General Obligation bond rating by both Moody's and Standard & Poor's.

Economic Factors and Next Year's Budgets and Rates

For fiscal year 2004 the Town Council adopted a General Fund budget of \$47,450,635 representing a 2.5% decrease from fiscal year 2003. The decrease was due to funding for capital projects that had occurred in FY2003. The taxable value increased by 10.14% and the Town's total millage rate decreased from 4.0541 to 4.0529 or .03%.

General economic conditions both nationally and in the State of Florida will require the Town to closely monitor revenue and expenditure trends. The Town has a stable property tax base. Property taxes represent 67% of the budgeted revenues of the Town. The balance of revenues comes from sales and use taxes, charges for Town services, licenses, permits and fines. Rates were increased for the marina and golf course operations.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability. Questions concerning information provided in this report or requests for additional financial information should be directed to:

**Finance Department
Town of Palm Beach
360 South County Road
Palm Beach, FL 33480
561-838-5444
www.townofpalmbeach.com**

BASIC FINANCIAL STATEMENTS

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF NET ASSETS

September 30, 2003

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 26,616	\$ 1,058	\$ 27,674
Equity in pooled cash and investments	103,108,708	3,655,265	106,763,973
Accounts receivable, net of allowance for doubtful accounts of \$590,961	693,432	233	693,665
Due from other governments	393,834		393,834
Internal balances	301,785	(301,785)	0
Inventory	483,966		483,966
Prepays	49,005		49,005
Unamortized debt issue costs	404,986		404,986
Investment in joint venture	6,978,371		6,978,371
Capital assets			
Land	8,715,312	5,051,527	13,766,839
Construction in progress	7,226,170		7,226,170
Depreciable capital assets, net	39,587,604	3,895,401	43,483,005
Total assets	<u>167,969,789</u>	<u>12,301,699</u>	<u>180,271,488</u>
LIABILITIES			
Accounts payable	1,540,441	16,335	1,556,776
Accrued liabilities	3,842,810	20,800	3,863,610
Accrued interest payable	329,942		329,942
External balances	13,586		13,586
Customer deposits		179,869	179,869
Deferred revenue	1,176,587	298,869	1,475,456
Long-term debt			
Due within one year	3,850,311	3,000	3,853,311
Due in more than one year	30,407,753	54,713	30,462,466
Total liabilities	<u>41,161,430</u>	<u>573,586</u>	<u>41,735,016</u>
NET ASSETS			
Invested in capital assets, net of related debt	51,595,063	8,946,928	60,541,991
Unrestricted	75,213,296	2,781,185	77,994,481
Total net assets	<u>\$ 126,808,359</u>	<u>\$ 11,728,113</u>	<u>\$ 138,536,472</u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF ACTIVITIES

Year Ended September 30, 2003

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities				
General government	\$ 8,402,847	\$ 5,859,442	\$	\$
Public safety	19,803,167	2,233,350	713,611	52,768
Physical environment	9,307,102	2,707,891	722,869	2,567,523
Transportation	582,376	398,614		
Culture and recreation	2,489,073	354,790		
Interest on long-term debt	1,277,118			
Total governmental activities	41,861,683	11,554,087	1,436,480	2,620,291
Business-type activities				
Golf	799,651	742,866		
Marina	728,892	2,394,605		
Total	\$ 43,390,226	\$ 14,691,558	\$ 1,436,480	\$ 2,620,291

General revenue

- Property taxes
- Local option gas tax
- Franchise fees
- Utility service taxes
- Intergovernmental not restricted to specific programs
- Investment income
- Increase in value of joint venture

Transfers

Total general revenues and transfers

Change in net assets

Net assets at October 1, 2002

Net assets at September 30, 2003

Net Revenue (Expenses) and
Changes in Net Assets

Governmental Activities	Business-type Activity	Total
\$ (2,543,405)	\$	\$ (2,543,405)
(16,803,438)		(16,803,438)
(3,308,819)		(3,308,819)
(183,762)		(183,762)
(2,134,283)		(2,134,283)
(1,277,118)		(1,277,118)
(26,250,825)	0	(26,250,825)
	(56,785)	(56,785)
	1,665,713	1,665,713
(26,250,825)	1,608,928	(24,641,897)
29,815,341		29,815,341
224,517		224,517
1,726,221		1,726,221
4,156,003		4,156,003
958,145		958,145
2,285,717	55,287	2,341,004
850,582		850,582
675,000	(675,000)	0
40,691,526	(619,713)	40,071,813
14,440,701	989,215	15,429,916
112,367,658	10,738,898	123,106,556
\$ 126,808,359	\$ 11,728,113	\$ 138,536,472

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2003

	Major Governmental Funds				
	General Fund	Capital Improvement Fund	Beach Restoration Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,050	\$	\$	\$	\$ 4,050
Equity in pooled cash and investments	23,165,979	15,055,955	29,334,643	12,031,374	79,587,951
Accounts receivable	629,320			18,045	647,365
Grants receivable	12,324		381,510		393,834
Due from other funds	307,783	104,497		64,112	476,392
Inventory	483,966				483,966
Prepaid items	20,992				20,992
TOTAL ASSETS	<u>\$ 24,624,414</u>	<u>\$ 15,160,452</u>	<u>\$ 29,716,153</u>	<u>\$ 12,113,531</u>	<u>\$ 81,614,550</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 478,835	\$ 592,635	\$ 7,995	\$ 278,370	\$ 1,357,835
Accrued liabilities	1,487,832	5,350			1,493,182
Due to other funds	51,692		84,436	5,394	141,522
Deferred revenue	1,176,587				1,176,587
TOTAL LIABILITIES	<u>3,194,946</u>	<u>597,985</u>	<u>92,431</u>	<u>283,764</u>	<u>4,169,126</u>
FUND BALANCES					
Reserved	918,224	1,848,942	219,866	6,919,701	9,906,733
Unreserved					
Designated	1,495,277	12,713,525	29,403,856	4,910,066	48,522,724
Undesignated	19,015,967	0	0	0	19,015,967
	<u>21,429,468</u>	<u>14,562,467</u>	<u>29,623,722</u>	<u>11,829,767</u>	<u>77,445,424</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 24,624,414</u>	<u>\$ 15,160,452</u>	<u>\$ 29,716,153</u>	<u>\$ 12,113,531</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	55,517,163
Investment in joint venture is not a financial resource and, therefore is not reported in the funds	6,978,371
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets	21,046,677
Deferred issue costs on long-term debt are not financial resources and therefore are not reported in the governmental funds	404,986
Long-term liabilities, including accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds	(34,584,262)

See notes to financial statements

Net assets of governmental activities \$ 126,808,359

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended September 30, 2003

	Major Governmental Funds				
	General Fund	Capital Improvement Fund	Beach Restoration Project Fund	Other Governmental Funds	Total Governmental Funds
Revenue					
Taxes	\$ 35,308,100	\$	\$	\$ 15,071	\$ 35,323,171
Licenses and permits	5,654,137				5,654,137
Intergovernmental	1,938,501	1,733,383			3,671,884
Charges for services	2,560,809				2,560,809
Fines and forfeitures	863,474			613,982	1,477,456
Investment income	583,091	187,556	1,013,962	271,216	2,055,825
Grant revenue	52,768		2,567,523		2,620,291
Miscellaneous	122,078	722,869		189,681	1,034,628
Total revenue	47,082,958	2,643,808	3,581,485	1,089,950	54,398,201
Expenditures					
Current					
General government	5,558,816			52,112	5,610,928
Public safety	18,541,442	41,448		133,742	18,716,632
Physical environment	7,835,025	44,077			7,879,102
Transportation	582,376				582,376
Culture and recreation	2,376,941	13,322		58,684	2,448,947
Non-departmental	2,746,915				2,746,915
Capital outlay	524,257	5,470,530	4,845,316	1,520,202	12,360,305
Debt service					
Principal	155,063			610,000	765,063
Interest	24,270			1,134,371	1,158,641
Bond issue costs				350,466	350,466
Total expenditures	38,345,105	5,569,377	4,845,316	3,859,577	52,619,375
Revenue over (under) expenditures	8,737,853	(2,925,569)	(1,263,831)	(2,769,627)	1,778,826
Other Financing Sources (Uses)					
Issuance of revenue bonds				6,130,000	6,130,000
Discount on revenue bonds issued				(21,642)	(21,642)
Refunding bond proceeds				19,016,765	19,016,765
Payment to refunding escrow agent				(18,936,555)	(18,936,555)
Transfers in	675,000	6,662,000	863,700	2,132,956	10,333,656
Transfers out	(9,658,656)				(9,658,656)
Total other financing sources (uses)	(8,983,656)	6,662,000	863,700	8,321,524	6,863,568
Net Change in Fund Balances	(245,803)	3,736,431	(400,131)	5,551,897	8,642,394
Fund balance at October 1, 2002	21,675,271	10,826,036	30,023,853	6,277,870	68,803,030
Fund balance at September 30, 2003	\$ 21,429,468	\$ 14,562,467	\$ 29,623,722	\$ 11,829,767	\$ 77,445,424

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2003

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

Net change in fund balances-total governmental funds	\$ 8,642,394
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives	
Expenditure for capital assets	12,360,305
Less current year depreciation	(2,531,467)
Revenue in the statement of activities that does not provide current financial resources are not reported as revenue in the governmental funds	
	850,582
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets of governmental activities. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities	
Debt issued or incurred:	
Revenue bond proceeds	(6,108,358)
Refunding bond proceeds	(19,016,765)
Repayments:	
General obligation debt	610,000
Capital lease payments	155,063
To paying agent	
For bond principal	17,640,000
Additional amount - deferred interest	1,296,555
Bond issue costs	350,466
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	
Compensated absences	(212,837)
Accrued interest	6,934
Losses on disposal of capital assets	(276,285)
Amortization of bond issue costs	(125,411)
Internal service funds are used by management to charge the costs of certain activities to individual funds	
The net revenue of the internal service funds is reported with governmental activities	<u>799,525</u>
Change in net assets of governmental activities	<u><u>\$ 14,440,701</u></u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

September 30, 2003

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Golf Fund</u>	<u>Marina Fund</u>	<u>Total</u>	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 846	\$ 212	\$ 1,058	\$ 22,566
Equity in pooled cash and investments		3,655,265	3,655,265	23,520,757
Accounts receivable		233	233	
Prepaid items			0	28,013
Total current assets	<u>846</u>	<u>3,655,710</u>	<u>3,656,556</u>	<u>23,571,336</u>
Noncurrent assets				
Capital assets				
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	223,217		223,217	16,281
	<u>6,193,856</u>	<u>4,647,635</u>	<u>10,841,491</u>	<u>16,281</u>
Less accumulated depreciation	(774,873)	(1,119,690)	(1,894,563)	(4,358)
Total capital assets, net of accumulated depreciation	<u>5,418,983</u>	<u>3,527,945</u>	<u>8,946,928</u>	<u>11,923</u>
Total assets	5,419,829	7,183,655	12,603,484	23,583,259
LIABILITIES				
Current liabilities				
Accounts payable	11,833	4,502	16,335	182,606
Accrued liabilities	13,734	7,066	20,800	2,349,628
Compensated absences payable	3,000		3,000	
Due to other funds	301,679	106	301,785	604
Customer deposits		179,869	179,869	
Deferred revenue		298,869	298,869	
Total current liabilities	<u>330,246</u>	<u>490,412</u>	<u>820,658</u>	<u>2,532,838</u>
Noncurrent liability				
Compensated absences payable	51,647	3,066	54,713	3,744
Total liabilities	<u>381,893</u>	<u>493,478</u>	<u>875,371</u>	<u>2,536,582</u>
NET ASSETS				
Invested in capital assets	5,418,983	3,527,945	8,946,928	11,923
Unrestricted (deficit)	(381,047)	3,162,232	2,781,185	21,034,754
Total net assets	<u>\$ 5,037,936</u>	<u>\$ 6,690,177</u>	<u>\$ 11,728,113</u>	<u>\$ 21,046,677</u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS

Year Ended September 30, 2003

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Golf Fund</u>	<u>Marina Fund</u>	<u>Total</u>	
Operating revenue				
Golf fees and related revenue	\$ 742,866	\$	\$ 742,866	\$
Marina fees and related revenue		2,394,605	2,394,605	
Charges for services			0	7,284,071
	<u>742,866</u>	<u>2,394,605</u>	<u>3,137,471</u>	<u>7,284,071</u>
Operating expenses				
Personal services	498,489	185,197	683,686	184,934
Contractual services	23,234	51,661	74,895	137,425
Vehicle and equipment maintenance	7,978		7,978	
Marina maintenance		17,038	17,038	
Equipment rental	14,531		14,531	
Materials and supplies	72,826	36,123	108,949	
Utilities	92,944	188,314	281,258	
Insurance and claims			0	6,520,035
Depreciation	57,276	146,567	203,843	4,199
Other	32,373	103,992	136,365	16,554
	<u>799,651</u>	<u>728,892</u>	<u>1,528,543</u>	<u>6,863,147</u>
Operating income (loss)	(56,785)	1,665,713	1,608,928	420,924
Non-operating revenue				
Investment earnings		55,287	55,287	378,601
Income (loss) before transfers	(56,785)	1,721,000	1,664,215	799,525
Transfers to General Fund	<u>(25,000)</u>	<u>(650,000)</u>	<u>(675,000)</u>	
Change in Net Assets	(81,785)	1,071,000	989,215	799,525
Net assets at October 1, 2002	<u>5,119,721</u>	<u>5,619,177</u>	<u>10,738,898</u>	<u>20,247,152</u>
Net assets at September 30, 2003	<u>\$ 5,037,936</u>	<u>\$ 6,690,177</u>	<u>\$ 11,728,113</u>	<u>\$ 21,046,677</u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended September 30, 2003

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Golf Fund	Marina Fund	Total	
OPERATING ACTIVITIES				
Receipts from customers and users	\$ 742,866	\$ 2,622,447	\$ 3,365,313	\$ 7,284,071
Receipts from interfund services provided	36,611		36,611	
Payments to employees	(488,470)	(184,550)	(673,020)	(181,659)
Payments to suppliers	(250,953)	(396,660)	(647,613)	(6,356,217)
Payments for interfund services used		(10,481)	(10,481)	(16,895)
Net cash provided by operating activities	40,054	2,030,756	2,070,810	729,300
NONCAPITAL FINANCING ACTIVITY				
Operating transfers to General Fund	(25,000)	(650,000)	(675,000)	0
Net cash used in noncapital financing activity	(25,000)	(650,000)	(675,000)	0
CAPITAL AND RELATED FINANCING ACTIVITY				
Acquisition of property and equipment	(15,278)		(15,278)	(5,272)
Net cash used in capital and related financing activity	(15,278)	0	(15,278)	(5,272)
INVESTING ACTIVITY				
Investment earnings received		55,287	55,287	378,601
Net cash provided by investing activity	0	55,287	55,287	378,601
Net increase (decrease) in cash and cash equivalents	(224)	1,436,043	1,435,819	1,102,629
Cash and cash equivalents at October 1, 2002	1,070	2,219,434	2,220,504	22,440,694
Cash and cash equivalents at September 30, 2003	<u>\$ 846</u>	<u>\$ 3,655,477</u>	<u>\$ 3,656,323</u>	<u>\$ 23,543,323</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (56,785)	\$ 1,665,713	\$ 1,608,928	\$ 420,924
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	57,276	146,567	203,843	4,199
Changes in operating assets and liabilities:				
Decrease in accounts receivable		5,124	5,124	
Decrease in prepaid items				173,619
Increase (decrease) in accounts payable	(7,493)	(134)	(7,627)	79,177
Increase in accrued liabilities	1,889	1,029	2,918	67,798
Increase (decrease) in due to other funds	36,611	(10,481)	26,130	(16,895)
Increase in customer deposits		179,869	179,869	
Increase in deferred revenue		42,849	42,849	
Increase in compensated absences payable	8,556	220	8,776	478
Net cash provided by operating activities	<u>\$ 40,054</u>	<u>\$ 2,030,756</u>	<u>\$ 2,070,810</u>	<u>\$ 729,300</u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

September 30, 2003

	<u>Pension Trust Funds</u>	<u>Kreusler Park Agency Fund</u>
ASSETS		
Cash and short-term investments	\$ 2,162,846	\$
Equity in pooled cash and investments		2,062
Accrued interest and dividends receivable	343,350	
Due from General Fund		13,586
Investments, at fair value		
U.S. Government and Agency securities	14,472,022	
Passive Bond Market Index Fund	15,692,303	
Domestic common stocks	31,118,426	
Common Stock Index Fund	56,017,654	
Domestic corporate bonds	16,958,433	
Total investments	<u>134,258,838</u>	<u>0</u>
Prepaid items	<u>1,534</u>	
Total assets	136,766,568	15,648
LIABILITIES		
Accounts payable	83,852	15,156
Due to other government		492
DROP plan liability	<u>3,793,759</u>	
Total liabilities	<u>3,877,611</u>	<u>15,648</u>
NET ASSETS		
Held in trust for pension benefits and other purposes (A schedule of funding progress is presented in Note G for the Pension Trust Funds)	<u>\$ 132,888,957</u>	<u>\$ 0</u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

Year Ended September 30, 2003

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 1,751,412
Employee	1,253,942
State	<u>713,611</u>
Total contributions	3,718,965
Investment income	
Net appreciation in fair value of investments	18,374,928
Interest income	1,893,362
Dividend income	<u>431,845</u>
	20,700,135
Less investment expense	<u>529,678</u>
Net investment income	<u>20,170,457</u>
Total additions	23,889,422
DEDUCTIONS	
Benefit payments	6,275,226
Refunds	161,798
Administrative expense	<u>198,547</u>
Total deductions	<u>6,635,571</u>
Net increase	17,253,851
Net assets held in trust for pension benefits at October 1, 2002	<u>115,635,106</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT SEPTEMBER 30, 2003	<u><u>\$ 132,888,957</u></u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2003

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, there were no component units to include 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.

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

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2003

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2003, 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. Under the equity method, the Town recorded its initial investment at cost and records its ongoing financial interest as an adjustment to the investment in joint venture for its share of the following: any income or loss reported by ECR; depreciation and loss on disposal of ECR assets attributable to capital contributions; additional debt assumed for which the entities are obligated to repay; and capital and debt reserve contributions, including revenue earned by ECR on such contributions. 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, 2002. 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, 2003, the outstanding balance due to the State Loan Fund was \$15,379,174.

At September 30, 2003 the ECR participants and their respective interest in ECR were as follows:

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2003

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, 2003, the Town paid the following amounts to ECR:

Operations	\$ 561,075
Sewer disposal	286,147
Debt service	123,120
Renewal and replacement	120,122
Refunding loan	94,380
Fleet reserve	6,690
Central pump	<u>123,862</u>
	<u><u>\$ 1,315,396</u></u>

Government-wide Financial Statements: The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities and report information on all non-fiduciary activities of the Town. These statements include separate columns for the *governmental activities*, which are normally supported by taxes and intergovernmental revenue, and *business-type activities*, which rely primarily on fees and charges for support. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and business-type activities, which are presented as internal balances and eliminated in the Total Column. In the Statement of Activities, all interfund transactions have been eliminated except for charges between the Town's governmental activities and business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. *Program revenue* includes three categories of transactions: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; 2) operating grants and contributions; and, 3) capital grants and contributions. Taxes and other items not meeting the definition of program revenue are reported as *general revenue*.

Fund Financial Statements: The underlying accounting system of the Town is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities,

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2003

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

fund equity, revenues and expenditures or expenses, as appropriate.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The funds used by the Town are classified into three categories: *governmental*, *proprietary* and *fiduciary*. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The Town's major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements.

Governmental Fund Financial Statements – Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenue, Expenditures and Changes in Fund Balance for all major governmental funds and non-major funds in the aggregate. An accompanying schedule is presented to reconcile and explain the differences in fund balance and changes in fund balance as presented in these statements, to the net assets and changes in net assets presented in the government-wide financial statements. The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital Improvement Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities.

The *Beach Restoration Project Fund* accounts for the proceeds of the Town's revenue bonds and other Town funds that are to be used for the beach restoration project.

Proprietary Fund Financial Statements – Proprietary Fund Financial Statements include a Balance Sheet and a Statement of Revenue, Expenditures and Changes in Net Assets, and a Statement of Cash Flows for the Town's major proprietary funds as follows:

The *Golf Fund* is used to account for the operations of the Town's Par 3 Golf Course.

The *Marina Fund* is used to account for the operations of the Town's 88 dock slips.

Fiduciary Fund Financial Statements – Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. The Town's Fiduciary Funds are presented in the fund financial statements by type: *pension* and *agency*. Since by definition these assets are being held for the benefit of third parties (pension participants and Town employees) and cannot be used to finance activities or obligations of the government, these funds are not included in the government-wide financial statements. The Fiduciary Funds of the Town are as follows:

The *General Employees Pension Trust Fund* and the *Public Safety Pension Trust Fund* are used to account for assets held in a trustee capacity for the retirement pensions of all eligible Town employees.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2003

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The *Kreusler Park Agency Fund* accounts for funds collected on behalf of Palm Beach County at Kreusler Park.

Measurement Focus and Basis of Accounting: Financial reporting is based upon all pronouncements of the Governmental Accounting Standards Board (GASB), as well as the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors, including FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed by the Town in the preparation of its financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenue is recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenue is recognized in the period in which it becomes both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenue to be available if it is collected within 60 days of the end of the current fiscal year. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt, which is recognized when due. Property taxes, intergovernmental revenue, franchise fees, charges for services and investment income are all considered susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be measurable and available only when received in cash by the Town.

Proprietary fund financial statements distinguish *operating* revenue and expenses from *nonoperating* items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the golf and marina funds are charges to customers for greens fees and dockage. Operating expenses for these enterprise funds include the cost of operating and maintaining the golf course and marina, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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. Certain internal service fund charges are treated as expenditures in the General Fund budgetary statement, but are treated as transfers for GAAP purposes.

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

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2003

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

During the current year, several budget amendments were approved by the Town Council and Town Manager. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget based on legally authorized revisions to the original budgets during the year. Unexpended appropriations lapse at year end.

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.

Property Tax Calendar: 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.

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.

Accounts Receivable: Accounts receivable represent amounts due from local businesses for franchise and utility taxes, amounts due from individuals for parking fines and ambulance fees, and amounts due from Town residents for solid waste disposal fees. The Town does not require collateral for accounts receivable.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2003

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts receivable are reported net of an allowance for doubtful accounts determined based on the age of the individual receivable, with age categories ranging from 30 days past due to several years past due. Generally, the allowance includes accounts over 90 days past due. Accounts receivable are written off on an individual basis in the year the Town deems them to be uncollectible.

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.

Internal Balances: Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the government-wide governmental and business-type activities columns of the statement of net assets, except for the residual amount, which is presented as internal balances.

Capital Assets: The Town has reported all capital assets, including infrastructure assets (roads, sidewalks and similar items), in the government-wide statement of net assets. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Capital assets are recorded at cost or, if donated, fair value at the date of donation. Expenses, which materially extend the useful life of existing assets, are capitalized. Certain costs for professional services and interest associated with the acquisition and construction of capital assets have been capitalized. The cost of capital assets sold or retired is removed from the appropriate accounts and any resulting gain or loss is included in the increase in net assets. Depreciation is computed using the straight-line method over the assets' estimated useful lives of all reported capital assets, except land. Estimated useful lives assigned to the various categories of assets are as follows:

Buildings	10-50 years
Improvements other than buildings	3-30 years
Equipment	3-15 years

Unamortized Debt Issue Costs: Unamortized debt issue costs and unamortized bond discounts are amortized on the straight-line basis and charged against operations over the term of the related debt. This method approximates the interest method of amortization. Unamortized debt issue costs are included in assets and unamortized bond discounts are presented as a reduction of bonds payable.

Net Assets/Fund Balance: The government-wide and business-type fund financial statements utilize a net asset presentation. Net assets are categorized as follows:

Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted – This component of net assets consists of constraints placed on the use of net assets by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2003

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net assets consists of net assets that do not meet the definition of *Invested in Capital Assets, Net of Related Debt* or *Restricted*.

The governmental fund financial statements utilize a fund balance presentation. Fund balance is categorized as follows:

Fund balance reserves indicate the portion of fund balance that is not 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 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, Special Revenue Funds and Capital Projects Funds. 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.

Fund balance designations indicate tentative managerial plans or intent to use financial resources in a future period.

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. The liability for compensated absences attributable to the Town's governmental funds is recorded in the government-wide financial statements. The amount attributable to the business-type activities is charged to expense with a corresponding liability established in the government-wide financial statements as well as the Enterprise Fund. The Town includes all applicable payroll taxes and benefits in the accrual for compensated absences.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2003

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 government-wide and 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 \$713,611 for the fiscal year ended September 30, 2003.

Interfund Transactions: Transactions between funds during the year consisted of loans, services provided, reimbursements or transfers. Loans are reported as *Due from Other Funds* and *Due to Other Funds* as appropriate and are subject to elimination in the government-wide financial statements. Services, deemed to be reasonably equivalent in value, are treated as revenue and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are presented as transfers. Transfers within the governmental and business-type activities are eliminated in the government-wide financial statements.

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.

Estimates: 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 revenues and expenditures. Actual results could vary from the estimates that were used.

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

Cash and Cash Equivalents: Cash and cash equivalents at September 30, 2003, excluding amounts held by Fiduciary Funds, include petty cash of \$3,816 and deposits with financial institutions with a carrying value of \$23,858 and a bank balance of \$62,679. Cash and cash equivalents of the Fiduciary Funds at September 30, 2003 consist of deposits with financial institutions with a carrying value of \$1,038,813 and a bank balance of \$1,073,417 and U.S. Treasury money market mutual funds with a carrying value and bank balance of \$1,124,033.

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.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2003

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

Equity in Pooled Cash and Investments: The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed as "Equity in pooled cash and investments." The cash balance with a carrying value of \$1,761,918 and a bank balance of \$2,138,997, 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 \$79,119,524 and investments in the Florida Municipal Investment Trust with a carrying value of \$25,884,593.

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.

The Florida Municipal Investment Trust (the "Trust") is an external investment pool established in 1993 and administered by the Florida League of Cities, Inc. pursuant to the laws of the State of Florida. The Trust is exempt from registration under the Securities Act of 1933, the Investment Company Act of 1940 and the Florida Securities and Investors Protection Act. Participants in the Trust are limited to governmental entities in the State of Florida. The Trust operates four portfolios with differing investment goals. The Town invests in the Short Term and Intermediate Term Bond Portfolios designed to provide an investment horizon and yield greater than that of money market instruments. The Trust has adopted GASB Statement No. 31 and the fair value of the Town's position in the Trust is the same as the fair value of the Trust shares. Purchases and redemption of shares in the Trust may only be made on or about the end of each month and the Town must maintain an account balance of at least \$50,000. The investment in the pool is not evidenced by securities that exist in physical or book entry form and, accordingly, the investment is 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; Florida Municipal Investment Trust; 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 terms, conditions, limitations and restrictions

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2003

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

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 of the Fiduciary Funds at September 30, 2003:

	Category			Carrying Amount	Fair Value
	1	2	3		
U.S. Government and					
Agency securities	\$	\$	\$ 14,472,022	\$ 14,472,022	\$ 14,472,022
Corporate bonds			16,958,433	16,958,433	16,958,433
Common stocks			31,118,426	31,118,426	31,118,426
Common Stock Index Fund				13,399,382	13,399,382
Mutual Funds				29,683,533	29,683,533
Bond Market Index					
Mutual Fund				15,692,303	15,692,303
Investment Partnerships				12,934,739	12,934,739
TOTAL INVESTMENTS	\$	\$	\$ 62,548,881	\$ 134,258,838	\$ 134,258,878

Investments in the Common Stock Index Fund, Mutual Funds, Bond Market Index Mutual Fund, and investment partnerships 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.

NOTE C - CAPITAL ASSETS

The capital asset activity for the year ended September 30, 2003 was as follows:

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2003

NOTE C - CAPITAL ASSETS (Continued)

<u>Governmental Activities</u>	<u>Balance at Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at End of Year</u>
Capital assets not being depreciated				
Land	\$ 8,715,312	\$	\$	\$ 8,715,312
Construction in progress	<u>238,683</u>	<u>7,258,437</u>	<u>(270,950)</u>	<u>7,226,170</u>
Total capital assets, not being depreciated	8,953,995	7,258,437	(270,950)	15,941,482
Capital assets being depreciated				
Buildings	13,020,292	581		13,020,873
Improvements other than buildings	1,681,892	270,369		1,952,261
Equipment	10,749,782	990,074	(1,003,934)	10,735,922
Infrastructure	<u>40,588,721</u>	<u>4,119,365</u>	<u>(399,058)</u>	<u>44,309,028</u>
Total capital assets being depreciated	66,040,687	5,380,389	(1,402,992)	70,018,084
Less accumulated depreciation for				
Buildings	(7,707,652)	(184,042)		(7,891,694)
Improvements other than buildings	(866,961)	(20,557)		(887,518)
Equipment	(4,871,150)	(1,217,425)	1,003,934	(5,084,641)
Infrastructure	<u>(15,579,957)</u>	<u>(1,109,443)</u>	<u>122,773</u>	<u>(16,566,627)</u>
Total accumulated depreciation	<u>(29,025,720)</u>	<u>(2,531,467)</u>	<u>1,126,707</u>	<u>(30,430,480)</u>
Total capital assets, being depreciated, net	<u>37,014,967</u>	<u>2,848,922</u>	<u>(276,285)</u>	<u>39,587,604</u>
Governmental activities capital assets, net	<u>\$ 45,968,962</u>	<u>\$ 10,107,359</u>	<u>\$ (547,235)</u>	<u>\$ 55,529,086</u>

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2003

NOTE C - CAPITAL ASSETS (Continued)

<u>Business-type Activities</u>	<u>Balance at Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at End of Year</u>
Capital assets not being depreciated				
Land	\$ 5,051,527	\$	\$	\$ 5,051,527
Capital assets being depreciated				
Buildings	234,582			234,582
Improvements other than buildings	5,332,165			5,332,165
Equipment	<u>267,066</u>	<u>15,278</u>	<u>(59,127)</u>	<u>223,217</u>
Total capital assets being depreciated	5,833,813	15,278	(59,127)	5,789,964
Less accumulated depreciation for				
Buildings	(230,887)	(483)		(231,370)
Improvements other than buildings	(1,313,970)	(184,105)		(1,498,075)
Equipment	<u>(204,990)</u>	<u>(19,255)</u>	<u>59,127</u>	<u>(165,118)</u>
Total accumulated depreciation	<u>(1,749,847)</u>	<u>(203,843)</u>	<u>59,127</u>	<u>(1,894,563)</u>
Total capital assets, being depreciated, net	<u>4,083,966</u>	<u>(188,565)</u>	<u>0</u>	<u>3,895,401</u>
Business-type activities capital assets, net	<u>\$ 9,135,493</u>	<u>\$ (188,565)</u>	<u>\$ 0</u>	<u>\$ 8,946,928</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General government	\$ 176,323
Public safety	887,018
Physical environment	1,428,000
Culture and recreation	<u>40,126</u>
Total depreciation expense – governmental activities	<u>\$ 2,531,467</u>

Business-type Activities

Golf	\$ 57,276
Marina	<u>146,567</u>
Total depreciation expense – business-type activities	<u>\$ 203,843</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2003

NOTE D - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at September 30, 2003 are summarized as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Golf Fund	\$ 301,679
	Marina Fund	106
	Nonmajor funds	5,394
	Internal Service Funds	604
Capital Improvement Fund	General Fund	20,061
	Beach Restoration Project Fund	84,436
Nonmajor Funds	General Fund	18,045
Fiduciary Funds	General Fund	<u>13,586</u>
		<u>\$ 443,911</u>

Interfund transfers:

	<u>Transfers In:</u>				<u>Total</u>
	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Beach Restoration Project Fund</u>	<u>Nonmajor Funds</u>	
Transfers Out:					
General Fund	\$	\$ 6,662,000	\$ 863,700	\$ 2,132,956	\$ 9,658,656
Golf Fund	25,000				25,000
Marina Fund	<u>650,000</u>				<u>650,000</u>
	<u>\$ 675,000</u>	<u>\$ 6,662,000</u>	<u>\$ 863,700</u>	<u>\$ 2,132,956</u>	<u>\$ 10,333,656</u>

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2003

NOTE E - LONG-TERM DEBT

Changes in long-term debt for the year ended September 30, 2003 are summarized as follows:

<u>Governmental Activities</u>	<u>Balance at Beginning of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at End of Year</u>	<u>Amounts Due Within One Year</u>
Compensated absences	\$ 2,772,801	\$ 212,837	\$	\$ 2,985,638	\$ 25,000
Capital lease obligation	639,774		155,063	484,711	135,311
General obligation bonds payable	1,935,000		610,000	1,325,000	645,000
Revenue bonds payable	<u>23,530,000</u>	<u>24,515,000</u>	<u>17,640,000</u>	<u>30,405,000</u>	<u>3,045,000</u>
Total long-term debt	<u>\$ 28,877,575</u>	<u>\$24,727,837</u>	<u>\$ 18,405,063</u>	35,200,349	<u>\$ 3,850,311</u>
Unamortized premiums				535,654	
Unamortized loss on refunding				(1,477,939)	
Current maturities				<u>(3,850,311)</u>	
Net long-term debt				<u>\$ 30,407,753</u>	
<u>Business-type Activities</u>	<u>Balance at Beginning of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at End of Year</u>	<u>Amounts Due Within One Year</u>
Compensated absences	<u>\$ 48,937</u>	<u>\$ 8,776</u>	<u>\$ 0</u>	<u>\$ 57,713</u>	<u>\$ 3,000</u>

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 as capital assets, net of accumulated amortization and long-term debt, respectively, in the government-wide balance sheet. The assets acquired through capital leases consist of vehicles and equipment with an original cost of \$963,564, net of accumulated amortization of \$170,860.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2003, are as follows:

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2003

NOTE E - LONG-TERM DEBT (Continued)

<u>Year Ending September 30,</u>	<u>Amount</u>
2004	\$ 152,702
2005	98,924
2006	94,821
2007	94,821
2008	<u>94,822</u>
Total minimum lease payments	536,090
Less amount representing interest	<u>(51,379)</u>
Present value of minimum lease payments	<u>\$ 484,711</u>

GENERAL OBLIGATION BONDS PAYABLE

General obligation bonds payable by the Town at September 30, 2003 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:

<u>Year Ending September 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	4.70%	\$ 645,000	\$ 62,615	\$ 707,615
2005	4.75	<u>680,000</u>	<u>32,300</u>	<u>712,300</u>
		<u>\$ 1,325,000</u>	<u>\$ 94,915</u>	<u>\$ 1,419,915</u>

REVENUE BONDS PAYABLE

Town of Palm Beach, Florida, Revenue Refunding Bonds, Series 2003A

In April 2003, the Town issued \$18,385,000 Town of Palm Beach, Florida, Revenue Refunding Bonds, Series 2003A to (1) advance refund the Town's outstanding Revenue Bonds, Series 2000, maturing on January 1, 2006 through and including January 1, 2010 and (2) pay certain costs of issuance related to the Series 2003A Bonds, including the premium for a municipal bond insurance policy and a debt service reserve policy. The Series 2003A Bonds bear interest at rates ranging from 5% to 5.3%. Principal payments are due on January 1, and interest payments are due on January 1 and July 1 until maturity on January 1, 2010. The bonds are

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2003

NOTE E - LONG-TERM DEBT (Continued)

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 advance refunding of the Series 2000 bonds by the Town reduced its aggregate debt service payments by approximately \$391,000 over the life of the bonds and produced an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$337,000.

The annual debt service requirements for the Series 2003A bonds are as follows:

<u>Year Ending September 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	5.000%	\$ 110,000	\$ 751,852	\$ 861,852
2005	5.000	230,000	630,308	860,308
2006	5.100	3,360,000	594,408	3,954,408
2007	5.125	3,460,000	494,383	3,954,383
2008	5.200	3,595,000	357,223	3,952,223
2009	5.250	3,745,000	210,313	3,955,313
2010	5.300	<u>3,885,000</u>	<u>67,069</u>	<u>3,952,069</u>
		<u>\$ 18,385,000</u>	<u>\$ 3,105,556</u>	<u>\$ 21,490,556</u>

Town of Palm Beach, Florida, Revenue Bonds, Series 2003B

In April 2003, the Town issued \$6,130 Town of Palm Beach, Florida, Revenue Bonds, Series 2003B to (1) finance the acquisition, construction and equipping of a Fire Rescue facility with a new emergency operations center, the renovation of the Town Hall facilities, including security upgrades and drainage improvements, and (2) pay certain costs of issuance related to the Series 2003B Bonds, including the premium for a municipal bond insurance policy and a debt service reserve policy. The Series 2003B Bonds bear interest at rates ranging from 2% to 5%. Principal payments are due on January 1, and interest payments are due on January 1 and July 1 until maturity on January 1, 2033. 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, 2003

NOTE E - LONG-TERM DEBT (Continued)

Year Ending September 30,	Interest Rate	Principal	Interest	Total
2004	2.000%	\$ 65,000	\$ 311,864	\$ 376,864
2005	2.000	120,000	260,978	380,978
2006	2.000	120,000	258,578	378,578
2007	2.250	125,000	255,971	380,971
2008	2.600	125,000	252,940	377,940
2009	3.000	130,000	249,365	379,365
2010	3.250	135,000	245,221	380,221
2011	3.500	140,000	240,578	380,578
2012	3.700	145,000	235,445	380,445
2013	3.800	150,000	229,913	379,913
2014	3.800	155,000	224,118	379,118
2015	4.000	160,000	217,973	377,973
2016	4.000	170,000	211,373	381,373
2017	4.125	175,000	204,363	379,363
2018	4.250	180,000	196,929	376,929
2019	4.400	190,000	188,924	378,924
2020	4.375	200,000	180,369	380,369
2021	4.500	210,000	171,269	381,269
2022	4.500	215,000	161,706	376,706
2023	4.625	225,000	151,666	376,666
2024	4.750	240,000	140,763	380,763
2025	4.750	250,000	129,125	379,125
2026	4.750	260,000	117,013	377,013
2027	4.750	275,000	104,306	379,306
2028	4.750	290,000	90,888	380,888
2029	5.000	305,000	76,375	381,375
2030	5.000	320,000	60,750	380,750
2031	5.000	335,000	44,375	379,375
2032	5.000	350,000	27,250	377,250
2033	5.000	370,000	9,250	379,250
		<u>\$ 6,130,000</u>	<u>\$ 5,249,638</u>	<u>\$ 11,379,638</u>

Town of Palm Beach, Florida, Revenue Bonds, Series 2000

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. In April 2003, the majority of the Series 2000 bonds were refunded with the

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2003

NOTE E - LONG-TERM DEBT (Continued)

proceeds of the Series 2003A bonds, except for the following:

<u>Year Ending September 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	5.000%	\$ 2,870,000	\$ 1,140,108	\$ 4,010,108
2005	5.000%	<u>3,020,000</u>	<u>992,858</u>	<u>4,012,858</u>
		<u>\$ 5,890,000</u>	<u>\$ 2,132,966</u>	<u>\$ 8,022,966</u>

Annual Requirements

The annual debt service requirements to maturity, including interest of \$10,634,454 (excluding compensated absences, which have no fixed maturity) are as follows:

<u>Year Ending September 30,</u>	<u>Capital Lease Obligations</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Total</u>
2004	\$ 152,702	\$ 707,615	\$ 5,248,824	\$ 6,109,141
2005	98,924	712,300	5,254,144	6,065,368
2006	94,821		4,332,986	4,427,807
2007	94,821		4,335,354	4,430,175
2008	94,822		4,330,163	4,424,985
2009-2013			9,807,904	9,807,904
2014-2018			1,894,756	1,894,756
2019-2023			1,893,934	1,893,934
2024-2028			1,897,095	1,897,095
2029-2033			<u>1,898,000</u>	<u>1,898,000</u>
	<u>\$ 536,090</u>	<u>\$ 1,419,915</u>	<u>\$ 40,893,160</u>	<u>\$ 42,849,165</u>

Interest Expense: Total interest costs incurred and paid on all Town debt for the year ended September 30, 2003 totaled \$1,277,118 and \$1,158,641, respectively.

Defeased Bonds: The Town has defeased \$17,640,000 of Series 2000, Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The trust account assets and the liability for the defeased Series 2000 bonds are not included in the Town's financial statements. At September 30, 2003 outstanding Series 2000, Revenue Bonds in the amount of \$17,640,000 are considered defeased.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2003

NOTE F - FUND BALANCES

In the fund financial statements, fund balance of the governmental funds is reserved and designated for various purposes at September 30, 2003, as follows:

	<u>Major Governmental Funds</u>			
	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Beach Restoration Project Fund</u>	<u>Other Governmental Funds</u>
Reserved Fund Balances				
Reserved for inventory	\$ 483,966	\$	\$	\$
Reserved for prepaid items	20,922			
Reserved for specific purposes				3,776,476
Reserved for encumbrances	413,336	1,848,942	219,866	2,944,206
Reserved for debt service				199,019
Total Reserved Fund Balances	<u>918,224</u>	<u>1,848,942</u>	<u>219,866</u>	<u>6,919,701</u>
Designated Fund Balances				
Designated for subsequent year's budget		424,600		
Designated for East Central Regional Wastewater Treatment Facility	1,495,277			
Designated for beach restoration projects			29,403,856	
Designated for specific purposes		12,288,925		4,910,066
Total Designated Fund Balances	<u>1,495,277</u>	<u>12,713,525</u>	<u>29,403,856</u>	<u>4,910,066</u>
Undesignated Fund Balances	<u>19,015,967</u>			
Total Fund Balances	<u>\$ 21,429,468</u>	<u>\$ 14,562,467</u>	<u>\$ 29,623,722</u>	<u>\$ 11,829,767</u>

NOTE G - RETIREMENT PLANS

Plan Descriptions: The Town administers two single employer, defined benefit pension plans. The General Employees Pension 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 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

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2003

NOTE G - RETIREMENT PLANS (Continued)

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, 2003, 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, 2003 were determined as part of the actuarial valuation of the System as of September 30, 2002, 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, 2003 were as follows:

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2003

NOTE G - RETIREMENT PLANS (Continued)

	General Employees	Public Safety
Annual required contribution	\$ 955,887	\$ 1,509,136
Interest on net pension obligation	0	0
Adjustment to annual required contribution	0	0
Annual pension cost	955,887	1,509,136
Contributions made	(955,887)	(1,509,136)
Increase (decrease) in net pension obligation	0	0
Net pension obligation, beginning of year	0	0
Net pension obligation, end of year	\$ 0	\$ 0

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

	General Employees	Public Safety
Valuation date	September 30, 2002	September 30, 2002
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level Percent of Payroll Closed Amortization	Level Percent of Payroll Closed Amortization
Remaining amortization period	9-30 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, 2003

NOTE G - 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.
----------------------------	---	---

Three-Year Trend Information: The trend information for the Town's Plans for the last three actuarial plan years ended September 30th 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>			
2001	\$ 853,793	100%	\$ 0
2002	567,003	100%	0
2003	955,887	100%	0
<u>Public Safety</u>			
2001	\$ 1,956,604	100%	\$ 0
2002	1,228,132	100%	0
2003	1,509,136	100%	0

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2003

NOTE G - RETIREMENT PLANS (Continued)

SCHEDULE OF FUNDING PROGRESS

(in thousands)

Year	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
<u>General Employees</u>						
2000	\$ 49,616	\$ 39,588	\$ (10,028)	125.3	\$ 8,113	0%
2001	56,060	48,675	(7,385)	115.2	8,752	0
2002	52,316	53,071	755	98.6	9,380	8.0
<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
2002	86,446	88,991	2,545	97.1	7,769	0.3

NOTE H - 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 \$2,330,000 is included in accrued liabilities of the Internal Service Funds at September 30, 2003. 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, 2003 are summarized as follows:

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2003

NOTE H - INSURANCE PROGRAM (Continued)

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, 2003, these benefits covered 391 active employees, 118 retirees and 578 dependents. Net costs for the year ended September 30, 2003 were approximately \$4,265,000. The Town retains the risk of loss up to \$65,000 per occurrence; and up to 125% of the estimated claims in the aggregate (approximately \$4.3 million maximum plan costs for 2003). Insurance coverage for claims in excess of these specific limits (up to the policy maximum of \$2,000,000 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 40% 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, 2003 was approximately \$367,000. The Town received participant contributions of approximately \$376,000.

\$ 652,000

General Liability, Automobile Liability, Public Official Liability, Workers' Compensation and Property: The Town retains the risk of loss for all exposures and maintains excess insurance coverage above the Town's retained risk of loss of \$100,000 per occurrence for General and Automobile Liability, Public Official Liability, Workers' Compensation and Property. An aggregate retention (Loss Fund) of \$735,000 applies to each fiscal year with a \$1,000,000 excess policy, through commercial carriers, available if the Loss Fund is exhausted.

Excess liability coverage of \$5,000,000 per occurrence is maintained with commercial carriers for General, Automobile and Public Official Liability. Excess Workers' Compensation coverage is maintained with commercial carriers at Statutory limits and excess Property coverage is maintained with commercial carriers at \$41,450,000 per occurrence.

Florida Statutes limit the Town's maximum loss for most liability claims to \$100,000 per person and \$200,000 per occurrence. However, under certain circumstances a plaintiff can seek to recover damages in excess of statutory limits by introducing a claims bill to the Florida Legislature. The limits addressed in the Florida Statutes do not apply to claims filed in Federal courts. The accrued claims liability at September 30, 2003 was determined by an actuarial analysis performed by AMI Risk Consultants, Inc.

1,678,000
\$ 2,330,000

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2003

NOTE H - INSURANCE PROGRAM (Continued)

The claims activity for the last two fiscal years is summarized as follows:

	Year Ended September 30, 2003	Year Ended September 30, 2002
Accrued claims liability at beginning of fiscal year	\$ 2,265,000	\$ 2,195,000
Current year claims and changes in Estimates	3,599,000	2,975,000
Claim payments	<u>(3,534,000)</u>	<u>(2,905,000)</u>
Accrued claims liability at end of fiscal year	<u>\$ 2,330,000</u>	<u>\$ 2,265,000</u>

The Town is a party to various claims, legal actions and complaints. In the opinion of Town management, all such matters are adequately covered by claim reserves under its insurance program or if not covered, are without merit or involve such minimal amounts that an unfavorable disposition would not have a material effect on the Town's financial position. Settled claims have not exceeded commercial insurance coverages in any of the past three years.

NOTE I - BUDGET AND ACTUAL COMPARISONS

The Schedule of Revenue and Expenditures - Budget and Actual for the General Fund is required to be prepared under the basis of accounting used in preparing the budget. As indicated in Note A, the modified accrual basis of accounting is used for budgetary purposes. 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 revenue and expenditures reported in the budget and actual statement differ from the corresponding amounts reported on the basis of U.S. generally accepted accounting principles. These differences can be reconciled as follows:

Current year encumbrances outstanding at year end	\$ 413,336
Prior year encumbrances paid in the current year	(363,392)
State on-behalf payments for Police and Fire-Rescue pension contributions not included in budgetary basis:	
GAAP basis revenue	713,611
GAAP basis expenditure	<u>(713,611)</u>
NET DIFFERENCE BETWEEN GAAP AND BUDGETARY BASIS	49,944
Revenue and other sources over (under) expenditures and other uses -- BUDGETARY BASIS	<u>(295,747)</u>
Revenue and other sources over (under) expenditures and other uses -- GAAP BASIS	<u>\$ (245,803)</u>

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2003

NOTE J - 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 Improvement Fund, except for the construction of the new central fire station which is being paid for by bond proceeds in the Central Fire Station/Town Hall Renovation Fund. At September 30, 2003 the remaining commitments on these uncompleted contracts was \$4,994,069. The uncompleted contracts at September 30, 2003 are summarized as follows:

	<u>Contract Amounts</u>	<u>Approved Payments</u>	<u>Retainage Payable</u>	<u>Remaining Contract Commitments</u>
General Fund	\$ 63,750	\$ 30,000	\$ 0	\$ 33,750
Capital Improvement Fund	5,094,665	2,755,592	144,393	2,194,680
Central Fire Station/Town Hall Renovation Fund	<u>3,631,829</u>	<u>779,571</u>	<u>86,619</u>	<u>2,765,639</u>
Total	<u>\$ 8,790,244</u>	<u>\$ 3,565,163</u>	<u>\$ 231,012</u>	<u>\$ 4,994,069</u>

NOTE K - CHANGE IN ACCOUNTING AND RESTATEMENTS

On October 1, 2002 the Town implemented the provisions of the following pronouncements of the Governmental Accounting Standards Board (GASB):

Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*

Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues-An Amendment of GASB No. 33*

Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*

Statement No. 38, *Certain Financial Statement Note Disclosures*

Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above GASB pronouncements were all related to new financial reporting requirements for all state and local governmental entities. The more significant of the changes affecting the Town as required by the new reporting standards include the following:

- Presentation of *Management's Discussion and Analysis*
- Presentation of *Basic Financial Statements* that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government's major governmental and proprietary funds;

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2003

NOTE K - CHANGE IN ACCOUNTING AND RESTATEMENTS (Continued)

- Schedules to reconcile the fund financial statements to the government-wide financial statements;
- Additional disclosures in the notes to the basic financial statements;
- Reporting and depreciation of capital assets, including infrastructure assets, in the government-wide financial statements

Government-wide Financial Statements: The beginning net assets for governmental activities was determined as follows:

Fund balance, as originally reported at September 30, 2002	
General Fund	\$ 21,675,271
Special Revenue Funds	1,501,447
Debt Service Funds	278,921
Capital Projects Funds	45,347,391
Add: fund equity of internal service funds reclassified to governmental activities	
Property, Liability and Workers Compensation Insurance Fund	4,314,573
Group Health Insurance Fund	15,932,579
Add: investment in ECR joint venture	6,127,789
Add: general fixed assets as originally reported at September 30, 2002	34,405,961
Add: infrastructure assets (roads, sidewalks, etc.)	40,588,721
Deduct: accumulated depreciation on capital assets at September 30, 2002	(29,025,720)
Deduct: general long-term debt as originally reported at September 30, 2002	
Compensated absences payable	(2,772,801)
Capital lease obligations payable	(639,774)
General obligation bonds payable	(1,935,000)
Revenue bonds payable	(23,530,000)
Add: deferred issue costs on bonds	336,209
Deduct: accrued interest payable on long-term debt	(336,876)
Add: discount on bonds payable	<u>98,967</u>
Governmental net assets, as restated at September 30, 2002	<u>\$ 112,367,658</u>

Fund Equity Reclassification: The fund equity of the enterprise funds at September 30, 2002 was reclassified to reflect the adoption of GASB Statements No. 34 and 37 and the classification of previously reported contributed capital and retained earnings into the required components of net assets. This change in accounting principle resulted in no change to the previously reported change in net assets (net income) or total net assets (fund equity).

NOTE L - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations by \$50 in the Series 1993 Debt Service Fund for the year ended September 30, 2003. The over-expenditure was funded by excess revenue.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF REVENUE AND EXPENDITURES - GENERAL FUND
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS

Year Ended September 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue				
Taxes				
Ad Valorem	\$ 28,885,500	\$ 28,885,500	\$ 29,201,359	\$ 315,859
Local Option Gas Tax	346,000	346,000	224,517	(121,483)
Franchise Fees	1,575,000	1,575,000	1,726,221	151,221
Utility Service	4,173,500	4,173,500	4,156,003	(17,497)
	<u>34,980,000</u>	<u>34,980,000</u>	<u>35,308,100</u>	<u>328,100</u>
Licenses and permits				
Occupational Licenses	600,000	600,000	617,974	17,974
Building Permits	2,842,150	2,842,150	4,906,964	2,064,814
Other License Fees and Permits	112,500	112,500	129,199	16,699
	<u>3,554,650</u>	<u>3,554,650</u>	<u>5,654,137</u>	<u>2,099,487</u>
Intergovernmental				
State shared revenue	978,000	978,000	934,270	(43,730)
Shared revenue-local	275,605	275,605	290,620	15,015
	<u>1,253,605</u>	<u>1,253,605</u>	<u>1,224,890</u>	<u>(28,715)</u>
Charges for services				
General Government	23,650	23,650	36,095	12,445
Public Safety	1,045,575	1,045,575	940,784	(104,791)
Physical Environment	900,300	900,300	892,634	(7,666)
Transportation	373,500	373,500	398,614	25,114
Culture-recreation	296,100	296,100	292,682	(3,418)
	<u>2,639,125</u>	<u>2,639,125</u>	<u>2,560,809</u>	<u>(78,316)</u>
Fines and forfeitures	626,000	626,000	863,474	237,474
Investment earnings	802,616	802,616	583,091	(219,525)
Grant revenue	67,725	67,725	52,768	(14,957)
Miscellaneous				
Rents and Royalties	97,300	97,300	60,573	(36,727)
Other Miscellaneous	75,650	75,650	61,505	(14,145)
	<u>172,950</u>	<u>172,950</u>	<u>122,078</u>	<u>(50,872)</u>
Total Revenue	44,096,671	44,096,671	46,369,347	2,272,676

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF REVENUE AND EXPENDITURES - GENERAL FUND
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS

Year Ended September 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Expenditures				
General government				
Town Manager	\$ 1,018,253	\$ 1,028,784	\$ 842,813	\$ 185,971
Human Resources	593,519	602,037	587,644	14,393
Information Systems	925,537	929,067	909,483	19,584
Town Clerk	269,491	271,515	266,584	4,931
Finance	1,128,779	1,137,582	1,122,819	14,763
Planning, Zoning and Building	518,213	561,734	577,681	(15,947)
Permit Issuance	754,636	694,264	684,253	10,011
Contingency	506,354	190,871	45,824	145,047
Employee Benefits	760,901	760,901	760,330	571
	<u>6,475,683</u>	<u>6,176,755</u>	<u>5,797,431</u>	<u>379,324</u>
Public safety				
Inspection and Compliance	728,846	787,011	795,002	(7,991)
Fire-Rescue	6,966,466	7,017,030	6,778,300	238,730
Police	11,123,561	11,216,721	10,943,590	273,131
Emergency/Disaster Response	110,000	110,000	79,586	30,414
	<u>18,928,873</u>	<u>19,130,762</u>	<u>18,596,478</u>	<u>534,284</u>
Physical environment				
Administration	563,439	568,147	539,050	29,097
Sewer and Sanitation	5,675,356	5,704,921	5,656,543	48,378
Public Works	2,039,684	2,049,993	1,880,653	169,340
	<u>8,278,479</u>	<u>8,323,061</u>	<u>8,076,246</u>	<u>246,815</u>
Transportation				
Streets and Repairs	355,732	356,603	339,478	17,125
Traffic Control	461,526	463,601	419,529	44,072
	<u>817,258</u>	<u>820,204</u>	<u>759,007</u>	<u>61,197</u>
Culture and recreation				
Recreation	1,091,842	1,098,219	1,066,396	31,823
Library	235,000	235,000	235,000	0
Parks and Beaches	1,179,071	1,192,775	1,116,300	76,475
	<u>2,505,913</u>	<u>2,525,994</u>	<u>2,417,696</u>	<u>108,298</u>

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF REVENUE AND EXPENDITURES - GENERAL FUND
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS

Year Ended September 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Non-departmental	\$ 2,746,915	\$ 2,746,915	\$ 2,746,915	\$ 0
Debt service				
Principal	155,063	155,063	155,063	0
Interest and Fiscal Charges	25,937	25,937	24,270	1,667
	<u>181,000</u>	<u>181,000</u>	<u>179,333</u>	<u>1,667</u>
	39,934,121	39,904,691	38,573,106	1,331,585
Other financing sources (uses)				
Transfers in	675,000	675,000	675,000	0
Transfers out	(8,737,550)	(8,766,980)	(8,766,988)	(8)
	<u>(8,062,550)</u>	<u>(8,091,980)</u>	<u>(8,091,988)</u>	<u>(8)</u>
Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (3,900,000)</u>	<u>\$ (3,900,000)</u>	(295,747)	<u>\$ 3,604,253</u>
Fund balance at October 1, 2002			21,675,271	
Net difference between GAAP and Non-GAAP budgetary basis			<u>49,944</u>	
Fund balance at September 30, 2003			<u>\$ 21,429,468</u>	

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

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. The Town's special revenue funds are as follows:

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.

DEBT SERVICE FUNDS

Debt service funds are used to account for the accumulation of resources for, and the payment of debt principal, interest and related costs. The Town's debt service funds are as follows:

Series 1993 Debt Service Fund

Series 2000 Debt Service Fund

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

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

Town Facilities Fund - To account for bond proceeds and other financial resources to be used for the construction of the new Central Fire-Rescue Station and renovations to Town Hall.

TOWN OF PALM BEACH, FLORIDA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

September 30, 2003

	Special Revenue		
	State Forfeiture Fund	Federal Forfeiture Fund	Donation Fund
ASSETS			
Equity in pooled cash and investments	\$ 48,165	\$ 36,078	\$ 1,507,264
Accounts receivable			
Due from other funds		45	
	<u>48,165</u>	<u>36,123</u>	<u>1,507,264</u>
Total assets	<u>\$ 48,165</u>	<u>\$ 36,123</u>	<u>\$ 1,507,264</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$	\$ 4,648	\$ 7,535
Due to other funds			5,394
	<u>0</u>	<u>4,648</u>	<u>12,929</u>
FUND BALANCES			
Reserved:			
Reserved for specific purposes	48,165	23,445	1,483,160
Reserved for encumbrances		8,030	11,175
Reserved for debt service			
Unreserved:			
Designated for specific purposes			
Total fund balances	<u>48,165</u>	<u>31,475</u>	<u>1,494,335</u>
Total liabilities and fund balances	<u>\$ 48,165</u>	<u>\$ 36,123</u>	<u>\$ 1,507,264</u>

Debt Service		Capital Projects		Total Other Governmental Funds
Series 1993 Debt Service Fund	Series 2000 Debt Service Fund	Equipment Replacement Fund	Town Facilities Fund	
\$ 200,044	\$	\$ 4,894,853	\$ 5,344,970	\$ 12,031,374
			64,112	64,112
		18,000		18,045
<u>\$ 200,044</u>	<u>\$ 0</u>	<u>\$ 4,912,853</u>	<u>\$ 5,409,082</u>	<u>\$ 12,113,531</u>
\$ 1,025	\$	\$ 162	\$ 265,000	\$ 278,370
				5,394
<u>1,025</u>	<u>0</u>	<u>162</u>	<u>265,000</u>	<u>283,764</u>
199,019		2,625	2,221,706	3,776,476
			2,922,376	2,944,206
				199,019
		4,910,066		4,910,066
<u>199,019</u>	<u>0</u>	<u>4,912,691</u>	<u>5,144,082</u>	<u>11,829,767</u>
<u>\$ 200,044</u>	<u>\$ 0</u>	<u>\$ 4,912,853</u>	<u>\$ 5,409,082</u>	<u>\$ 12,113,531</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS

Years Ended September 30, 2003

	Special Revenue		
	State Forfeiture Fund	Federal Forfeiture Fund	Donation Fund
Revenue			
Taxes			
Fines and forfeitures	\$	\$	\$
Seizure deposits	4,050	11,021	
Investment earnings	709	640	
Contributions			271,216
Miscellaneous			
	<u>4,759</u>	<u>11,661</u>	<u>271,216</u>
Expenditures			
Current			
General government			52,112
Public safety	803	18,270	114,669
Culture and recreation			58,684
Capital outlay			
Debt service			
Principal retirement			
Interest and fiscal charges			
Bond issuance costs and other			
	<u>803</u>	<u>18,270</u>	<u>225,465</u>
Revenue over (under) expenditures	3,956	(6,609)	45,751
Other financing sources (uses)			
Issuance of revenue bonds			
Discount on revenue bonds issued			
Refunding bond proceeds			
Payment to refunding escrow agent			
Transfers in			29,430
	<u></u>	<u></u>	<u>29,430</u>
Revenue and other sources over (under) expenditures and other uses	3,956	(6,609)	75,181
Fund balances at October 1, 2002	<u>44,209</u>	<u>38,084</u>	<u>1,419,154</u>
Fund balances at September 30, 2003	<u>\$ 48,165</u>	<u>\$ 31,475</u>	<u>\$ 1,494,335</u>

Debt Service		Capital Projects		Total Other Governmental Funds
Series 1993 Debt Service Fund	Series 2000 Debt Service Fund	Equipment Replacement Fund	Town Facilities Fund	
\$ 613,982	\$	\$	\$	\$ 613,982
7,841	575	77,448	35,294	15,071
		67,174		122,507
<u>621,823</u>	<u>575</u>	<u>144,622</u>	<u>35,294</u>	<u>271,216</u>
				67,174
				<u>1,089,950</u>
				52,112
				133,742
				58,684
		621,101	899,101	<u>1,520,202</u>
610,000				610,000
91,725	1,042,646			1,134,371
	249,997		100,469	350,466
<u>701,725</u>	<u>1,292,643</u>	<u>621,101</u>	<u>999,570</u>	<u>3,859,577</u>
(79,902)	(1,292,068)	(476,479)	(964,276)	(2,769,627)
			6,130,000	6,130,000
			(21,642)	(21,642)
	19,016,765			19,016,765
	(18,936,555)			(18,936,555)
	<u>1,211,858</u>	<u>891,668</u>		<u>2,132,956</u>
(79,902)	0	415,189	5,144,082	5,551,897
<u>278,921</u>	<u>0</u>	<u>4,497,502</u>	<u>0</u>	<u>6,277,870</u>
<u>\$ 199,019</u>	<u>\$ 0</u>	<u>\$ 4,912,691</u>	<u>\$ 5,144,082</u>	<u>\$ 11,829,767</u>

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF REVENUE AND EXPENDITURES - SERIES 1993 DEBT SERVICE FUND -
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS

Year Ended September 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Taxes	\$ 609,900	\$ 609,900	\$ 613,982	\$ 4,082
Investment earnings	11,300	11,300	7,841	(3,459)
Total revenue	<u>\$ 621,200</u>	<u>\$ 621,200</u>	<u>\$ 621,823</u>	<u>\$ 623</u>
EXPENDITURES				
Debt service				
Principal	\$ 610,000	\$ 610,000	\$ 610,000	\$ 0
Interest and fiscal charges	91,675	91,675	91,725	(50)
Total expenditures	<u>\$ 701,675</u>	<u>\$ 701,675</u>	<u>\$ 701,725</u>	<u>\$ (50)</u>

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF REVENUE AND EXPENDITURES - SERIES 2000 DEBT SERVICE FUND -
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS

Year Ended September 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Investment earnings	<u>\$ 1,008</u>	<u>\$ 1,008</u>	<u>\$ 575</u>	<u>\$ (433)</u>
EXPENDITURES				
Debt service				
Interest and fiscal charges - budgetary basis	<u>\$ 1,212,858</u>	<u>\$ 1,212,858</u>	\$ 1,042,646	<u>\$ 170,212</u>
Town does not budget bond issue costs			<u>249,997</u>	
GAAP basis expenditures			<u>\$ 1,292,643</u>	
OTHER FINANCING SOURCES (USES)				
Transfer in	<u>\$ 1,211,850</u>	<u>\$ 1,211,850</u>	\$ 1,211,858	<u>\$ 8</u>
Town does not budget refunding of debt				
Refunding bond proceeds			19,016,765	
Payment to refunding escrow agent			<u>(18,936,555)</u>	
GAAP basis other financing sources (uses)			<u>\$ 1,292,068</u>	

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF REVENUE AND EXPENDITURES - CAPITAL IMPROVEMENT FUND -
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS

Year Ended September 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Intergovernmental	\$ 0	\$ 0	\$ 1,733,383	\$ 1,733,383
Investment earnings	187,000	187,000	187,556	556
Miscellaneous	0	0	722,869	722,869
	<u>0</u>	<u>0</u>	<u>722,869</u>	<u>722,869</u>
Total revenue	<u>\$ 187,000</u>	<u>\$ 187,000</u>	<u>\$ 2,643,808</u>	<u>\$ 2,456,808</u>
EXPENDITURES				
Current				
Public safety	\$ 0	\$ 0	\$ 41,448	\$ (41,448)
Physical environment	62,439	62,439	44,077	18,362
Culture and recreation	0	0	13,322	(13,322)
Capital outlay	22,437,973	22,437,973	7,319,472	15,118,501
	<u>22,437,973</u>	<u>22,437,973</u>	<u>7,319,472</u>	<u>15,118,501</u>
Total expenditures - budgetary basis	<u>\$ 22,500,412</u>	<u>\$ 22,500,412</u>	7,418,319	<u>\$ 15,082,093</u>
Current year encumbrances outstanding at year end			<u>(1,848,942)</u>	
GAAP basis expenditures			<u>\$ 5,569,377</u>	
OTHER FINANCING SOURCE				
Transfer in	<u>\$ 2,762,000</u>	<u>\$ 2,762,000</u>	<u>\$ 6,662,000</u>	<u>\$ 3,900,000</u>

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF REVENUE AND EXPENDITURES - BEACH RESTORATION PROJECT FUND -
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS

Year Ended September 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Investment earnings	\$ 894,000	\$ 894,000	\$ 1,013,962	\$ 119,962
Grant revenue	0	0	2,567,523	2,567,523
Total revenue	<u>\$ 894,000</u>	<u>\$ 894,000</u>	<u>\$ 3,581,485</u>	<u>\$ 2,687,485</u>
EXPENDITURES				
Current				
Physical environment	\$ 953,700	\$ 953,700	\$	\$ 953,700
Capital outlay	<u>19,729,000</u>	<u>19,729,000</u>	<u>4,554,536</u>	<u>15,174,464</u>
Total expenditures - budgetary basis	<u>\$ 20,682,700</u>	<u>\$ 20,682,700</u>	4,554,536	<u>\$ 16,128,164</u>
Current year encumbrances outstanding at year end			(216,866)	
Prior year encumbrances paid in the current year			<u>507,646</u>	
GAAP basis expenditures			<u>\$ 4,845,316</u>	
OTHER FINANCING SOURCE				
Transfer in	<u>\$ 863,700</u>	<u>\$ 863,700</u>	<u>\$ 863,700</u>	<u>\$ 0</u>

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF REVENUE AND EXPENDITURES - EQUIPMENT REPLACEMENT FUND -
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS

Year Ended September 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Investment earnings	\$ 86,000	\$ 86,000	\$ 77,448	\$ (8,552)
Miscellaneous	40,000	40,000	67,174	27,174
Total revenue	<u>\$ 126,000</u>	<u>\$ 126,000</u>	<u>\$ 144,622</u>	<u>\$ 18,622</u>
EXPENDITURES				
Capital outlay - budgetary basis	<u>\$ 740,400</u>	<u>\$ 740,400</u>	\$ 623,726	<u>\$ 116,674</u>
Current year encumbrances outstanding at year end			<u>(2,625)</u>	
GAAP basis expenditures			<u>\$ 621,101</u>	
OTHER FINANCING SOURCE				
Ttransfer in	<u>\$ 892,036</u>	<u>\$ 892,036</u>	<u>\$ 891,668</u>	<u>\$ (368)</u>

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

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 - INTERNAL SERVICE FUNDS

September 30, 2003

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$	\$ 22,566	\$ 22,566
Equity in pooled cash and investments	6,520,054	17,000,703	23,520,757
Prepaid items	150	27,863	28,013
Total current assets	<u>6,520,204</u>	<u>17,051,132</u>	<u>23,571,336</u>
Noncurrent assets			
Capital assets			
Equipment	8,012	8,269	16,281
Accumulated depreciation	<u>(732)</u>	<u>(3,626)</u>	<u>(4,358)</u>
Capital assets, net of accumulated depreciation	<u>7,280</u>	<u>4,643</u>	<u>11,923</u>
Total assets	6,527,484	17,055,775	23,583,259
LIABILITIES			
Current liabilities			
Accounts payable	45,632	136,974	182,606
Accrued liabilities	1,682,484	667,144	2,349,628
Due to other funds	108	496	604
Compensated absences payable	<u>3,586</u>	<u>158</u>	<u>3,744</u>
Total current liabilities	1,731,810	804,772	2,536,582
NET ASSETS			
Invested in capital assets	7,280	4,643	11,923
Unrestricted	<u>4,788,394</u>	<u>16,246,360</u>	<u>21,034,754</u>
Total net assets	<u>\$ 4,795,674</u>	<u>\$ 16,251,003</u>	<u>\$ 21,046,677</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET ASSETS - INTERNAL SERVICE FUNDS

Year Ended September 30, 2003

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Total
Operating revenue			
Charges for services	\$ 2,856,329	\$ 4,427,742	\$ 7,284,071
Operating expenses			
Personal services	102,649	82,285	184,934
Contractual services	48,648	88,777	137,425
Insurance and claims	2,297,347	4,222,688	6,520,035
Depreciation	1,824	2,375	4,199
Other	11,578	4,976	16,554
	<u>2,462,046</u>	<u>4,401,101</u>	<u>6,863,147</u>
Operating income	394,283	26,641	420,924
Non-operating revenue			
Investment earnings	<u>86,818</u>	<u>291,783</u>	<u>378,601</u>
Change in Net Assets	481,101	318,424	799,525
Net assets at October 1, 2002	<u>4,314,573</u>	<u>15,932,579</u>	<u>20,247,152</u>
Net assets at September 30, 2003	<u>\$ 4,795,674</u>	<u>\$ 16,251,003</u>	<u>\$ 21,046,677</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUNDS

Year Ended September 30, 2003

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Total
OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,856,329	\$ 4,427,742	\$ 7,284,071
Payments to employees	(100,528)	(81,131)	(181,659)
Payments to suppliers	(2,360,020)	(3,996,197)	(6,356,217)
Payments for interfund services used	(118)	(16,777)	(16,895)
Net cash provided by operating activities	395,663	333,637	729,300
CAPITAL AND RELATED FINANCING ACTIVITY			
Acquisition of property and equipment	(5,272)		(5,272)
Net cash used in capital and related financing activity	(5,272)	0	(5,272)
INVESTING ACTIVITY			
Investment earnings received	86,818	291,783	378,601
Net cash provided by investing activity	86,818	291,783	378,601
Net increase in cash and cash equivalents	477,209	625,420	1,102,629
Cash and cash equivalents at October 1, 2002	6,042,845	16,397,849	22,440,694
Cash and cash equivalents at September 30, 2003	<u>\$ 6,520,054</u>	<u>\$ 17,023,269</u>	<u>\$ 23,543,323</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 394,283	\$ 26,641	\$ 420,924
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,824	2,375	4,199
Changes in operating assets and liabilities:			
Decrease (increase) in prepaid items	(3)	173,622	173,619
Increase (decrease) in accounts payable	(2,444)	81,621	79,177
Increase in accrued liabilities	1,111	66,687	67,798
Decrease in due to other funds	(118)	(16,777)	(16,895)
Increase (decrease) in compensated absences payable	1,010	(532)	478
Net cash provided by operating activities	<u>\$ 395,663</u>	<u>\$ 333,637</u>	<u>\$ 729,300</u>

PENSION TRUST FUNDS

Pension trust funds are used to account for the accumulation of resources to be used for the payment of retirement benefits.

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.

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF PLAN NET ASSETS -
PENSION TRUST FUNDS

September 30, 2003

	General Employees Pension Trust Fund	Public Safety Pension Trust Fund	Total
ASSETS			
Cash and short-term investments	\$ 934,719	\$ 1,228,127	\$ 2,162,846
Accrued interest and dividends receivable	198,212	145,138	343,350
Investments, at fair value			
U.S. Government and Agency securities	8,277,941	6,194,081	14,472,022
Passive Bond Market Index Fund		15,692,303	15,692,303
Domestic common stocks	17,705,074	13,413,352	31,118,426
Common Stock Index Fund	13,399,382	42,618,272	56,017,654
Domestic corporate bonds	10,693,829	6,264,604	16,958,433
Total investments	<u>50,076,226</u>	<u>84,182,612</u>	<u>134,258,838</u>
Prepaid items	<u>1,534</u>		<u>1,534</u>
Total assets	51,210,691	85,555,877	136,766,568
LIABILITIES			
Accounts payable	40,579	43,273	83,852
DROP plan liability	817,625	2,976,134	3,793,759
Total liabilities	<u>858,204</u>	<u>3,019,407</u>	<u>3,877,611</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 50,352,487</u>	<u>\$ 82,536,470</u>	<u>\$ 132,888,957</u>

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2003

	General Employees Pension Trust Fund	Public Safety Pension Trust Fund	Total
ADDITIONS			
Contributions			
Employer	\$ 955,887	\$ 795,525	\$ 1,751,412
Employee	665,185	588,757	1,253,942
State		713,611	713,611
Total contributions	<u>1,621,072</u>	<u>2,097,893</u>	<u>3,718,965</u>
Investment income			
Net appreciation in fair value of investments	6,497,699	11,877,229	18,374,928
Interest income	1,081,886	811,476	1,893,362
Dividend income	220,082	211,763	431,845
	<u>7,799,667</u>	<u>12,900,468</u>	<u>20,700,135</u>
Less investment expense	254,487	275,191	529,678
Net investment income	<u>7,545,180</u>	<u>12,625,277</u>	<u>20,170,457</u>
Total additions	9,166,252	14,723,170	23,889,422
DEDUCTIONS			
Benefit payments	2,238,346	4,036,880	6,275,226
Refunds	99,688	62,110	161,798
Administrative expense	72,536	126,011	198,547
Total deductions	<u>2,410,570</u>	<u>4,225,001</u>	<u>6,635,571</u>
Net increase	6,755,682	10,498,169	17,253,851
Net assets held in trust for pension benefits at October 1, 2002	<u>43,596,805</u>	<u>72,038,301</u>	<u>115,635,106</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT SEPTEMBER 30, 2003	<u>\$ 50,352,487</u>	<u>\$ 82,536,470</u>	<u>\$ 132,888,957</u>

CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS - BY SOURCE

September 30, 2003

Governmental funds capital assets

Land	\$ 8,715,312
Buildings	13,020,873
Improvements other than buildings	1,952,261
Equipment	10,719,641
Infrastructure	44,309,028
Construction in progress	<u>7,226,170</u>
	<u><u>\$ 85,943,285</u></u>

Governmental funds capital assets by source

General Fund	\$ 27,408,537
Capital Projects Funds	53,428,209
Donations	4,494,020
Transfer from Parking Fund at closure	<u>612,519</u>
Total governmental funds capital assets	<u><u>\$ 85,943,285</u></u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS - BY FUNCTION AND ACTIVITY

September 30, 2003

Function and Activity	Land	Buildings	Improvements other than Buildings	Equipment	Infrastructure	Construction in Progress	Total
General Government							
Assets acquired prior to 1989	\$ 1,906,407	\$ 4,298,079	\$ 721,417	\$ 8,073	\$	\$	\$ 6,933,976
Town Manager				58,716		92,334	151,050
Human Resources				32,667			32,667
Information Systems				877,913			877,913
Finance				39,385			39,385
Purchasing				30,156			30,156
Planning, Zoning and Building		34,394		213,043			247,437
Town Clerk				11,852			11,852
Total General Government	1,906,407	4,332,473	721,417	1,271,805	0	92,334	8,324,436
Public Safety							
Assets acquired prior to 1989	1,675,000	4,149,604					5,824,604
Police		372,942	181,138	2,459,377		29,319	3,042,776
Fire-Rescue		1,941,694		3,120,098		1,077,042	6,138,834
Total Public Safety	1,675,000	6,464,240	181,138	5,579,475	0	1,106,361	15,006,214
Public Works	2,583,905	1,467,338	370,300	3,797,183	44,309,028	5,971,362	58,499,116
Recreation	2,550,000	756,822	679,406	71,178		56,113	4,113,519
Total General Fixed Assets	<u>\$ 8,715,312</u>	<u>\$ 13,020,873</u>	<u>\$ 1,952,261</u>	<u>\$ 10,719,641</u>	<u>\$ 44,309,028</u>	<u>\$ 7,226,170</u>	<u>\$ 85,943,285</u>

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

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF CHANGES IN CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS - BY FUNCTION AND ACTIVITY

Year Ended September 30, 2003

Function and Activity	Balance October 1, 2002	Additions	Deletions	Transfers	Balance September 30, 2003
General Government					
Assets acquired prior to 1989	\$ 6,933,976	\$	\$	\$	\$ 6,933,976
Town Manager	236,272	272,798	281,066	(76,954)	151,050
Human Resources	44,795		12,128		32,667
Information Systems	841,407	52,602	16,096		877,913
Finance	58,851		19,466		39,385
Purchasing	33,777		3,621		30,156
Planning, Zoning and Building	227,157	43,484	25,929	2,725	247,437
Town Clerk	21,115		9,263		11,852
Total General Government	8,397,350	368,884	367,569	(74,229)	8,324,436
Public Safety					
Assets acquired prior to 1989	5,830,456		5,852		5,824,604
Police	2,940,456	399,053	296,733		3,042,776
Fire-Rescue	5,200,374	1,111,903	173,443		6,138,834
Total Public Safety	13,971,286	1,510,956	476,028	0	15,006,214
Public Works	48,536,746	10,426,651	536,311	72,030	58,499,116
Recreation	4,078,291	56,113	23,084	2,199	4,113,519
Total governmental funds capital	<u>\$ 74,983,673</u>	<u>\$ 12,362,604</u>	<u>\$ 1,402,992</u>	<u>\$ 0</u>	<u>\$ 85,943,285</u>

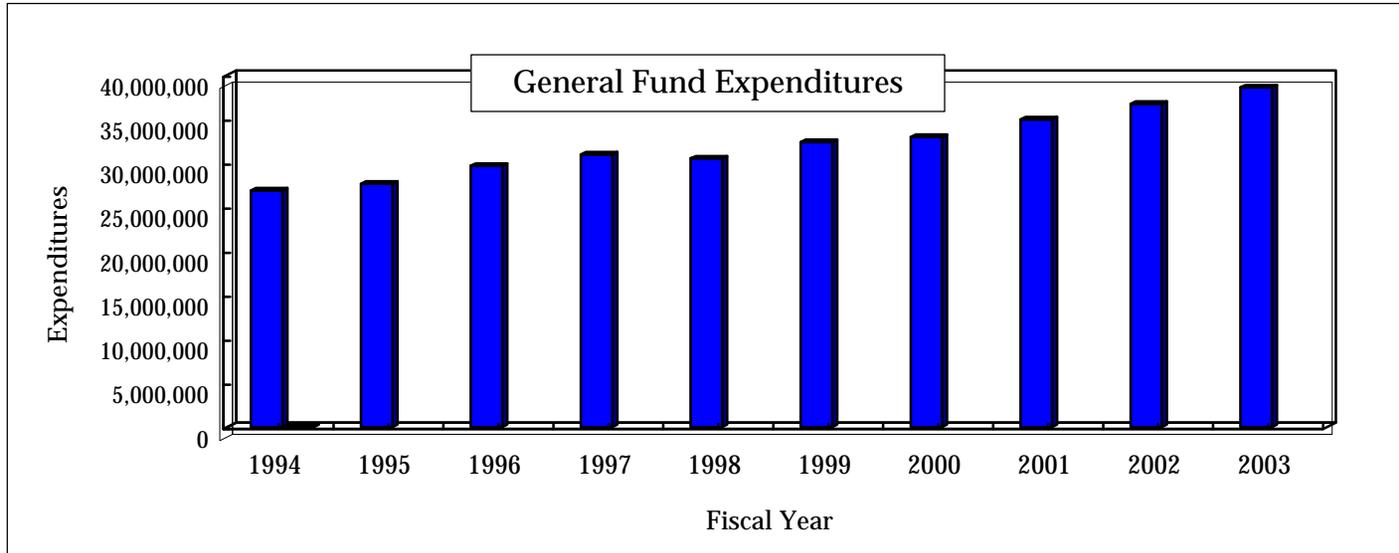
A more detailed segregation of capital assets by activity is not available for years prior to 1989. This information is being developed prospectively.

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

STATISTICAL SECTION

TOWN OF PALM BEACH, FLORIDA
GENERAL FUND EXPENDITURES BY FUNCTION (UNAUDITED)
(Budgetary Basis)
Last Ten Fiscal Years
September 30, 2003

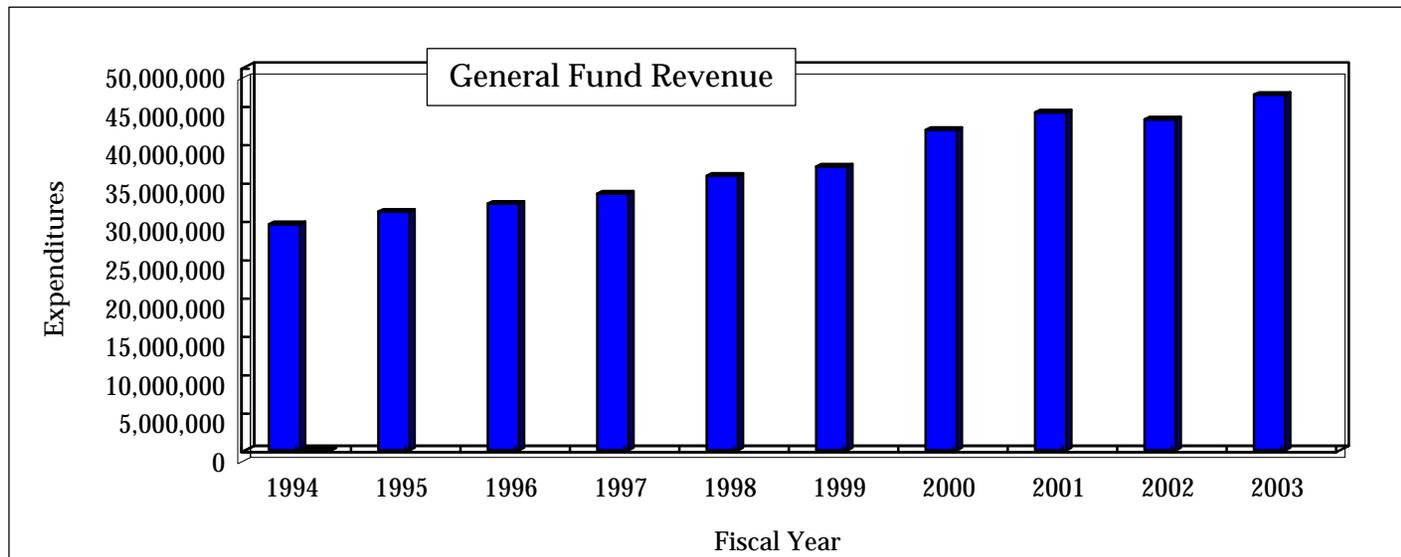
Fiscal Year Ended September 30 ,	General Government	Public Safety	Physical Environment	Transportation	Culture and Recreation	Non- Departmental	Principal Retirement & Interest	Total
1994	\$ 4,797,464	\$ 12,843,546	\$ 7,375,728	\$ 952,570	\$ 847,779		\$ 54,703	\$ 26,871,790
1995	4,820,706	13,229,969	7,668,558	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
2003	5,797,431	18,596,478	8,076,246	759,007	2,417,696	2,746,915	179,333	38,573,106



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, 2003

Fiscal Year Ended September 30 ,	Taxes	Licenses and Permits	Inter-governmental	Charges for Services	Fines and Forfeitures	Investment Earnings	Contributions	Grants and Miscellaneous	Total
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
2003	35,308,100	5,654,137	1,224,890	2,560,809	863,474	583,091	0	174,846	46,369,347



Source: Town of Palm Beach Finance Department

TOWN OF PALM BEACH, FLORIDA

GENERAL FUND UNRESERVED AND UNDESIGNATED FUND BALANCE COMPARED TO
ANNUAL EXPENDITURES GAAP BASIS (UNAUDITED)

Last Ten Fiscal Years
September 30, 2003

Fiscal Year Ended September 30,	Unreserved Fund Balance					Actual Expenditures (2)	Unreserved Fund Balance as Percent of Expenditures	Undesignated Fund Balance as Percent of Expenditures (3)
	Undesignated	Designated for Subsequent Year's Budget	Designated for Specific Projects	Designated for ECR (1)	Total Unreserved			
1994	\$ 5,717,448	\$ 1,000,193	\$ 0	\$ 0	\$ 6,717,641	\$ 29,204,952	23.00 %	19.58 %
1995	6,258,488	2,600,162	0	0	8,858,650	29,930,883	29.60	20.91
1996	7,910,296	2,250,371	0	0	10,160,667	31,992,842	31.76	24.73
1997	1,949,865	6,514,148	0	1,776,540	10,240,553	35,105,323	29.17	5.55
1998	8,467,263	3,344,881	104,800	1,759,008	13,675,952	33,960,529	40.27	24.93
1999	12,650,056	1,134,146	408,260	1,500,000	15,692,462	35,639,836	44.03	35.49
2000	19,925,376	0	508,260	1,500,000	21,933,636	36,376,958	60.30	54.77
2001	17,017,373	4,386,910	0	1,694,258	23,098,541	44,370,419	52.06	38.35
2002	15,212,417	3,900,000	0	1,605,210	20,717,627	46,458,214	44.59	32.74
2003	19,015,967	0	0	1,495,277	20,511,244	48,003,761	42.73	39.61

Source: Town of Palm Beach Finance Department

(1) East Central Regional Wastewater Treatment Facility

(2) Includes transfers out.

(3) It is the policy of the Town of Palm Beach that the Town maintain an undesignated fund balance in the General Fund equal to a minimum of 25% of the current year General Fund budgeted expenditures. The percentage is based on a reserve of 3 months of budgeted General Fund expenditures.

TOWN OF PALM BEACH , FLORIDA

SCHEDULE OF HISTORIC AND BUDGETED NON-AD VALOREM REVENUE
AS DEFINED IN BOND DOCUMENT (UNAUDITED)

Last Seven Fiscal Years
September 30, 2003

	<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>Actual FY2003</u>	<u>Budget FY 2004</u>
Franchise fees	\$ 1,687,967	\$ 1,682,379	\$ 1,725,946	\$ 1,693,857	\$ 2,049,125	\$ 1,716,214	\$ 1,726,221	\$ 1,625,000
Utility service tax	3,226,614	3,387,188	3,556,197	3,549,952	3,560,240	4,022,212	4,156,003	4,223,500
Occupational licenses	543,183	580,162	572,005	547,441	634,645	605,737	617,974	620,000
Building permits (1)	2,947,032	4,672,211	4,460,447	6,406,102	5,158,528	4,781,034	4,906,964	3,252,750
Other license fees & permits	149,934	170,214	207,819	245,086	219,919	116,811	129,199	109,700
State shared revenue (2)	774,033	825,207	840,777	872,579	833,836	903,840	846,318	891,106
Grants	17,181	8,889	10,178	217,939	26,212	44,608	52,768	97,700
Local shared revenue	44,874	34,349	32,483	596,487	86,922	163,871	290,620	291,000
General government	23,048	32,585	41,421	34,135	28,739	30,709	36,095	36,200
Public safety	266,222	326,572	527,801	655,934	775,900	662,763	940,784	949,800
Physical environment	589,790	739,993	789,701	829,803	893,973	907,551	892,634	900,800
Transportation	296,453	319,286	331,804	343,076	340,899	351,495	398,614	360,200
Culture-recreation	348,781	271,769	281,102	268,636	269,969	274,840	292,682	0
Fines & Forfeitures	527,623	592,508	632,805	600,722	758,453	550,323	863,474	742,000
Contributions	178,723	114,083	145,201	0	25,801	250	0	0
Investment earnings	1,093,463	1,076,220	1,208,413	1,637,841	1,782,377	665,828	583,091	608,240
Rents and royalties	9,412	10,128	21,973	71,695	70,203	92,470	60,573	49,575
Special assessments	1,126	1,415	0	0	0	0	0	0
Sale of fixed assets	73,014	47,632	101,622	33,041	35,014	41,923	0	0
Other miscellaneous	46,522	576,091	266,727	70,974	150,926	88,808	69,386	78,000
Total Non-Ad Valorem Revenue	<u>\$ 12,844,995</u>	<u>\$ 15,468,881</u>	<u>\$ 15,754,422</u>	<u>\$ 18,675,300</u>	<u>\$ 17,701,681</u>	<u>\$ 16,021,287</u>	<u>\$ 16,863,400</u>	<u>\$ 14,835,571</u>

(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 2000 bond documents and subsequent parity issues.

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

Franchise Fees

Public utilities operating within the Town of Palm Beach must pay 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.

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.

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 Shared Revenue

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

General Government Revenue

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 fee. Recreation fees have been transferred to the new Leisure Services Enterprise Fund for FY 2004.

Fines and Forfeitures

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

Investment Earnings

Interest earnings on cash, cash equivalents, and investments.

Grant Revenue

Reflected in the grant total for FY 2004 budget is the anticipated receipt of funds for a local law enforcement block grant, a historic preservation grant, a FEMA grant and bullet-proof vest grant.

Rents and Royalties

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

Special Assessments

Special assessments for sidewalks, bulkheads, etc.

Sale of Fixed Assets

Proceeds from sale of capital assets

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, 2003, the Series 1993 General Obligation Bonds were outstanding in the amount of \$1,325,000 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, which were partially refunded with the Series 2003A bonds, in the amount of \$18,385,000, issued in April 2003. The Series 2003B bonds were issued in the amount of \$6,130,000. Both 2003 series 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.

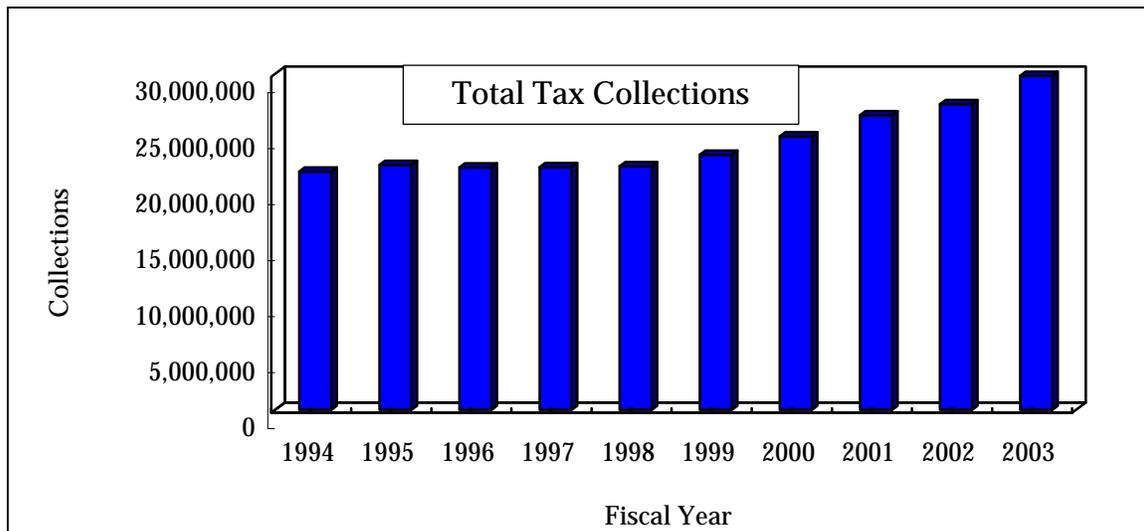
The Town has no outstanding short-term indebtedness other than certain capital lease obligations. The Town leases vehicles and equipment through capital leasing arrangements in the General Fund. The assets acquired through capital leases consist of vehicles with a carrying value (original cost) of \$827,356 and equipment with a carrying value (original cost) of \$136,208 for a total of \$963,564, as of September 30, 2003. At the present time the Town does not have any other authorized but unissued debt.

TOWN OF PALM BEACH, FLORIDA
PROPERTY TAX LEVY AND COLLECTIONS (UNAUDITED)
Last Ten Fiscal Years
September 30, 2003

Fiscal Year	Tax Levy*	Collections*	Ratio of Tax Collections To Tax Levy	Delinquent Taxes**
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
2003	31,072,246	29,815,341	95.95%	14,019

* 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.

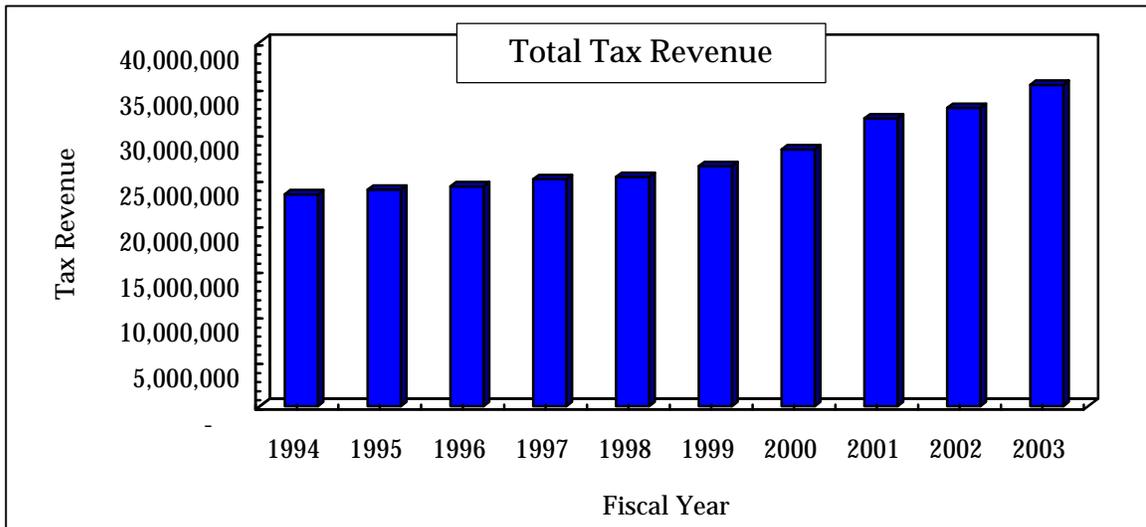


Source: Palm Beach County Tax Collector

TOWN OF PALM BEACH, FLORIDA
TAX REVENUE BY SOURCE (UNAUDITED)
Last Ten Fiscal Years
September 30, 2003

Fiscal Year	Ad Valorem*	Local Option Gas Tax	Franchise Fees	Utility Service	Total
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
2003	29,201,359	224,517	1,726,221	4,156,003	35,308,100

* Property tax revenues related to General Fund



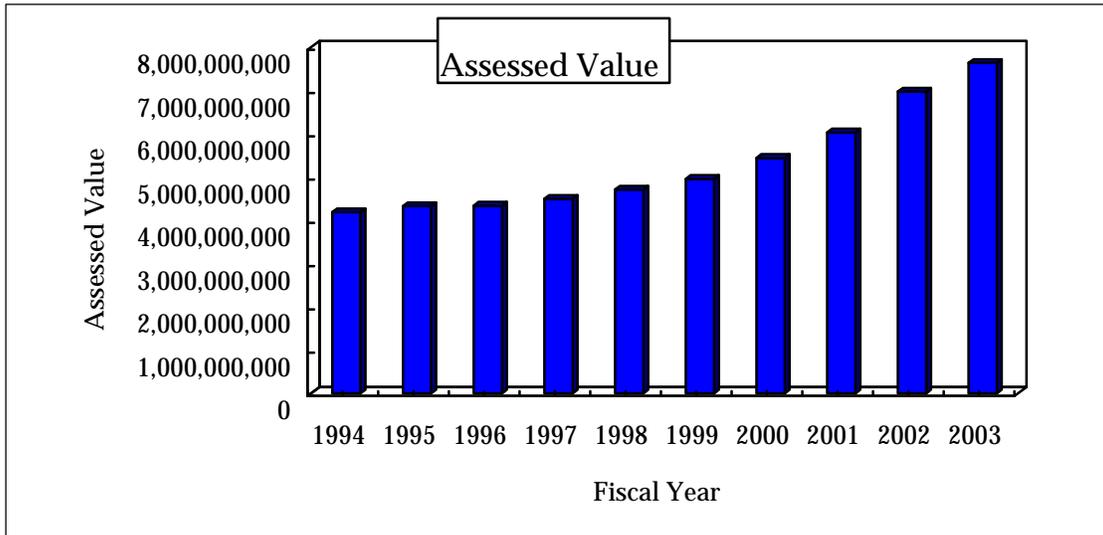
Source: Town of Palm Beach Finance Department

TOWN OF PALM BEACH, FLORIDA
 ASSESSED VALUE (UNAUDITED)
 Last Ten Fiscal Years
 September 30, 2003

Fiscal Year	Real Property	Personal Property	Total Assessed Value*	Actual Value**	Ratio of Assessed Value To Actual Value
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%
2003	7,506,995,814	127,266,421	7,634,262,235	9,137,743,634	83.55%

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

** Actual Value = Just Value



Source: Town of Palm Beach Finance Department

TOWN OF PALM BEACH, FLORIDA
TOWN AND ALL OVERLAPPING GOVERNMENTAL TAX RATES (UNAUDITED)

Fiscal Year Ended September 30,	Last Ten Fiscal Years September 30, 2003									
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Town of Palm Beach	5.2039	5.1679	4.9960	4.9810	4.7901	4.7528	4.6452	4.5059	4.0641	4.0541
Palm Beach County	4.5499	4.5193	4.5191	4.5191	4.8666	4.8582	4.9456	4.9362	4.9351	4.8084
Palm Beach County School District	10.0630	10.1850	9.7970	9.7880	9.5570	9.6820	9.0430	8.9180	8.9780	8.7790
South Florida Water Management District	0.5970	0.6470	0.6470	0.5720	0.5970	0.5970	0.5970	0.5970	0.5970	0.5970
South Lake Worth Inlet District (2)	0.1014	0.1017	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Children Services Council	0.3297	0.3515	0.3730	0.3756	0.4530	0.4403	0.4696	0.5000	0.5703	0.6228
Florida Inland Navigation District	0.0510	0.0490	0.0400	0.0380	0.0500	0.0470	0.0440	0.0410	0.0385	0.0385
Health Care District	1.4750	1.4750	1.4250	1.2000	1.1600	1.0500	0.9750	1.0250	1.1500	1.1300
Everglades Construction	0.0000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
	<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>	<u>20.1298</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

Source: Palm Beach County Tax Collector's Office

TOWN OF PALM BEACH, FLORIDA
TOWN AND OVERLAPPING TAX RATES (UNAUDITED)

Last Ten Fiscal Years
September 30, 2003

	<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>	<u>2003</u>
TAXING UNIT										
Town of Palm Beach	23.26%	22.86%	22.82%	23.08%	22.20%	22.08%	22.31%	21.85%	19.89%	20.14%
Palm Beach County	20.34%	20.00%	20.64%	20.96%	22.56%	22.57%	23.75%	23.94%	24.15%	23.89%
Palm Beach County School District	44.98%	45.06%	44.74%	45.37%	44.30%	44.97%	43.44%	43.24%	43.94%	43.61%
OTHER										
South Florida Water Management District	2.67%	2.86%	2.95%	2.65%	2.77%	2.77%	2.87%	2.89%	2.92%	2.97%
South Lake Worth Inlet Dist.*	0.45%	0.45%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Children Services Council	1.47%	1.56%	1.70%	1.74%	2.10%	2.05%	2.26%	2.42%	2.79%	3.09%
Florida Inland Navigation Dist.	0.23%	0.22%	0.18%	0.18%	0.23%	0.22%	0.21%	0.20%	0.19%	0.19%
Health Care District	6.60%	6.55%	6.51%	5.56%	5.38%	4.88%	4.68%	4.97%	5.63%	5.61%
Everglades Construction	0.00%	0.44%	0.46%	0.46%	0.46%	0.46%	0.48%	0.49%	0.49%	0.50%
GRAND TOTAL	<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)

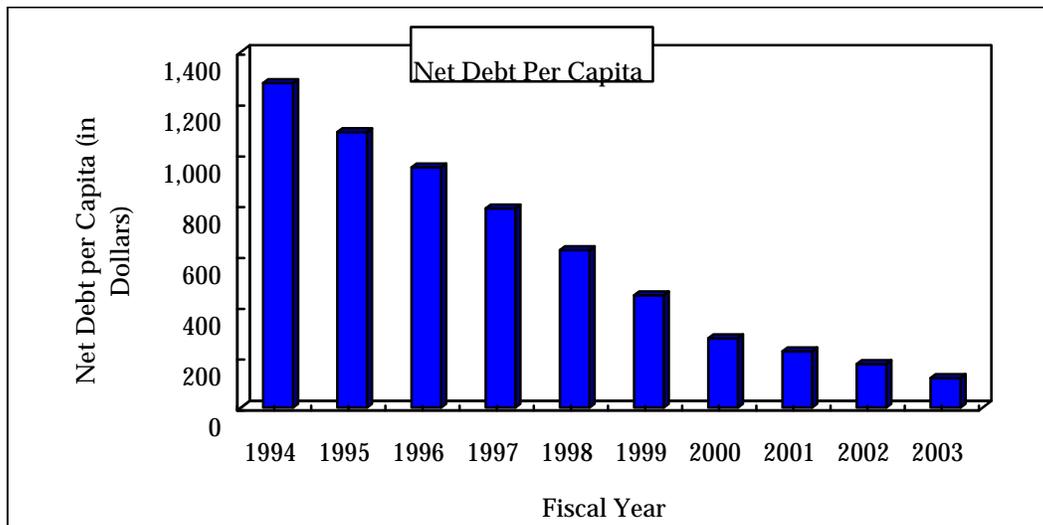
Last Ten Fiscal Years
 September 30, 2003

Fiscal Year	Population	Assessed* Value (2)	Gross Bonded Debt*	Amount* Available	Net Bonded Debt*	Ratio Debt to Assessed Value	Net Debt Per Capita
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 (3)	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
2003	9,682 (1)	7,634,262	1,325	199	1,126	0.01%	116

* 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, 2003

<u>Jurisdiction</u>	<u>Gross Debt Outstanding</u>	<u>Percent Overlapping</u>	<u>Direct and Overlapping Debt</u>
DIRECT DEBT			
Town of Palm Beach (1)	\$ 1,325,000	100.00%	\$ 1,325,000
OVERLAPPING DEBT			
Palm Beach County (2)	292,745,000	8.67%	25,380,992
Palm Beach County School District (3)	<u>174,635,000</u>	8.67%	<u>15,140,855</u>
Total Overlapping Debt	<u>467,380,000</u>		<u>40,521,847</u>
Town Direct and Overlapping Debt	<u>\$ 468,705,000</u>		<u>\$ 41,846,847</u>

Source: (1) Town of Palm Beach Finance Department
 (2) Palm Beach County Finance Department
 (3) Palm Beach County School District Finance Department

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

September 30, 2003

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 (1)		\$ <u>7,665,052,126</u>
Legal Debt Margin:		
Debt Limitation - 5% of assessed value (2)		\$ 383,252,606
Debt Applicable to Limitation:		
General Obligation Bonded Debt	\$ 1,325,000	
Less: Amount Available for Repayment of General Obligation Bonds	<u>199,019</u>	
Net Debt Applicable to Limitation		<u>1,125,981</u>
Legal Debt Margin		<u>\$ 382,126,625</u>

(1) Assessed Valuation not reduced by allowable Historic Exemptions (\$30,789,891)

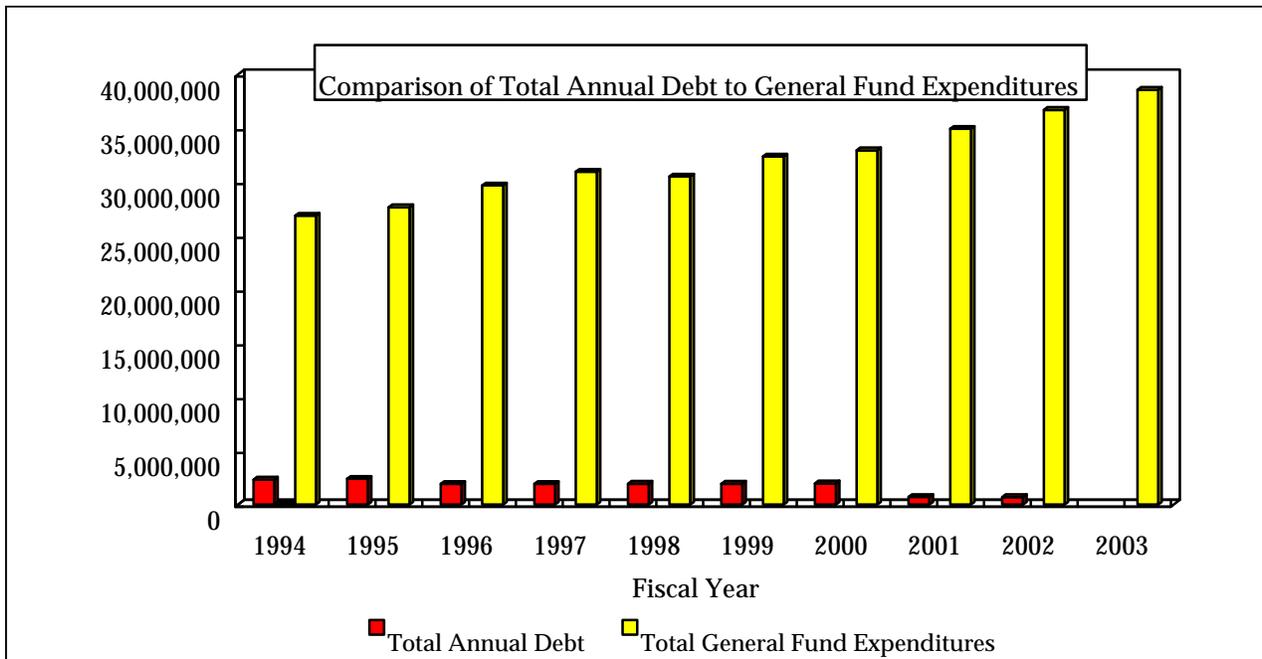
(2) Per Town Charter Section 7.02 Authority to Borrow.

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, 2003

Fiscal Year	Debt Service		Total	General Fund Budgetary Expenditures	Ratio of Debt Service to General Expenditures
	Principal	Interest			
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%
2003	610,000	90,675	700,675	38,573,106	1.82%



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, 2003

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*	
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
2003	7,506,996	127,266	7,634,262	1	1,460	27	38,381	1,245,700

(*) 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, 2003

<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	1.62%
	<u>2,415</u>	<u>100.00%</u>
TOTAL	<u><u>2,415</u></u>	<u><u>100.00%</u></u>

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

TOWN OF PALM BEACH, FLORIDA
 PRINCIPAL TAXPAYERS (UNAUDITED)

September 30, 2003

<u>Taxpayer</u>	<u>2002 Taxable Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
The Breaker's Hotel	\$ 178,662,904	2.34%
Nelson Peltz	50,782,128	0.67%
J. V. Associates	49,000,000	0.64%
Sydell Miller	41,819,213	0.55%
Sidney Kimmel	33,859,782	0.44%
Worth Avenue Association	32,900,000	0.43%
Everglades Club	31,023,065	0.41%
Thirty Eight East Corp.	29,603,449	0.39%
Sydney Spiegel Trust	28,500,000	0.37%
Mar-a-Lago Club, Inc.	27,496,097	0.36%
Leonard Lauder	25,722,320	0.34%
Total	<u>\$ 529,368,958</u> *	<u>6.94%</u>

*Total Assessed Valuation \$7,634,262,235

Source: Palm Beach County Property Appraiser

TOWN OF PALM BEACH, FLORIDA
DEMOGRAPHIC AND MISCELLANEOUS STATISTICS (UNAUDITED)
September 30, 2003

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 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 2003.

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, 2003, the Town employed 398 full and part time employees, which includes 78 sworn police officers and 77 certified fire fighters.

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, 2003

Population: The Town has a year round population of approximately 9,700. 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>	<u>Source</u>
1950	3,886		US. Census
1960	6,055	55.8%	US. Census
1970	9,086	50.1%	US. Census
1980	9,432	3.8%	US. Census
1990	9,814	4.1%	US. Census
2000	9,676	(1.4)%	US. Census
2003	9,682	0.1%	University of Florida

Demographics

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

Source: U.S. Census Bureau

Infrastructure

Police Stations	1	Recreation Areas	
Fire-Rescue Stations	3	Phipps Ocean Park.....	24 Acres
Public Elementary School (County)	1	Seaview Park	4.6 Acres
Enrollment (Kindergarten – Fifth).....	353	Neighborhood Parks	
Public Libraries	1	Bradley Park.....	4.5 Acres
Recreation Facilities		Kaplan Park.....	0.3 Acres
Tennis Courts	12	Special Use Parks/Facilities	
Golf Course (Par 3)	1	Public Park on Beach.....	3.0 Acres
Marina (88 Boat Slips)	1	Municipal Beach	5.6 Acres
Community Building	1	Municipal Docks.....	5.3 Acres
Playfields	5	Peruvian/S. County Rd	0.24 Acres
Bicycle Paths.....	9.3 miles	Southern Boulevard Causeway.....	9.6 Acres
Picnic Tables	77	Nature Islands.....	39.0 Acres
Outdoor Grills.....	28	Public Roads – Paved.....	90 Lane Miles

Bond Ratings

<u>Rating Agency</u>	<u>General Obligation</u>
Moody's (G.O.)	Aaa
Standard & Poor's (G.O)	AAA

TOWN OF PALM BEACH, FLORIDA
 DEMOGRAPHIC AND MISCELLANEOUS STATISTICS (UNAUDITED)
 September 30, 2003

Real Estate Parcels by Type

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

Type	Taxable Value (In Millions)	Number of Parcels
Vacant Residential	\$ 284.9	221
Single Family Residential	4,654.2	2,241
Multi-Family, 10 units or more	75.3	14
Condominiums	1,568.0	5,454
Cooperatives	113.3	1,040
Retirement Homes & Miscellaneous	0.8	3
Multi-Family Less Than 10 Units	69.0	74
Vacant Commercial	1.8	3
Improved Commercial	693.9	195
Improved Industrial	0.6	1
Institutional	41.0	21
Government	0.2	49
Miscellaneous	4.0	40
Total	\$ 7,507.0	9,356

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, FLORIDA
INSURANCE PROGRAM (UNAUDITED)

Fiscal Year 2002-2003

TYPE OF POLICY	COMPANY	DATES	LIMITS	DESCRIPTION	RETENTION	PREMIUM
Premier Public Entity Package	United National Insurance Company	10/01/02-03	\$1,000,000	Property - All risk coverage including Windstorm for all owned and leased, all contents, extra expense, EDP, automobile, fine arts, physical damages, glass and contractors equipment	\$100,000	\$715,000
			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, Public Officials Errors and Omissions, Employment Practices 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	10/01/02-03	4,000,000	Following Form of Excess Broad Form General Liability, Automobile Liability, Police Professional Liability Public Officials Errors and Omissions and Employment Practices Liability	N/A	144,000
Second Layer Excess Property	Lexington Ins. Co./ Lloyd's of London	10/01/02-03	4,000,000	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	363,008
Third Layer Excess Property	Essex Insurance Company	10/01/02-03	2,500,000	Following Form Excess Property	N/A	44,259
Fourth Layer Excess Property	Westchester Surplus Lines Ins. Company/First Specialty	10/01/02-03	41,448,774	Following Form Excess Property	N/A	105,008
Excess Blanket Bond	Hartford Insurance Co. of the Southeast	10/01/02-03	1,000,000	Faithful Performance, Forgery and Alteration, Theft, Disappearance and Destruction.	100,000	5,825
Boiler and Machinery	American Manufacturers (Kemper)	10/01/02-03	50,000,000	Comprehensive coverage for all machinery and public utility including business interruption and extra expenses	1,000	7,752
Flood Insurance	National Flood Insurance Program	08/08/02-03	500,000	Per Location as follows: Town Hall, Recreation Center, N. Fire Station, Police Station, Public Works. Limit applies separately to building and contents.	500	21,282
Flood Insurance	National Flood Insurance Program	07/30/02-03	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	30,995
Loss Fund	Not Applicable	10/01/02-03	700,000	For payment of losses that fall within the retention levels. Only applicable to retentions included in Premier Public Entity Package-\$1MM Aggregate Excess of Loss Fund. Errors and Omissions, Employment Practices Liability and 2% Named Windstorm w/500,000 Cap. Are not chargeable to the Loss Fund.	N/A	N/A
Sexual Misconduct	Lexington Insurance Company	10/01/02-03	1,000,000	Provides Coverage for a course of conduct that causes bodily from sexual abuse, sexual molestation, sexual assault or sexual exploitation	50,000	50,000
Fiduciary Liability*	National Union Fire Insurance Company	10/01/02-03	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.	100,000	34,625
Fiduciary Liability*	National Union Fire Insurance Company	10/01/02-03	25,000,000	Provides coverage for claims made against the Board of Trustees of the Retirement System for any breach of Fiduciary duty any negligent acts, errors or omissions in the administration of the Public Safety Plan.	100,000	52,940

*Fiduciary Liability funded through the Retirement System.

**COMPLIANCE REPORTS AND
MANAGEMENT LETTER**



CERTIFIED PUBLIC ACCOUNTANTS

505 SOUTH FLAGLER DRIVE, SUITE 900
WEST PALM BEACH, FL 33401-5948

TELEPHONE (561) 832-9292
FAX (561) 832-9455

info@cdlepa.com

WILLIAM K. CALER, JR., CPA
LOUIS M. COHEN, CPA
DAVID S. DONTEN, CPA
SCOTT D. DRUKER, CPA, JD
JAMES B. HUTCHISON, CPA
JOEL H. LEVINE, CPA
JAMES F. MULLEN, IV, CPA
THOMAS A. PENCE, JR., CPA
SCOTT L. PORTER, CPA
MARK D. VEIL, CPA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of Basic 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 basic financial statements of the Town of Palm Beach, Florida, as of and for the year ended September 30, 2003, and have issued our report thereon dated January 23, 2004. 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 basic 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 basic 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 basic 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 basic 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, the Town's management, 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.

January 23, 2004

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



WILLIAM K. CALER, JR., CPA
LOUIS M. COHEN, CPA
DAVID S. DONTEN, CPA
SCOTT D. DRUKER, CPA, JD
JAMES B. HUTCHISON, CPA
JOEL H. LEVINE, CPA
JAMES F. MULLEN, IV, CPA
THOMAS A. PENCE, JR., CPA
SCOTT L. PORTER, CPA
MARK D. VEIL, CPA

CERTIFIED PUBLIC ACCOUNTANTS

505 SOUTH FLAGLER DRIVE, SUITE 900
WEST PALM BEACH, FL 33401-5948

TELEPHONE (561) 832-9292
FAX (561) 832-9455

info@cdlcpa.com

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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 its major State financial assistance project for the year ended September 30, 2003. The major State financial assistance project 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 its major State financial assistance project 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 its major State financial assistance project for the year ended September 30, 2003.

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 in order 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, the Town's management, 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.

January 23, 2004

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

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Year Ended September 30, 2003

Grantor/ Program Title	State CSFA Number	Grant Number/ Contract Number	2003 Program Expenditures	Transfers to Subrecipients
Department of Environmental Protection				
Florida Beach Erosion Control Program				
Lake Worth Inlet Management Implementation	37.003	97PB-5	\$ 114,187	\$ 0
Palm Beach Island Beach Restoration	37.003	OOPB1	<u>2,453,336</u>	<u>0</u>
Total State Financial Assistance Projects			<u><u>\$ 2,567,523</u></u>	<u><u>\$ 0</u></u>

See notes to schedule of expenditures of state financial assistance.

TOWN OF PALM BEACH, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE

September 30, 2003

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of State Financial Assistance includes the State financial assistance projects that were active for the year ended September 30, 2003 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. The Schedule of Expenditures of State Financial Assistance 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, 2003. 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. The following Type A program was audited as a major State financial assistance project:

	<u>State CSFA No.</u>	<u>State of Florida Grant Number/ Contract Number</u>
Florida Department of Environmental Protection – Florida Beach Erosion Control Program		
Palm Beach Island Beach Restoration	37.003	OOPB1

NOTE C - CONTINGENCY

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. In the opinion of management, all grant expenditures were in compliance with the terms of the grant agreements and applicable State laws and regulations.

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
STATE FINANCIAL ASSISTANCE

Year Ended September 30, 2003

A. SUMMARY OF AUDITOR'S RESULTS

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

<u>Program</u>	<u>State CSFA No.</u>
Florida Department of Environmental Protection - Florida Beach Erosion Control Program Palm Beach Island Beach Restoration	37.003

8. The threshold for distinguishing Type A and B state financial assistance projects was \$300,000.
9. The Town of Palm Beach, Florida, is not a low-risk auditee.

B. FINDINGS – BASIC FINANCIAL STATEMENTS

None

C. FINDING AND QUESTIONED COST – MAJOR STATE FINANCIAL ASSISTANCE

None

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
STATE FINANCIAL ASSISTANCE

Year Ended September 30, 2003

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.



CERTIFIED PUBLIC ACCOUNTANTS

505 SOUTH FLAGLER DRIVE, SUITE 900
WEST PALM BEACH, FL 33401-5948

TELEPHONE (561) 832-9292
FAX (561) 832-9455

info@cdlcpa.com

WILLIAM K. CALER, JR., CPA
LOUIS M. COHEN, CPA
DAVID S. DONTEN, CPA
SCOTT D. DRUKER, CPA, JD
JAMES B. HUTCHISON, CPA
JOEL H. LEVINE, CPA
JAMES F. MULLEN, IV, CPA
THOMAS A. PENCE, JR., CPA
SCOTT L. PORTER, CPA
MARK D. VEIL, CPA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Management Letter

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

We have audited the basic financial statements of the Town of Palm Beach, Florida, as of and for the year ended September 30, 2003 and have issued our report thereon dated January 23, 2004.

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 Basic Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated January 23, 2004, 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. In planning and performing our audit of the basic financial statements of the Town of Palm Beach, Florida, for the year ended September 30, 2003, 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 basic 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. The communications required by the Rules of the Auditor General are as follows.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Reconciliation of Capital Outlay Accounts to Capital Asset Additions

The Town's capital outlay accounts are not being reconciled to the additions to capital assets. In order to ensure that all capital assets are properly recorded in the Town's asset ledger, this reconciliation must be done at least annually.

In the process of preparing these reconciliations for the year ended September 30, 2003, we noted several amounts that were charged to capital outlay accounts that were not capital assets. In addition, we noted assets that were recorded in the capital asset accounts that were not charged to the capital outlay accounts. The reconciliation process described above will help to eliminate these types of differences.

Management response: This process will be incorporated into our year end closing procedures for the fiscal year ended September 30, 2004.

Use of Inventory Items

During our observation of the Town's inventory, we noted that an item recorded in inventory with a value of approximately \$4,300 had been used several times and was being stored outside of the central stores area. If an item is removed from inventory and used, it should be charged to the department that used it and it should not be returned to the central stores inventory.

Management response: The item in question, a traffic light control box, has been charged to the Public Works department and will not be returned to the central stores inventory.

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 prior year 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 opening and closing bank accounts, payroll approvals, unrecorded accounts payable, filing of grant reports, and slow moving inventory included in our management letter dated December 20, 2002 for the year ended September 30, 2002 were satisfactorily resolved by the Town during the 2002-2003 fiscal year or no longer apply.

The following comment and recommendation related to the year ended September 30, 2002 requires further action by the Town.

Golf Course Losses

The Town's golf course continued to lose money in 2003 as it has for several years. Accordingly, the balance due to the General Fund continues to increase as the General Fund continues funding these losses. 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.

Golf Course Losses

On March 25, 2003, the Town Council authorized the creation of the Leisure Services Enterprise Fund. This fund that became effective with the FY2004 budget, comprises all leisure activities in the Town, including golf, tennis, operation of the Town docks and recreation activities for youth and adults. A business plan was prepared for all of the activities of this fund that included recommendations for improvements in operations. Many of the action items have been implemented and fiscal year to date 2004 results show an improvement in the results of the operations. The consolidation of the aforementioned activities will eliminate the burden that the golf course losses and recreation activities were causing for the General Fund.

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, 2003 as a consequence of the conditions described in Section 218.503(1), Florida Statutes.

Financial Condition Assessment Procedures

In connection with our audit, we applied financial condition assessment procedures, pursuant to Rule 10.556(8), Rules of the Auditor General, for the year ended September 30, 2003. 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, 2003. 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, 2003.

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, for the year ended September 30, 2003.

Budget Expenditures

As indicated in Note L to the basic financial statements for the year ended September 30, 2003 expenditures exceeded the budgeted amount for the Series 1993 Debt Service Fund by \$50 which is contrary to 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, 2003 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, the Town's management, 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.

January 23, 2004

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