

COMPREHENSIVE ANNUAL FINANCIAL REPORT
TOWN OF PALM BEACH, FLORIDA
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004



Prepared by the Finance Department

Jane Skittone, CPA
Finance Director

TOWN OF PALM BEACH, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2004

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INTRODUCTORY SECTION



TOWN OF PALM BEACH

Finance Department

March 7, 2005

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, 2004 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, 2004. 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 three sections:

1. The Introductory Section, which is unaudited, includes 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 Section includes the report of the independent auditors on internal control over financial reporting and on compliance and other matters in accordance with Government Auditing Standards, the management letter and required reports.

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 and apartments, 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.

Post Office Box 2029 • 360 South County Road • Palm Beach, Florida 33480
Telephone (561) 838-5444 • Facsimile (561) 838-5417
E-mail: finance@townofpalmbeach.com • Website: www.townofpalmbeach.com

The Town of Palm Beach serves a full-time resident population of approximately 9,700 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 401 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-service 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, 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. The primary source of revenue is property taxes. The increase in the Town's gross taxable value last year of 10% to \$8,394,664,371 helped the Town continue to provide services at a modest tax rate. Taxable value is expected to continue to increase due to continued real estate 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 steps in recent years toward 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. In FY2004 the Town embarked on a Key Results Measurement and Management program. This program is intended to strengthen accountability, enhance decision-making, improve customer satisfaction, assist in determining effective use of resources and support strategic planning and goal setting. Each department developed mission statements and key result statements and the measurement methodology.

Construction was completed in December 2004, on a new central Fire-Rescue station. The total cost of the project was \$4,200,000. The new Fire-Rescue station includes the Town's Emergency Operations Center, the Employee's Fitness Center and the Police Mechanics' bay.

Staff prepared an update to the Long Term Financial Plan. The plan contains the FY2005 budget as well as forecasts for FY2006 through FY2009. This plan will be updated annually as part of the budget process.

The Town Council approved two new financial policies; a policy which created a reserve for compensated absences and a contingency fund policy for the Leisure Services Enterprise Fund.

The Town Council approved the formation of a permanent Investment Advisory Committee. This committee will assist Town staff with the management of the investment of Town surplus funds.

During fiscal year 2004 the following other major accomplishments occurred:

- The Town survived two back-to-back hurricanes – Frances and Jeanne. The efforts of Town staff to assist citizens throughout the storms and the aftermath and post-storm clean-up and security was extraordinary. Town staff is diligently preparing the necessary documentation to obtain FEMA reimbursements.
- The Town Docks completed Phase I of the master plan which lengthened 15 slips by ten feet to meet the demand for larger vessels. The project was completed on time and more than 30% under budget.
- The Town-wide storm drainage improvements continued. Work has begun on the Clarendon Avenue, D-17, stormwater pump station which will relieve severe flooding due to high tides at the west end of Clarendon Avenue and Lake Park Drive. Work also was initiated on the Tangier Avenue, D-3 stormwater pump station. This station will provide a significant improvement to the D-4 drainage basin which is bounded on the north by Via Linda and on the south by Wells Road.

For the Future

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

The Capital Improvement Program encompasses a five-year period, only the first year of which is actually adopted each year by the Town Council for funding and implementation. The Program is not a budget, but provides appropriate financial information for prudent budget planning recommendations and assists the Town's elected officials and management staff in the decision making process. Through budgetary action, the first year of the program becomes the capital projects allocation, which is funded from the General 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 Town-wide goals that were adopted by the Town Council for fiscal year 2005.

- Continue the implementation of the Town's Coastal Management Plan, including final permitting and construction of the Phipps Ocean Park Beach Restoration Project and permitting/design for Reach 2, (Reef Road to Via Los Incas); Reach 5 (Banyan Road to Widener's Curve); and Reach 8 (Ambassador Hotel to South Town Limits), will continue, but on a slightly delayed time line due to the importance of Reach 2 construction to the overall success of the Coastal Management Program.
- Complete a Town-wide study of traffic and parking and develop a plan to improve traffic safety and flow both internally and externally (bridges and entrance roadways) and to improve parking utilization (and capacity, if necessary).
- Implement a key result measurement and management system that will align departmental services and programs with the Town's goals and strategic vision to systematically measure results, including a "Quality of Life" citizen survey and measurement of results when/if suggested improvements are implemented.
- Complete the multi-year, multi-faceted R-B Zoning Study and make "final" decisions.
- Continue the implementation of the approved drainage improvement program for the basins north of Wells Road.
- Complete an independent compensation study to ensure fair and competitive pay and benefits for all Town employees.

Other notable initiatives for fiscal year 2005 will include the following:

- The continuation of the development of a master plan for the Town docks which will include a 3 year phased rebuilding of the marina buildings, and enhance parking and add customer conveniences.
- 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.
- Proceed with the plans for renovation of Town Hall to improve the long-term space needs for Town operations.
- The Key Results Measurement program goals for FY2005 include the development of a vision statement developed by a committee made up of employees from all departments. This vision which was approved and supported by all Town employees, and the Key Result Measurement program will serve as organizational guides, to be cascaded throughout the organization to all employees and cover all programs of the Town.

Financial Information

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

Internal Controls: In developing and evaluation the Town's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance regarding: 1) the safeguarding of assets against loss from unauthorized use or disposition; and, 2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes

that the cost of an internal control system should not exceed the benefits likely to be derived, and that the evaluation of cost and benefits requires estimates and judgments by management.

Budgeting Controls: In addition, the Town maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions implied in the annual budget approved by the Town Council. Activities of the General Fund, Debt Service Funds, and Capital Projects Funds are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the Fund level. The Town also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Unencumbered amounts lapse at year-end. Open encumbrances for outstanding purchase orders are reported as a reservation of fund balance at September 30, 2004 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, 2004, the investments with the State Investment Pool totaled \$63,979,789 and the Florida League of Cities Investment Trust balance was \$41,271,657. The Town generated investment earnings of \$1,677,593 on all funds excluding pension trusts.

Risk Management: The Town is self-insured for certain 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 administration of the Town's property, liability and worker's compensation coverage and the related safety and loss control programs; claims investigation and administration including litigation strategies; contractual review regarding hold harmless, indemnification and insurance requirements of vendors, contractors, etc.; 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: In FY2004 the Marina Fund and the Golf Fund were consolidated with the Town's other leisure activities to form the Leisure Services Enterprise Fund. The Leisure Services Enterprise Fund includes the revenues and expenses relating to the operation of the Town Docks, the Par 3 Golf Course, tennis, and other recreation activities for youth and adults.

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

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 2004. The auditor's report is included in the financial section of this report.

Awards: The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Palm Beach for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2003. This was the 16th consecutive year the Town has received this prestigious award.

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

The Town also received the GFOA Award for Distinguished Budget Presentation for the Town's budget for the fiscal year ended September 30, 2004 and the Certificate of Achievement in Popular Annual Financial Reporting for the Town's Annual Report for fiscal year ended September 30, 2003.

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, 2003

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.



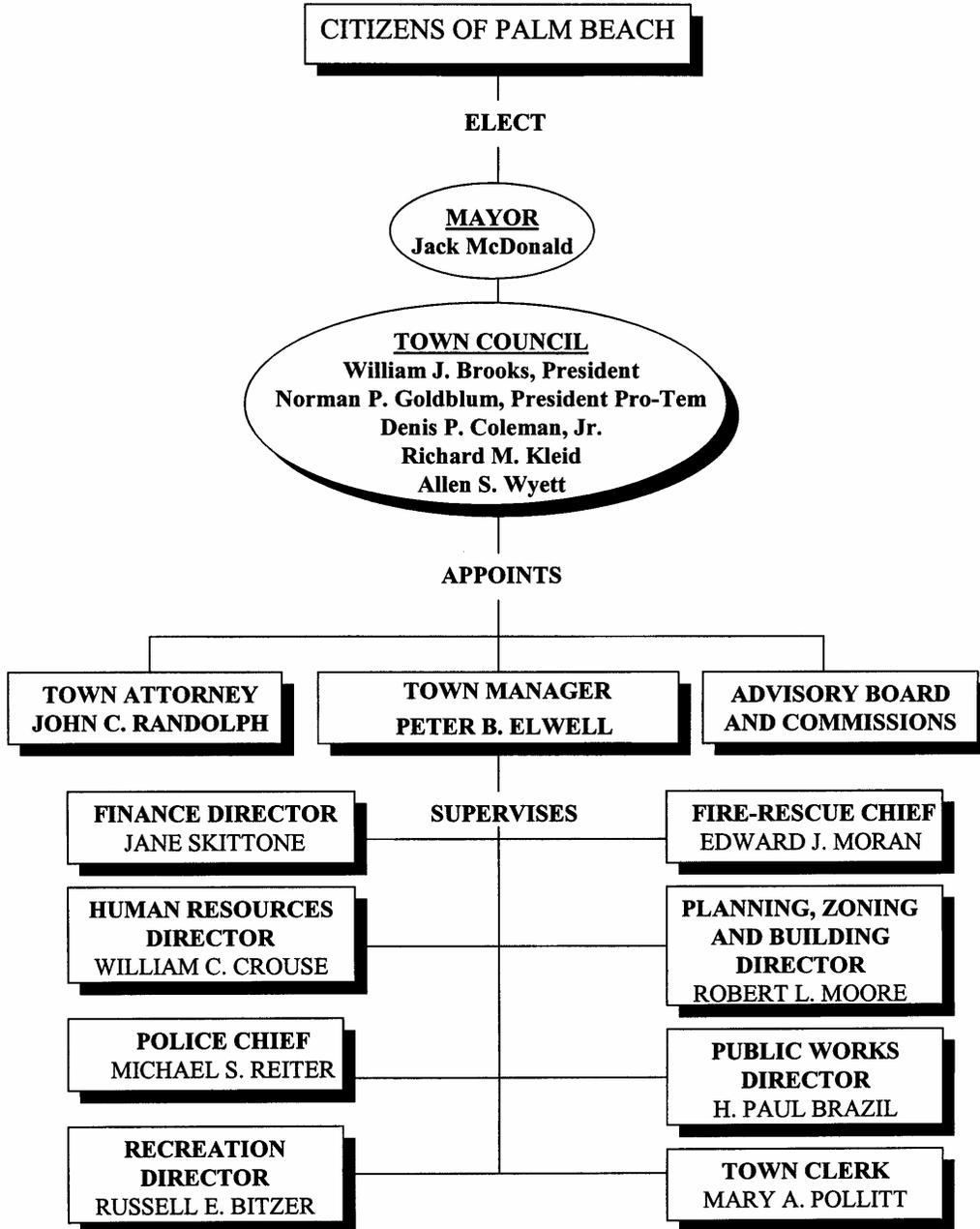
Nancy L. Zjelke

President

Jeffrey R. Egan

Executive Director

TOWN OF PALM BEACH ORGANIZATIONAL STRUCTURE



Note: Organizational structure as of February 15, 2005

FINANCIAL SECTION



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, the 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, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Town of Palm Beach, Florida. Our responsibility is to express opinions on these 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Palm Beach, Florida, as of September 30, 2004, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2005 on our consideration of the internal control over financial reporting of the Town of Palm Beach, Florida, and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 51 through 55, are not a required part of the basic financial statements but are 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Palm Beach, Florida. The introductory section, combining and individual nonmajor fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, Rules of the Auditor General, and is also not a required part of the basic financial statements of the Town of Palm Beach, Florida. The combining and individual nonmajor fund financial statements and schedules and the Schedule of Expenditures of Federal Awards and State Financial Assistance 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.

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

February 2, 2005

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, 2004. 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-x of this report.

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 Notes to Financial Statements and the 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 \$145,198,555 (net assets). Of this amount, \$83,526,432 (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 \$76,590,627 a decrease of \$854,797 in comparison with the prior year. Approximately 20% 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 \$23,413,449 or 53.6% of the general fund expenditures.
4. The Town's total government-wide revenue was \$61,128,061, while total expenses were \$54,465,978.
5. Governmental Activities generated \$57,528,032 in revenue (excluding transfers) with \$51,530,327 in expenses.
6. Business-type Activities generated \$3,600,029 in revenue (excluding transfers) with \$2,935,651 in expenses.
7. The Town's long-term debt decreased by \$3,560,872 during the current fiscal year.

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 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 revenue (*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 revenue, 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 eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the general fund, capital improvement fund, and the beach restoration project fund all of which are considered major funds. Data for the other eight 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 an enterprise fund to account for its leisure services activities including; the Town Docks, the Par 3 Golf Course, Tennis, and Adult and Youth recreational activities. *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 the Leisure Services Fund enterprise fund and both of the internal service funds, which 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 combining financial statements elsewhere in this report.

The proprietary fund financial statements can be found on pages 20-22 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 23-24.

Notes to 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 financial statements can be found on pages 25-50 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 for the general fund. The required supplementary information can be found on pages 51-55 of this report.

Combining financial 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 57-80 of this report.

Government-wide Financial Analysis

Net assets. On the following page, is a summary of the fiscal year 2004 Statement of Net Assets found on page 13 and comparative information for fiscal year 2003.

Town of Palm Beach, Florida
Net Assets
September 30, 2004

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
ASSETS						
Current and other assets	\$115,506,101	\$112,440,703	\$ 3,823,384	\$ 3,354,771	\$119,329,485	\$115,795,474
Capital assets, net	<u>58,361,422</u>	<u>55,529,086</u>	<u>10,515,063</u>	<u>8,946,928</u>	<u>68,876,485</u>	<u>64,476,014</u>
Total assets	173,867,523	167,969,789	14,338,447	12,301,699	188,205,970	180,271,488
LIABILITIES						
Other liabilities	11,564,566	6,903,366	537,523	515,873	12,102,089	7,419,239
Long-term liabilities outstanding	<u>30,748,626</u>	<u>34,258,064</u>	<u>156,700</u>	<u>57,713</u>	<u>30,905,326</u>	<u>34,315,777</u>
Total liabilities	42,313,192	41,161,430	694,223	573,586	43,007,415	41,735,016
NET ASSETS						
Invested in capital assets, net of related debt	50,906,153	51,595,063	10,515,063	8,946,928	61,421,216	60,541,991
Restricted	250,907	270,629			250,907	270,629
Unrestricted	<u>80,397,271</u>	<u>74,942,667</u>	<u>3,129,161</u>	<u>2,781,185</u>	<u>83,526,432</u>	<u>77,723,852</u>
Total net assets	<u>\$131,554,331</u>	<u>\$126,808,359</u>	<u>\$ 13,644,224</u>	<u>\$ 11,728,113</u>	<u>\$145,198,555</u>	<u>\$138,536,472</u>

Net assets may serve over time as a useful indicator of a government's financial position. At September 30, 2004, the Town's assets exceeded liabilities by \$145,198,555. Net assets increased by \$6,663,083 as a result of a \$4,745,972 increase in governmental activities and an increase of \$1,916,111 in Business Type activities. Unrestricted net assets, the portion of net assets that can be used to finance the day-to-day operations of the Town totaled \$83,526,432.

Net assets invested 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 total \$61,421,216. 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: The table on the following page is a summary of the changes in net assets for the year ended September 30, 2004 as compared to September 30, 2003:

Town of Palm Beach, Florida
Changes in Net Assets
For the Fiscal Year Ended September 30, 2004

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenue						
Program revenue:						
Charges for services	\$ 9,447,505	\$ 11,554,087	\$ 3,543,090	\$ 3,137,471	\$ 12,990,595	\$ 14,691,558
Operating grants and contributions	2,798,617	1,436,480			2,798,617	1,436,480
Capital grants and contributions	1,107,202	2,620,291			1,107,202	2,620,291
General revenue:						
Property taxes	32,778,331	29,815,341			32,778,331	29,815,341
Local option gas tax	219,755	224,517			219,755	224,517
Franchise fees	1,881,195	1,726,221			1,881,195	1,726,221
Utility service taxes	3,983,261	4,156,003			3,983,261	4,156,003
Intergovernmental	1,730,628	958,145			1,730,628	958,145
Investment earnings	1,676,047	2,285,717	56,939	55,287	1,732,986	2,341,004
Gains on sale of capital assets	1,677,593				1,677,593	
Other	<u>227,898</u>	<u>850,582</u>			<u>227,898</u>	<u>850,582</u>
Total revenue	<u>57,528,032</u>	<u>55,627,384</u>	<u>3,600,029</u>	<u>3,192,758</u>	<u>61,128,061</u>	<u>58,820,142</u>
Expenses						
General						
government	12,881,165	8,402,847			12,881,165	8,402,847
Public safety	22,872,573	19,803,167			22,872,573	19,803,167
Physical environment	11,851,242	9,307,102			11,851,242	9,307,102
Transportation	773,122	582,376			773,122	582,376
Culture and recreation	1,561,430	2,489,073			1,561,430	2,489,073
Interest on long-term debt	1,590,795	1,277,118			1,590,795	1,277,118
Leisure services			<u>2,935,651</u>	<u>1,528,543</u>	<u>2,935,651</u>	<u>1,528,543</u>
Total expenses	<u>51,530,327</u>	<u>41,861,683</u>	<u>2,935,651</u>	<u>1,528,543</u>	<u>54,465,978</u>	<u>43,390,226</u>
Increase in Net Assets						
Before Transfers	5,997,705	13,765,701	664,378	1,664,215	6,662,083	15,429,916
Transfers	<u>(1,251,733)</u>	<u>675,000</u>	<u>1,251,733</u>	<u>(675,000)</u>	<u>0</u>	<u>0</u>
Increase in net assets	4,745,972	14,440,701	1,916,111	989,215	6,662,083	15,429,916
Net Assets at beginning of year	<u>126,808,359</u>	<u>112,367,658</u>	<u>11,728,113</u>	<u>10,738,898</u>	<u>138,536,472</u>	<u>123,106,556</u>
Net Assets at end of year	<u>\$131,554,331</u>	<u>\$126,808,359</u>	<u>\$ 13,644,224</u>	<u>\$11,728,113</u>	<u>\$145,198,555</u>	<u>\$138,536,472</u>

The Town's combined net assets increased by \$6,662,083 or 4.8% during 2004. This improvement can be primarily attributed to governmental activities that increased \$4,745,972 or 3.7% of the total growth in net assets of the Town. The increase over the prior year is attributable to increased property tax revenue, proceeds from the sale of Town owned property and anticipated grant revenue from FEMA for hurricane related 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. At the end of the current fiscal year, the Town of Palm Beach's governmental funds reported combined ending fund balances of \$76,590,627, which had decreased by \$854,797 from September 30, 2003. This decrease was primarily due to capital expenditures relating to the beach renourishment project.

The following schedule presents a summary of all governmental fund revenue and other financing sources for the fiscal year ended September 30, 2004 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 2003</u>	<u>Percent Increase (Decrease)</u>
Revenue				
Taxes	\$ 38,862,542	58.0%	\$ 3,539,371	10.0%
Licenses and permits	6,116,488	9.1%	462,351	8.2%
Intergovernmental	1,927,469	2.9%	(1,744,415)	(47.5)%
Charges for services	2,054,178	3.1%	(506,631)	(19.8)%
Fines and forfeitures	1,079,973	1.6%	(397,483)	(26.9)%
Investment income	1,282,245	1.9%	(773,580)	(37.6)%
Grant revenue	2,720,018	4.1%	99,727	3.8%
Miscellaneous	1,185,826	1.8%	151,198	14.6%
Other Financing Sources				
Operating transfers in	9,761,263	14.6%	(572,393)	(5.5)%
Proceeds from sale of capital assets	1,964,879	2.9%	1,964,879	100.0%
Bond proceeds			(6,130,000)	(100.0)%
Net refunding proceeds			(19,016,765)	(100.0)%
Total Revenue and Other Financing Sources	<u>\$ 66,954,881</u>	<u>100.0%</u>	<u>\$ (22,923,741)</u>	<u>(25.5)%</u>

The most significant changes in revenue and other financing sources were related to taxes, intergovernmental revenue, charges for services, fines and forfeitures, and bond/refunding proceeds categories. The changes are described below:

- Property taxes increased due to increases in the taxable value of property and a stable millage rate.
- Intergovernmental revenue decreased due to funds received from the City of West Palm Beach for water main improvements in FY2003 were a one time receipt and no additional funds were received or anticipated in FY2004.
- Charges for services decreased because recreation revenue and related expenditures were transferred to the Leisure Services Enterprise Fund.
- Grant revenue increased due to anticipated funding from FEMA for expenditures relating to Hurricanes Frances and Jeanne.

- Investment income decreased due to reduced balances and lower returns in the Beach Restoration Project Fund.
- Proceeds were received from the sale of Town owned property at Pike Road in FY2004.
- Bond/refunding proceeds decreased since no bonds were issued in FY2004.

The following schedule presents a summary of all governmental funds expenditures and other financing uses for the fiscal year ended September 30, 2004 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 2003</u>	<u>Percent Increase (Decrease)</u>
Expenditures				
Current:				
General government	\$ 6,647,556	9.8%	\$ 1,036,628	18.5%
Public safety	21,444,642	31.7%	2,728,010	14.6%
Physical environment	10,350,736	15.4%	2,471,634	31.4%
Transportation	769,745	1.1%	187,369	32.2%
Culture and recreation	1,561,430	2.3%	(887,517)	(36.2)%
Non-departmental	4,822,927	7.1%	2,076,012	75.6%
Capital outlay	7,627,971	11.2%	(4,732,334)	(38.3)%
Debt Service:				
Principal	3,825,289	5.6%	3,060,226	400.0%
Interest	1,372,527	2.0%	213,886	18.5%
Bond issue costs			(350,466)	(100.0)%
Other Financing Uses				
Operating transfer out	9,386,855	13.8%	(271,801)	(2.8)%
Net bond activity			<u>(18,958,197)</u>	100.0%
Total Expenditures and Other Financing Uses	<u>\$ 67,809,678</u>	<u>100.0%</u>	<u>\$ (13,426,550)</u>	(16.5)%

Total expenditures decreased 16.5% from FY2003. The reasons for the major increases and decreases are as follows:

- General government expenditures increased due to the establishment of a Reserve for Compensated Absences and due to expenditures relating to hurricanes Frances and Jeanne and purchases of computer hardware and software.
- Public safety expenditures increased due to the hiring of 3 additional supervisory personnel in the fire-rescue department, increased overtime for police and fire-rescue personnel due to hurricanes Frances and Jeanne, and increases in the Town's contribution to the public safety retirement system.
- Physical environment costs increased due to overtime costs for response to and recovery from Hurricanes Frances and Jeanne and the installation of a mitigation reef in Reach 7 as part of the Town's beach renourishment project.
- Transportation expenditures increased due to expenditures and overtime costs related to hurricanes Frances and Jeanne.
- Culture and recreation expenditures decreased due to the transfer of expenditures relating to recreation activities to the Leisure Services Enterprise Fund.
- Non-departmental expenditures increased to the expenditures relating to hurricanes Frances and Jeanne.
- Capital outlay decreased due to a reduction in expenditures relating to beach renourishment projects in FY2004.
- No bonds were issued in FY2004.

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 \$15,625,847, while the total fund balance was \$26,294,682. The fund balance of the General Fund increased by \$4,865,214. General Fund revenue exceeded expenditures by \$8,603,758, due to higher than expected revenue relating to property taxes, franchise fees, permits, fines, anticipated grant revenue and lower than expected expenditures due to budget controls. 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 47% of total General Fund expenditures including transfers out.

The fund balance of the Capital Improvement Fund decreased from the prior year by \$736,579. This decrease resulted from expended funds for appropriated capital projects.

The fund balance of the Beach Restoration Project Fund decreased from the prior year by \$2,834,350. This decrease is a result of expenditures for the artificial reef and transfers out for debt service on the related bonds.

Other governmental funds which include special revenue funds, debt service funds and two capital projects funds (equipment replacement fund and town facilities fund) had a decrease in fund balance of \$2,149,082. This decrease is due in part to the expenditures relating to the Town facilities projects that include a new central fire-rescue station and renovation of Town hall and debt service payments.

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 fund of the Town consists of the Leisure Services Fund.

Unrestricted net assets of the Leisure Services Fund were \$3,129,161 at September 30, 2004. Net assets for this fund increased \$1,916,111, which is attributable to increased income for the marina.

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 General Fund appropriation was amended by \$4,637,000 during the year due to expenditures relating to hurricanes Frances and Jeanne and the establishment of a Reserve for Compensated Absences. Funds were also 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, 2004, net capital assets of governmental activities totaled \$58,361,422 and the net capital assets of the business-type activities totaled \$10,515,063 (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 to the financial statements and on pages 78-80.

**Town of Palm Beach
Capital Assets
September 30, 2004**

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 8,039,238	\$ 8,715,312	\$ 5,623,777	\$ 5,051,527	\$ 13,663,015	\$ 13,766,839
Construction in progress	11,645,577	7,226,170	158,328	0	11,803,905	7,226,170
Buildings	4,721,806	5,129,179	425,260	3,212	5,147,066	5,132,391
Improvements other than buildings	464,578	1,064,743	4,236,668	3,834,090	4,701,246	4,898,833
Equipment	5,107,962	5,651,281	71,030	58,099	5,178,992	5,709,380
Infrastructure	<u>28,382,261</u>	<u>27,742,401</u>	<u>0</u>	<u>0</u>	<u>28,382,261</u>	<u>27,742,401</u>
	<u>\$ 58,361,422</u>	<u>\$ 55,529,086</u>	<u>\$ 10,515,063</u>	<u>\$ 8,946,928</u>	<u>\$ 68,876,485</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 sewer lines were constructed between Emerald Lane and the D-4 pump station near Miraflores.
- General improvements to the sanitary sewerage system including replacement of collection system lines, lining of existing mains and unscheduled emergency repairs at major and minor pumping stations were completed.
- Storm shutters were replaced at the North Fire-Rescue station.
- Construction was completed and the new central Fire-Rescue station was dedicated in December 2004.
- A parcel of Town owned property at Pike Road and the Florida Turnpike was sold.

Debt Administration

As of September 30, 2004, the Town had \$28,040,000 in bonds outstanding and \$349,422 in capital lease obligations totaling \$28,389,422 as compared to \$32,214,711, a 12% decrease due to debt retirement in fiscal year 2004. Of the \$28,389,422 of debt outstanding as of the end of the fiscal year, 2.4% 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 to the financial statements.

**Town of Palm Beach
Outstanding Debt
September 30, 2004**

	<u>2004</u>	<u>2003</u>
General Obligation Bonds	\$ 680,000	\$ 1,325,000
Revenue Bonds	27,360,000	30,405,000
Capital Lease Obligations	<u>349,422</u>	<u>484,711</u>
Total	<u>\$ 28,389,422</u>	<u>\$ 32,214,711</u>

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 2005 the Town Council adopted a General Fund budget of \$52,380,731 representing a 10.4% increase from fiscal year 2004. The increase is partially due to one-time expenditures for the Town Hall renovation project, public safety equipment, the funding of compensated absence payouts and a compensation study. In addition, four new positions were added to the budget and the Town's contribution to the retirement fund increased by approximately \$747,000. The taxable value increased by 9.22% in FY2005 and the Town's total millage rate decreased from 4.0529 to 4.0287 or .6%.

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 65.84% of the budgeted revenue of the Town. The balance of revenue comes from sales and use taxes, charges for Town services, licenses, permits and fines.

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, 2004

	Governmental Activities	Business-Type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 42,089	\$ 2,150	\$ 44,239
Equity in pooled cash and investments	103,965,990	3,823,951	107,789,941
Accounts receivable, net of allowance for doubtful accounts of \$590,961	730,138	301	730,439
Grants receivable	2,746,791		2,746,791
Internal balances	3,842	(3,842)	0
Inventory	467,717		467,717
Prepays	15,668	824	16,492
Unamortized debt issue costs	327,597		327,597
Investment in joint venture	7,206,269		7,206,269
Capital assets			
Land	8,039,238	5,623,777	13,663,015
Construction in progress	11,645,577	158,328	11,803,905
Depreciable capital assets, net	38,676,607	4,732,958	43,409,565
Total assets	<u>173,867,523</u>	<u>14,338,447</u>	<u>188,205,970</u>
LIABILITIES			
Accounts payable	3,203,464	35,446	3,238,910
Accrued liabilities	6,907,323	38,841	6,946,164
Accrued interest payable	320,400		320,400
External balances	7,597		7,597
Customer deposits		160,400	160,400
Deferred revenue	1,125,782	302,836	1,428,618
Long-term debt			
Due within one year	4,160,584	7,800	4,168,384
Due in more than one year	26,588,042	148,900	26,736,942
Total liabilities	<u>42,313,192</u>	<u>694,223</u>	<u>43,007,415</u>
NET ASSETS			
Invested in capital assets, net of related debt	50,906,153	10,515,063	61,421,216
Restricted for:			
Debt service	117,964		117,964
Public safety	132,943		132,943
Unrestricted	80,397,271	3,129,161	83,526,432
Total net assets	<u>\$ 131,554,331</u>	<u>\$ 13,644,224</u>	<u>\$ 145,198,555</u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF ACTIVITIES

Year Ended September 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities				
General government	\$ 12,881,165	\$ 6,317,510	\$ 2,378,073	\$
Public safety	22,872,573	1,827,503	182,917	478,202
Physical environment	11,851,242	869,451	60,470	607,209
Transportation	773,122	433,041		
Culture and recreation	1,561,430		177,157	21,791
Interest on long-term debt	1,590,795			
Total governmental activities	51,530,327	9,447,505	2,798,617	1,107,202
Business-type activities				
Leisure services	2,935,651	3,543,090		
Total	\$ 54,465,978	\$ 12,990,595	\$ 2,798,617	\$ 1,107,202

General revenue

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

Transfers

Total general revenue and transfers

Change in net assets

Net assets at October 1, 2003

Net assets at September 30, 2004

Net Revenue (Expenses) and
Changes in Net Assets

Governmental Activities	Business-type Activity	Total
\$ (4,185,582)	\$	\$ (4,185,582)
(20,383,951)		(20,383,951)
(10,314,112)		(10,314,112)
(340,081)		(340,081)
(1,362,482)		(1,362,482)
(1,590,795)		(1,590,795)
(38,177,003)	0	(38,177,003)
	607,439	607,439
(38,177,003)	607,439	(37,569,564)
32,778,331		32,778,331
219,755		219,755
1,881,195		1,881,195
3,983,261		3,983,261
1,730,628		1,730,628
1,676,047	56,939	1,732,986
1,677,593		1,677,593
227,898		227,898
(1,251,733)	1,251,733	0
42,922,975	1,308,672	44,231,647
4,745,972	1,916,111	6,662,083
126,808,359	11,728,113	138,536,472
<u>\$ 131,554,331</u>	<u>\$ 13,644,224</u>	<u>\$ 145,198,555</u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2004

	Major Governmental Funds				
	General Fund	Capital Improvement Fund	Beach Restoration Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,660	\$	\$	\$	\$ 2,660
Equity in pooled cash and investments	28,304,649	14,422,462	26,376,436	10,206,714	79,310,261
Accounts receivable	730,138				730,138
Grants receivable	2,089,494		657,297		2,746,791
Due from other funds	10,608				10,608
Inventory	467,717				467,717
Prepaid items	15,668				15,668
TOTAL ASSETS	\$ 31,620,934	\$ 14,422,462	\$ 27,033,733	\$ 10,206,714	\$ 83,283,843
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 1,793,273	\$ 582,317	\$ 118,548	\$ 521,043	\$ 3,015,181
Accrued liabilities	2,399,600	14,257	125,813		2,539,670
Due to other funds	7,597			4,986	12,583
Deferred revenue	1,125,782				1,125,782
TOTAL LIABILITIES	5,326,252	596,574	244,361	526,029	6,693,216
FUND BALANCES					
Reserved	2,881,233	2,762,248	978,681	4,492,354	11,114,516
Unreserved, designated for/reported in:					
Subsequent year's budget	1,935,500	938,900			2,874,400
Specific purposes	5,852,102	10,124,740	25,810,691		41,787,533
Capital projects funds				5,188,331	5,188,331
Unreserved, undesignated	15,625,847				15,625,847
	<u>26,294,682</u>	<u>13,825,888</u>	<u>26,789,372</u>	<u>9,680,685</u>	<u>76,590,627</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 31,620,934	\$ 14,422,462	\$ 27,033,733	\$ 10,206,714	83,283,843

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

September 30, 2004

Total Governmental Fund Balances	\$ 76,590,627
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	58,351,733
Investment in joint venture is not a financial resource and, therefore is not reported in the funds.	7,206,269
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.	20,139,155
Deferred issue costs on long-term debt are not financial resources and therefore are not reported in the governmental funds.	327,597
Long-term liabilities, including accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(31,061,050)</u>
Net Assets of Governmental Activities	<u><u>\$ 131,554,331</u></u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2004

	Major Governmental Funds				
	General Fund	Capital Improvement Fund	Beach Restoration Project Fund	Other Governmental Funds	Total Governmental Funds
Revenue					
Taxes	\$ 38,247,168	\$	\$	\$ 615,374	\$ 38,862,542
Licenses and permits	6,116,488				6,116,488
Intergovernmental	1,927,469				1,927,469
Charges for services	2,054,178				2,054,178
Fines and forfeitures	1,046,677			33,296	1,079,973
Investment earnings	527,686	213,618	391,449	149,492	1,282,245
Grant revenue	2,112,809		607,209		2,720,018
Miscellaneous	278,227	21,791		885,808	1,185,826
Total revenue	52,310,702	235,409	998,658	1,683,970	55,228,739
Expenditures					
Current					
General government	6,528,617			118,939	6,647,556
Public safety	21,263,402			181,240	21,444,642
Physical environment	8,263,372	108,632	1,977,458	1,274	10,350,736
Transportation	731,445	38,300			769,745
Culture and recreation	1,561,430				1,561,430
Non-departmental	4,822,927				4,822,927
Capital outlay	380,102	3,331,464		3,916,405	7,627,971
Debt service					
Principal	135,289			3,690,000	3,825,289
Interest	20,360			1,352,167	1,372,527
Total expenditures	43,706,944	3,478,396	1,977,458	9,260,025	58,422,823
Revenue over (under) expenditures	8,603,758	(3,242,987)	(978,800)	(7,576,055)	(3,194,084)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	1,964,879				1,964,879
Transfers in	550,000	2,682,000		6,529,263	9,761,263
Transfers out	(6,253,423)	(175,592)	(1,855,550)	(1,102,290)	(9,386,855)
Total other financing sources (uses)	(3,738,544)	2,506,408	(1,855,550)	5,426,973	2,339,287
Net Change in Fund Balances	4,865,214	(736,579)	(2,834,350)	(2,149,082)	(854,797)
Fund balances at October 1, 2003	21,429,468	14,562,467	29,623,722	11,829,767	77,445,424
Fund balances at September 30, 2004	\$ 26,294,682	\$ 13,825,888	\$ 26,789,372	\$ 9,680,685	\$ 76,590,627

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, 2004

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

Net change in fund balances-total governmental funds	\$ (854,797)
<p>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</p>	
Expenditure for capital assets	7,627,971
Less current year depreciation	(2,879,974)
Net book value of asset disposals	(287,286)
Net book value of assets transferred to Leisure Services Fund	(1,626,141)
<p>Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds</p>	
	227,898
<p>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.</p>	
Repayments:	
General obligation debt	3,690,000
Capital lease payments	135,289
<p>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</p>	
Compensated absences	(161,198)
Accrued interest	9,542
Amortization of bond issue costs	(77,389)
Amortization of loss on refunding	(236,470)
Amortization of bond premiums	86,049
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds</p>	
The net loss of the internal service funds is reported with governmental activities	<u>(907,522)</u>
Change in net assets of governmental activities	<u>\$ 4,745,972</u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

September 30, 2004

	Business-type Activity - Leisure Services Fund	Governmental Activities - Internal Service Funds
	<u>Fund</u>	<u>Funds</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,150	\$ 39,429
Equity in pooled cash and investments	3,823,951	24,655,729
Accounts receivable	301	
Prepaid items	824	
Total current assets	<u>3,827,226</u>	<u>24,695,158</u>
Noncurrent assets		
Capital assets		
Land	5,623,777	
Construction in progress	158,328	
Buildings	857,989	
Improvements other than buildings	6,028,835	
Equipment	294,459	16,281
	<u>12,963,388</u>	<u>16,281</u>
Less accumulated depreciation	(2,448,325)	(6,592)
Total capital assets, net of accumulated depreciation	<u>10,515,063</u>	<u>9,689</u>
Total assets	14,342,289	24,704,847
LIABILITIES		
Current liabilities		
Accounts payable	35,446	188,283
Accrued liabilities	38,841	4,367,653
Compensated absences payable	7,800	
Due to other funds	3,842	1,780
Customer deposits	160,400	
Deferred revenue	302,836	
Total current liabilities	<u>549,165</u>	<u>4,557,716</u>
Noncurrent liability		
Compensated absences payable	148,900	7,976
Total liabilities	<u>698,065</u>	<u>4,565,692</u>
NET ASSETS		
Invested in capital assets	10,515,063	9,689
Unrestricted	<u>3,129,161</u>	<u>20,129,466</u>
Total net assets	<u>\$ 13,644,224</u>	<u>\$ 20,139,155</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, 2004

	Business-type Activity - Leisure Services Fund	Governmental Activities - Internal Service Funds
	<u>Fund</u>	<u>Funds</u>
Operating revenue		
Golf fees and related revenue	\$ 794,623	\$
Marina fees and related revenue	2,439,589	
Charges for services	308,878	7,495,774
	<u>3,543,090</u>	<u>7,495,774</u>
Operating expenses		
Personal services	1,674,355	221,593
Contractual services	255,237	66,472
Vehicle and equipment maintenance	7,781	
Facilities maintenance	41,601	
Equipment rental	15,438	
Materials and supplies	68,514	
Utilities	387,965	
Insurance and claims		8,386,526
Hurricane expenses		101,250
Depreciation	242,069	2,234
Other	242,691	19,023
	<u>2,935,651</u>	<u>8,797,098</u>
Operating income	607,439	(1,301,324)
Non-operating revenue		
Investment earnings	56,939	393,802
Income before capital contributions and transfers	664,378	(907,522)
Capital contributions	1,626,141	
Transfers from Capital Improvement Fund	175,592	
Transfers to General Fund	(550,000)	
Change in Net Assets	1,916,111	(907,522)
Net assets at October 1, 2003	<u>11,728,113</u>	<u>21,046,677</u>
Net assets at September 30, 2004	<u>\$ 13,644,224</u>	<u>\$ 20,139,155</u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended September 30, 2004

	Business-type Activity - Leisure Services Fund	Governmental Activities - Internal Service Fund
	<u>Fund</u>	<u>Fund</u>
OPERATING ACTIVITIES		
Receipts from customers and users	\$ 3,527,520	\$ 7,495,774
Receipts from interfund services provided		1,176
Payments to employees	(1,555,617)	(216,161)
Payments to suppliers	(1,002,650)	(6,522,756)
Payments for interfund services used	<u>(297,943)</u>	
Net cash provided by operating activities	671,310	758,033
NONCAPITAL FINANCING ACTIVITIES		
Operating transfers from other funds	175,592	
Operating transfers to other funds	<u>(550,000)</u>	
Net cash used in noncapital financing activities	(374,408)	0
CAPITAL AND RELATED FINANCING ACTIVITY		
Acquisition of property and equipment	<u>(184,063)</u>	
Net cash used in capital and related financing activity	(184,063)	0
INVESTING ACTIVITY		
Investment earnings received	<u>56,939</u>	<u>393,802</u>
Net cash provided by investing activity	<u>56,939</u>	<u>393,802</u>
Net increase in cash and cash equivalents	169,778	1,151,835
Cash and cash equivalents at October 1, 2003	<u>3,656,323</u>	<u>23,543,323</u>
Cash and cash equivalents at September 30, 2004	<u>\$ 3,826,101</u>	<u>\$ 24,695,158</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 607,439	\$ (1,301,324)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	242,069	2,234
Changes in operating assets and liabilities:		
Increase in accounts receivable	(68)	
(Increase) decrease in prepaid items	(824)	28,013
Increase in accounts payable	19,111	5,677
Increase in accrued liabilities	18,041	2,018,025
Increase (decrease) in due to other funds	(297,943)	1,176
Decrease in customer deposits	(19,469)	
Increase in deferred revenue	3,967	
Increase in compensated absences payable	<u>98,987</u>	<u>4,232</u>
Net cash provided by operating activities	<u>\$ 671,310</u>	<u>\$ 758,033</u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

September 30, 2004

	<u>Pension Trust Funds</u>	<u>Kreusler Park Agency Fund</u>
ASSETS		
Cash and short-term investments	\$ 1,581,896	\$
Equity in pooled cash and investments		18,735
Accrued interest and dividends receivable	369,454	
Due from other funds	10,443	7,597
Investments, at fair value		
U.S. Government and Agency securities	15,887,001	
Passive Bond Market Index Fund	15,225,857	
Domestic common stocks	35,740,322	
Common Stock Index Fund	13,510,454	
Domestic corporate bonds	18,860,885	
Mutual funds	33,171,448	
Investment partnerships	13,784,200	
Total investments	<u>146,180,167</u>	<u>0</u>
Total assets	148,141,960	26,332
LIABILITIES		
Accounts payable	86,260	26,332
Due to other funds	10,443	
DROP plan liability	3,326,160	
Total liabilities	<u>3,422,863</u>	<u>26,332</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>\$ 144,719,097</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, 2004

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 3,455,890
Employee	1,492,912
State	744,341
Total contributions	<u>5,693,143</u>
Investment income	
Net appreciation in fair value of investments	11,810,588
Interest income	1,729,759
Dividend income	792,854
	<u>14,333,201</u>
Less investment expense	529,800
Net investment income	<u>13,803,401</u>
Total additions	19,496,544
DEDUCTIONS	
Benefit payments	6,585,686
Share account distributions	781,792
Refunds	123,409
Administrative expense	175,517
Total deductions	<u>7,666,404</u>
Net increase	11,830,140
Net assets held in trust for pension benefits at October 1, 2003	<u>132,888,957</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT SEPTEMBER 30, 2004	<u><u>\$ 144,719,097</u></u>

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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, 2004

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, 2004, 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, 2003. 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, 2004, the outstanding balance due to the State Loan Fund was \$14,364,114.

At September 30, 2004 the ECR participants and their respective interest in ECR were as follows:

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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, 2004, the Town paid the following amounts to ECR:

Operations	\$ 508,481
Sewer disposal	255,122
Debt service	123,120
Renewal and replacement	180,820
Refunding loan	88,385
Fleet reserve	7,742
Central pump	<u>74,028</u>
	<u><u>\$ 1,237,698</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, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

fund equity, revenue 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 Balances 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 balances and changes in fund balances 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 fund as follows:

The *Leisure Services Fund* is used to account for the operations of the Town's Par 3 Golf Course, its 88 slip marina, and all recreation programs and facilities. In the prior year, the operations of the marina and golf course were presented as separate major enterprise funds. On October 1, 2003 the Marina Fund and Golf Course Fund were consolidated into the new Leisure Services Fund.

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.

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

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 6 months of the end of the current fiscal year, except for property taxes, for which the period is 60 days. Deferred revenue consists primarily of occupational licenses and other fees collected in advance of the year to which they relate. 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 Leisure Services Fund are charges to customers for greens fees, dockage and recreation programs. Operating expenses for the enterprise fund includes the cost of operating and maintaining the golf course and marina, the cost of providing recreation programs, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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. All infrastructure assets, including those acquired prior to fiscal years ended after June 30, 1980, are reported in the accompanying government-wide financial statements. 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

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 premiums are presented as an addition to 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 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

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 comparison schedule. On-behalf payments to the Town totaled \$744,341 for the fiscal year ended September 30, 2004.

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.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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, 2004, excluding amounts held by Fiduciary Funds, include petty cash of \$3,810 and deposits with financial institutions with a carrying value of \$40,429 and a bank balance of \$115,261. Cash and cash equivalents of the Fiduciary Funds at September 30, 2004 consist of deposits with financial institutions with a carrying value of \$294,049 and a bank balance of \$1,183,145 and U.S. Treasury money market mutual funds with a carrying value and bank balance of \$1,287,847.

All deposits with financial institutions were entirely covered by a combination of federal depository insurance and a collateral pool pledged to the State Treasurer of Florida by financial institutions which comply with the requirements of Florida Statutes and have been designated as a qualified public depository by the State Treasurer. Qualified public depositories are required to pledge collateral to the State Treasurer with a fair value equal to a percentage of the average daily balance of all government deposits in excess of any federal deposit insurance. In the event of a default by a qualified public depository, all claims for government deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool. Accordingly, all deposits with financial institutions are considered fully insured in accordance with the provisions of GASB Statement No. 3. The money market mutual fund deposits are uninsured and uncollateralized.

Equity in Pooled Cash and Investments: The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed as "Equity in pooled cash and investments." The cash balance with a carrying value of \$2,557,230 and a bank balance of \$2,671,715, 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 \$63,979,789 and investments in the Florida Municipal Investment Trust with a carrying value of \$41,271,657. Pooled cash and investments include \$18,735 in the Town's agency fund.

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

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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

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 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, 2004:

	Category			Carrying Amount	Fair Value
	1	2	3		
U.S. Government and Agency securities	\$	\$	\$ 15,887,001	\$ 15,887,001	\$ 15,887,001
Corporate bonds			18,860,885	18,860,885	18,860,885
Common stocks			35,740,322	35,740,322	35,740,322
Common Stock Index Fund				13,510,454	13,510,454
Mutual Funds				33,171,448	33,171,448
Bond Market Index Mutual Fund				15,225,857	15,225,857
Investment Partnerships				13,784,200	13,784,200
TOTAL INVESTMENTS	\$	\$	\$ 70,488,208	\$ 146,180,167	\$ 146,180,167

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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

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, 2004 was as follows:

<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	\$	\$ (676,074)	\$ 8,039,238
Construction in progress	<u>7,226,170</u>	<u>4,832,533</u>	<u>(413,126)</u>	<u>11,645,577</u>
Total capital assets not being depreciated	15,941,482	4,832,533	(1,089,200)	19,684,815
Capital assets being depreciated				
Buildings	13,020,873	213,184	(623,407)	12,610,650
Improvements other than buildings	1,952,261	13,742	(693,148)	1,272,855
Equipment	10,735,922	1,147,876	(715,440)	11,168,358
Infrastructure	<u>44,309,028</u>	<u>1,833,762</u>	<u></u>	<u>46,142,790</u>
Total capital assets being depreciated	70,018,084	3,208,564	(2,031,995)	71,194,653
Less accumulated depreciation for				
Buildings	(7,891,694)	(182,242)	185,092	(7,888,844)
Improvements other than buildings	(887,518)	(13,960)	93,201	(808,277)
Equipment	(5,084,641)	(1,492,104)	516,349	(6,060,396)
Infrastructure	<u>(16,566,627)</u>	<u>(1,193,902)</u>	<u></u>	<u>(17,760,529)</u>
Total accumulated depreciation	<u>(30,430,480)</u>	<u>(2,882,208)</u>	<u>794,642</u>	<u>(32,518,046)</u>
Total capital assets, being depreciated, net	<u>39,587,604</u>	<u>326,356</u>	<u>(1,237,353)</u>	<u>38,676,607</u>
Governmental activities capital assets, net	<u>\$ 55,529,086</u>	<u>\$ 5,158,889</u>	<u>\$ (2,326,553)</u>	<u>\$ 58,361,422</u>

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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	\$ 572,250	\$	\$ 5,623,777
Construction in progress		<u>158,328</u>		<u>158,328</u>
Total capital assets not being depreciated	5,051,527	730,578		5,782,105
Capital assets being depreciated				
Buildings	234,582	623,407		857,989
Improvements other than buildings	5,332,165	696,670		6,028,835
Equipment	<u>223,217</u>	<u>71,242</u>		<u>294,459</u>
Total capital assets being depreciated	5,789,964	1,391,319		7,181,283
Less accumulated depreciation for				
Buildings	(231,370)	(201,359)		(432,729)
Improvements other than buildings	(1,498,075)	(294,092)		(1,792,167)
Equipment	<u>(165,118)</u>	<u>(58,311)</u>		<u>(223,429)</u>
Total accumulated depreciation	<u>(1,894,563)</u>	<u>(553,762)</u>		<u>(2,448,325)</u>
Total capital assets, being depreciated, net	<u>3,895,401</u>	<u>837,557</u>		<u>4,732,958</u>
Business-type activities capital assets, net	<u>\$ 8,946,928</u>	<u>\$ 1,568,135</u>	<u>\$</u>	<u>\$ 10,515,063</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General government	\$ 207,040
Public safety	1,169,051
Physical environment	1,500,506
Culture and recreation	<u>3,377</u>
Total depreciation expense - governmental activities	<u>\$ 2,879,974</u>

Business-type Activity

Leisure services fund	<u>\$ 242,069</u>
Total depreciation expense - business-type activity	<u>\$ 242,069</u>

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE D - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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 primarily consist of moving money from one fund to another to be used for a specific purpose within the receiving fund. Transfers within the governmental and business-type activities are eliminated in the government-wide financial statements. Interfund receivables and payables and interfund transfers at September 30, 2004 are summarized as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Leisure Services Fund	\$ 3,842
	Nonmajor funds	4,986
	Internal Service Funds	1,780
Fiduciary Funds	General Fund	7,597
	Fiduciary Funds	<u>10,443</u>
		<u>\$ 28,648</u>

Interfund transfers:

<u>Transfers In - Reported in</u>					
	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Funds</u>	<u>Leisure Services Fund</u>	<u>Total</u>
Transfers Out: Reported in					
General Fund	\$	\$ 2,682,000	\$ 3,571,423	\$	\$ 6,253,423
Capital Improvement Fund				175,592	175,592
Beach Restoration Project Fund			1,855,550		1,855,550
Nonmajor Funds			1,102,290		1,102,290
Leisure Services Fund	<u>550,000</u>				<u>550,000</u>
	<u>\$ 550,000</u>	<u>\$ 2,682,000</u>	<u>\$ 6,529,263</u>	<u>\$ 175,592</u>	<u>\$ 9,936,855</u>

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE E - LONG-TERM DEBT

Changes in long-term debt for the year ended September 30, 2004 are summarized as follows:

<i><u>Governmental Activities</u></i>	<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	\$ 2,985,638	\$ 445,414	\$ 279,984	\$ 3,151,068	\$ 25,000
Capital lease obligation	484,711		135,289	349,422	85,584
General obligation bonds payable	1,325,000		645,000	680,000	680,000
Revenue bonds payable	<u>30,405,000</u>		<u>3,045,000</u>	<u>27,360,000</u>	<u>3,370,000</u>
Total long-term debt	<u>\$ 35,200,349</u>	<u>\$ 445,414</u>	<u>\$ 4,105,273</u>	31,540,490	<u>\$ 4,160,584</u>
Unamortized premiums				449,605	
Unamortized loss on refunding				(1,241,469)	
Current maturities				<u>(4,160,584)</u>	
Net long-term debt				<u>\$ 26,588,042</u>	
<i><u>Business-type Activities</u></i>	<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>\$ 57,713</u>	<u>\$ 103,889</u>	<u>\$ 4,902</u>	<u>\$ 156,700</u>	<u>\$ 7,800</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 \$333,895.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2004, are as follows:

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE E - LONG-TERM DEBT (Continued)

<u>Year Ending September 30,</u>	<u>Amount</u>
2005	\$ 98,924
2006	94,821
2007	94,821
2008	<u>94,822</u>
Total minimum lease payments	383,388
Less amount representing interest	<u>(33,966)</u>
Present value of minimum lease payments	<u>\$ 349,422</u>

GENERAL OBLIGATION BONDS PAYABLE

General obligation bonds payable by the Town at September 30, 2004 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>
2005	4.70%	<u>\$ 680,000</u>	<u>\$ 32,300</u>	<u>\$ 712,300</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 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.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE E - LONG-TERM DEBT (Continued)

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:

Year Ending September 30,	Interest Rate	Principal	Interest	Total
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>\$ 18,275,000</u>	<u>\$ 2,353,704</u>	<u>\$ 20,628,704</u>

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

In April 2003, the Town issued \$6,130,000 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, 2004

NOTE E - LONG-TERM DEBT (Continued)

Year Ending September 30,	Interest Rate	Principal	Interest	Total
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>\$ 6,065,000</u>	<u>\$ 4,937,774</u>	<u>\$ 11,002,774</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 proceeds of the Series 2003A bonds, except for the following:

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE E - LONG-TERM DEBT (Continued)

<u>Year Ending September 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	5.000%	<u>\$ 3,020,000</u>	<u>\$ 992,858</u>	<u>\$ 4,012,858</u>

Annual Requirements

The annual debt service requirements to maturity, including interest of \$8,350,602 (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>
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			4,334,678	4,334,678
2010-2014			5,852,344	5,852,344
2015-2019			1,894,562	1,894,562
2020-2024			1,895,773	1,895,773
2025-2029			1,897,707	1,897,707
2030-2034			<u>1,516,625</u>	<u>1,516,625</u>
	<u>\$ 383,388</u>	<u>\$ 712,300</u>	<u>\$ 35,644,336</u>	<u>\$ 36,740,024</u>

Interest Expense: Total interest costs incurred and paid on all Town debt for the year ended September 30, 2004 totaled \$1,590,795 and \$1,372,527, 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, 2004 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, 2004

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, 2004, 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	\$ 467,717	\$	\$	\$
Reserved for prepaid items	15,668			
Reserved for specific purposes	42,089			3,016,249
Reserved for encumbrances	2,355,759	2,762,248	978,681	1,358,141
Reserved for debt service				<u>117,964</u>
Total Reserved Fund Balances	<u>2,881,233</u>	<u>2,762,248</u>	<u>978,681</u>	<u>4,492,354</u>
Designated Fund Balances				
Designated for subsequent year's budget	1,935,500	938,900		
Designated for specific purposes				
East Central Regional Wastewater Treatment Facility	1,391,155			
Capital projects		10,124,740		
Equipment				5,188,331
Beach restoration projects			25,810,691	
One-time projects	1,964,879			
Compensated absences	<u>2,496,068</u>			
Total Designated for specific purposes	<u>5,852,102</u>	<u>10,124,740</u>	<u>25,810,691</u>	<u>5,188,331</u>
Total Designated Fund Balances	<u>7,787,602</u>	<u>11,063,640</u>	<u>25,810,691</u>	<u>5,188,331</u>
Undesignated Fund Balances	<u>15,625,847</u>			
Total Fund Balances	<u>\$ 26,294,682</u>	<u>\$ 13,825,888</u>	<u>\$ 26,789,372</u>	<u>\$ 9,680,685</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

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE G - RETIREMENT PLANS (Continued)

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 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, 2004, 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%	15.85%
Lifeguard employees	7.21%	16.97%
Police employees	6.98%	30.74%
Fire-Rescue employees	6.82%	34.45%

Annual Pension Cost and Net Pension Obligation: The annual pension cost, net pension obligation and required contribution for September 30, 2004 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, 2004 were as follows:

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE G - RETIREMENT PLANS (Continued)

	<u>General Employees</u>	<u>Public Safety</u>
Annual required contribution	\$ 1,522,597	\$ 2,677,634
Interest on net pension obligation	0	0
Adjustment to annual required contribution	<u>0</u>	<u>0</u>
Annual pension cost	1,522,597	2,677,634
Contributions made	<u>(1,522,597)</u>	<u>(2,677,634)</u>
Increase (decrease) in net pension obligation	0	0
Net pension obligation, beginning of year	<u>0</u>	<u>0</u>
Net pension obligation, end of year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

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

	<u>General Employees</u>	<u>Public Safety</u>
Valuation date	September 30, 2003	September 30, 2003
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level Percent of Payroll Closed Amortization	Level Percent of Payroll Closed Amortization
Remaining amortization period	8-30 years	8-30 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, 2004

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.
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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>			
2002	\$ 567,003	100%	\$ 0
2003	955,887	100%	0
2004	1,522,597	100%	0
<u>Public Safety</u>			
2002	\$ 1,228,132	100%	\$ 0
2003	1,509,136	100%	0
2004	2,677,634	100%	0

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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>						
2001	\$ 56,060	\$ 48,675	\$ (7,385)	115.2	\$ 8,752	0.0%
2002	52,316	53,071	755	98.6	9,380	8.0
2003	53,798	56,652	2,854	95.0	10,223	27.9
<u>Public Safety</u>						
2001	\$ 91,992	\$ 82,361	\$ (9,631)	111.7%	\$ 7,064	0.0%
2002	86,446	88,991	2,545	97.1	7,769	32.8
2003	88,091	94,991	6,900	92.7	8,558	80.6

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 \$4,329,000 is included in accrued liabilities of the Internal Service Funds at September 30, 2004. 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 accrued claims liabilities at September 30, 2004 were determined using actuarial valuations performed by Gallagher Benefit Services, Inc. for group health and AMI Risk Consultants, Inc. for general liability. The insurance coverages and accrued claims liability of the Internal Service Funds at September 30, 2004 are summarized as follows:

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

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, 2004, these benefits covered 391 active employees, 116 retirees and 576 dependents. Net costs for the year ended September 30, 2004 were approximately \$4,623,000. 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 2004). 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 60% 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, 2004 was approximately \$438,000. The Town received participant contributions of approximately \$461,000.

\$ 751,000

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.

3,578,000

\$ 4,329,000

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE H - INSURANCE PROGRAM (Continued)

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

	Year Ended September 30, 2004	Year Ended September 30, 2003
Accrued claims liability at beginning of fiscal year	\$ 2,330,000	\$ 2,265,000
Current year claims and changes in estimates	5,724,000	3,599,000
Claim payments	<u>(3,725,000)</u>	<u>(3,534,000)</u>
Accrued claims liability at end of fiscal year	<u>\$ 4,329,000</u>	<u>\$ 2,330,000</u>

During the fiscal year ended September 30, 2004, the Town received a judgment against it in the amount of approximately \$2.2 million in connection with a construction contract. While the Town is appealing the decision, it has accrued the loss in the accompanying financial statements. The Town is also a party to various other 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 - COMMITMENTS

The Town has several uncompleted construction contracts for improvements to Town facilities. The construction is being funded primarily from accumulated funds in the General Fund and Capital Improvement Fund, except for beach restoration projects and construction of the new central fire station, which are being paid for by bond proceeds in the Beach Restoration Project Fund and the Central Fire Station/Town Hall Renovation Fund, respectively. At September 30, 2004 the remaining commitments on these uncompleted contracts was \$314,006. The uncompleted contracts at September 30, 2004 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	\$ 40,000	\$	\$ 23,750
Capital Improvement Fund	504,165	417,631	46,403	40,131
Beach Restoration Project Fund	1,405,040	1,132,312	125,812	146,916
Other Governmental Funds	<u>3,760,898</u>	<u>3,294,552</u>	<u>363,137</u>	<u>103,209</u>
Total	<u>\$ 5,733,853</u>	<u>\$ 4,884,495</u>	<u>\$ 535,352</u>	<u>\$ 314,006</u>

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE J - HURRICANE EXPENSES

During September 2004, the Town incurred physical damages to its property, as well as a significant amount of clean up costs as a result of two hurricanes. As of September 30, 2004 the Town incurred expenditures of approximately \$2 million related to these storms and additional costs will be incurred in the 2004-2005 fiscal year. The Town anticipates receiving Federal and State grants and insurance reimbursements to cover approximately 80% to 90% of its expenditures.

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue				
Taxes				
Ad Valorem	\$ 31,767,870	\$ 31,767,870	\$ 32,162,957	\$ 395,087
Local Option Gas Tax	210,600	210,600	219,755	9,155
Franchise Fees	1,625,000	1,625,000	1,881,195	256,195
Utility Service	4,223,500	4,223,500	3,983,261	(240,239)
	<u>37,826,970</u>	<u>37,826,970</u>	<u>38,247,168</u>	<u>420,198</u>
Licenses and Permits				
Occupational Licenses	620,000	620,000	697,297	77,297
Building Permits	3,252,750	3,252,750	5,273,284	2,020,534
Other License Fees and Permits	109,700	109,700	145,907	36,207
	<u>3,982,450</u>	<u>3,982,450</u>	<u>6,116,488</u>	<u>2,134,038</u>
Intergovernmental				
State Shared Revenue	977,700	977,700	986,287	8,587
Shared Revenue-local	291,000	291,000	196,841	(94,159)
	<u>1,268,700</u>	<u>1,268,700</u>	<u>1,183,128</u>	<u>(85,572)</u>
Charges for Services				
General Government	36,200	36,200	46,244	10,044
Public Safety	949,800	949,800	705,442	(244,358)
Physical Environment	900,800	900,800	869,451	(31,349)
Transportation	360,200	360,200	433,041	72,841
	<u>2,247,000</u>	<u>2,247,000</u>	<u>2,054,178</u>	<u>(192,822)</u>
Fines and Forfeitures	742,000	742,000	1,046,677	304,677
Investment Earnings	608,240	608,240	527,686	(80,554)
Grant Revenue	97,700	97,700	2,112,809	2,015,109
Miscellaneous				
Rents and Royalties	49,575	49,575	72,377	22,802
Other Miscellaneous	78,000	78,000	205,850	127,850
	<u>127,575</u>	<u>127,575</u>	<u>278,227</u>	<u>150,652</u>
Total Revenue	46,900,635	46,900,635	51,566,361	4,665,726

See notes to budgetary comparison schedule.

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Expenditures				
General Government				
Town Manager	\$ 1,002,151	\$ 1,536,479	\$ 1,463,446	\$ 73,033
Human Resources	628,745	628,745	605,103	23,642
Information Systems	1,136,768	1,136,768	1,132,722	4,046
Town Clerk	285,332	294,632	294,568	64
Finance	1,214,952	1,231,552	1,229,474	2,078
Planning, Zoning and Building	550,511	599,446	591,664	7,782
Permit Issuance	874,572	874,572	845,432	29,140
Contingency	732,922	397,884	0	397,884
Employee Benefits	771,431	771,431	769,262	2,169
	<u>7,197,384</u>	<u>7,471,509</u>	<u>6,931,671</u>	<u>539,838</u>
Public Safety				
Inspection and Compliance	828,583	848,583	847,714	869
Fire-Rescue	7,968,835	8,148,835	8,126,434	22,401
Police	12,214,002	12,448,002	12,383,563	64,439
Emergency/Disaster Response	60,000	3,721,000	3,843,053	(122,053)
	<u>21,071,420</u>	<u>25,166,420</u>	<u>25,200,764</u>	<u>(34,344)</u>
Physical Environment				
Administration	589,055	602,055	600,098	1,957
Sewer and Sanitation	6,013,069	6,173,069	6,094,631	78,438
Public Works	1,957,226	2,001,101	1,923,865	77,236
	<u>8,559,350</u>	<u>8,776,225</u>	<u>8,618,594</u>	<u>157,631</u>
Transportation				
Streets and Repairs	362,143	362,143	423,681	(61,538)
Traffic Control	463,888	499,388	498,928	460
	<u>826,031</u>	<u>861,531</u>	<u>922,609</u>	<u>(61,078)</u>
Culture and Recreation				
Recreation	155,951	155,951	129,851	26,100
Library	235,000	235,000	235,000	0
Parks and Beaches	1,252,466	1,252,966	1,223,441	29,525
	<u>1,643,417</u>	<u>1,643,917</u>	<u>1,588,292</u>	<u>55,625</u>

See notes to budgetary comparison schedule.

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Non-departmental	\$ 2,810,033	\$ 2,810,033	\$ 2,804,242	\$ 5,791
Debt Service				
Principal	135,289	135,289	135,289	0
Interest and Fiscal Charges	45,711	10,711	20,360	(9,649)
	<u>181,000</u>	<u>146,000</u>	<u>155,649</u>	<u>(9,649)</u>
Total Expenditures	42,288,635	46,875,635	46,221,821	653,814
Other financing sources (uses)				
Proceeds from sale of capital assets	0	0	1,964,879	1,964,879
Transfers in	550,000	550,000	550,000	0
Transfers out	(5,162,000)	(5,212,000)	(5,217,791)	(5,791)
	<u>(4,612,000)</u>	<u>(4,662,000)</u>	<u>(2,702,912)</u>	<u>1,959,088</u>
Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 0</u>	<u>\$ (4,637,000)</u>	2,641,628	<u>\$ 7,278,628</u>
Fund balance at October 1, 2003			21,429,468	
Net difference between GAAP and Non-GAAP budgetary basis			<u>2,223,586</u>	
Fund balance at September 30, 2004			<u>\$ 26,294,682</u>	

See notes to budgetary comparison schedule.

TOWN OF PALM BEACH, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2004

NOTE A - BUDGETARY ACCOUNTING

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 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.

NOTE B - BUDGET AND ACTUAL COMPARISONS

The Budgetary Comparison Schedule for the General Fund is required to be prepared under the basis of accounting used in preparing the budget. As indicated in Note 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:

TOWN OF PALM BEACH, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2004

NOTE B - BUDGET AND ACTUAL COMPARISONS (Continued)

Current year encumbrances outstanding at year end	\$ 2,355,759
Prior year encumbrances paid in the current year	(132,173)
State on-behalf payments for Police and Fire-Rescue pension contributions not included in budgetary basis	
GAAP basis revenue	744,341
GAAP basis expenditure	<u>(744,341)</u>
NET DIFFERENCE BETWEEN GAAP AND BUDGETARY BASIS	2,223,586
Revenue and other sources over expenditures and other uses BUDGETARY BASIS	<u>2,641,628</u>
Revenue and other sources over expenditures and other uses GAAP BASIS	<u>\$ 4,865,214</u>

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

**MAJOR CAPITAL PROJECTS FUNDS
BUDGETARY COMPARISON SCHEDULES**

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Investment earnings	\$ 225,000	\$ 225,000	\$ 213,618	\$ (11,382)
Grants	150,000	150,000	21,791	(128,209)
Total revenue	<u>\$ 375,000</u>	<u>\$ 375,000</u>	<u>\$ 235,409</u>	<u>\$ (139,591)</u>
EXPENDITURES				
Current				
Physical environment	\$ 0	\$ 0	\$ 108,632	\$ (108,632)
Transportation	0	0	38,300	(38,300)
Capital outlay	18,156,978	18,156,978	6,093,712	12,063,266
Total expenditures - budgetary basis	<u>\$ 18,156,978</u>	<u>\$ 18,156,978</u>	6,240,644	<u>\$ 11,916,334</u>
Current year encumbrances outstanding at year end			(2,762,248)	
GAAP basis expenditures			<u>\$ 3,478,396</u>	
OTHER FINANCING SOURCE (USE)				
Transfer in	\$ 3,951,000	\$ 3,951,000	\$ 2,682,000	\$ (1,269,000)
Transfer out	0	0	(175,592)	(175,592)
Total other financing source (use)	<u>\$ 3,951,000</u>	<u>\$ 3,951,000</u>	<u>\$ 2,506,408</u>	<u>\$ (1,444,592)</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, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Investment earnings	\$ 274,200	\$ 274,200	\$ 391,449	\$ 117,249
Grant revenue	635,000	635,000	607,209	(27,791)
Total revenue	<u>\$ 909,200</u>	<u>\$ 909,200</u>	<u>\$ 998,658</u>	<u>\$ 89,458</u>
EXPENDITURES				
Current				
Physical environment	\$ 0	\$ 0	\$ 2,956,139	\$ (2,956,139)
Capital outlay	<u>16,013,842</u>	<u>16,013,842</u>	<u>0</u>	<u>16,013,842</u>
Total expenditures - budgetary basis	<u>\$ 16,013,842</u>	<u>\$ 16,013,842</u>	2,956,139	<u>\$ 13,057,703</u>
Current year encumbrances outstanding at year end			<u>(978,681)</u>	
GAAP basis expenditures			<u>\$ 1,977,458</u>	
OTHER FINANCING USE				
Transfer out	<u>\$ (1,855,550)</u>	<u>\$ (1,855,550)</u>	<u>\$ (1,855,550)</u>	<u>\$ 0</u>

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

Series 2003 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, 2004

	Special Revenue		
	State Forfeiture Fund	Federal Forfeiture Fund	Donation Fund
ASSETS			
Equity in pooled cash and investments	\$ 75,196	\$ 21,658	\$ 867,067
Total assets	<u>\$ 75,196</u>	<u>\$ 21,658</u>	<u>\$ 867,067</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 6,000	\$	\$ 20,462
Due to other funds			4,986
	<u>6,000</u>	<u>0</u>	<u>25,448</u>
FUND BALANCES			
Reserved:			
Reserved for specific purposes	69,196	21,658	481,027
Reserved for encumbrances			360,592
Reserved for debt service			
Unreserved:			
Designated for specific purposes			
Total fund balances	<u>69,196</u>	<u>21,658</u>	<u>841,619</u>
Total liabilities and fund balances	<u>\$ 75,196</u>	<u>\$ 21,658</u>	<u>\$ 867,067</u>

Series 1993 Debt Service Fund	Debt Service		Capital Projects		Total Other Governmental Funds
	Series 2000 Debt Service Fund	Series 2003 Debt Service Fund	Equipment Replacement Fund	Town Facilities Fund	
\$ 112,424	\$ 2,382	\$ 4,158	\$ 5,344,334	\$ 3,779,495	\$ 10,206,714
<u>\$ 112,424</u>	<u>\$ 2,382</u>	<u>\$ 4,158</u>	<u>\$ 5,344,334</u>	<u>\$ 3,779,495</u>	<u>\$ 10,206,714</u>
\$ 1,000	\$	\$	\$	\$ 493,581	\$ 521,043
<u>1,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>493,581</u>	<u>526,029</u>
111,424	2,382	4,158	156,003	2,444,368 841,546	3,016,249 1,358,141 117,964
<u>111,424</u>	<u>2,382</u>	<u>4,158</u>	<u>5,188,331</u> <u>5,344,334</u>	<u>3,285,914</u>	<u>5,188,331</u> <u>9,680,685</u>
<u>\$ 112,424</u>	<u>\$ 2,382</u>	<u>\$ 4,158</u>	<u>\$ 5,344,334</u>	<u>\$ 3,779,495</u>	<u>\$ 10,206,714</u>

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2004

	Special Revenue		
	State Forfeiture Fund	Federal Forfeiture Fund	Donation Fund
Revenue			
Taxes	\$	\$	\$
Fines and forfeitures			
Seizure deposits	33,296		
Investment earnings	821	313	
Contributions			825,338
Miscellaneous			
	<u>34,117</u>	<u>313</u>	<u>825,338</u>
Expenditures			
Current			
General government			117,236
Public safety	13,086	10,130	158,024
Physical environment			
Capital outlay			150,504
Debt service			
Principal retirement			
Interest and fiscal charges			
	<u>13,086</u>	<u>10,130</u>	<u>425,764</u>
Revenue over (under) expenditures	21,031	(9,817)	399,574
Other financing sources (uses)			
Transfers in			50,000
Transfers out			(1,102,290)
Revenue and other sources over (under) expenditures and other uses	21,031	(9,817)	(652,716)
Fund balances at October 1, 2003	<u>48,165</u>	<u>31,475</u>	<u>1,494,335</u>
Fund balances at September 30, 2004	<u>\$ 69,196</u>	<u>\$ 21,658</u>	<u>\$ 841,619</u>

Series 1993 Debt Service Fund	Debt Service		Capital Projects		Total Other Governmental Funds
	Series 2000 Debt Service Fund	Series 2003 Debt Service Fund	Equipment Replacement Fund	Town Facilities Fund	
\$ 615,374	\$	\$	\$	\$	\$ 615,374
5,646	1,957	2,585	78,846	59,324	33,296
			60,470		149,492
					825,338
					60,470
<u>621,020</u>	<u>1,957</u>	<u>2,585</u>	<u>139,316</u>	<u>59,324</u>	<u>1,683,970</u>
			1,703		118,939
			1,274		181,240
			746,119	3,019,782	1,274
					3,916,405
645,000	2,870,000	175,000			3,690,000
63,615	223,325	1,065,227			1,352,167
<u>708,615</u>	<u>3,093,325</u>	<u>1,240,227</u>	<u>749,096</u>	<u>3,019,782</u>	<u>9,260,025</u>
(87,595)	(3,091,368)	(1,237,642)	(609,780)	(2,960,458)	(7,576,055)
	3,093,750	1,241,800	1,041,423	1,102,290	6,529,263
					(1,102,290)
(87,595)	2,382	4,158	431,643	(1,858,168)	(2,149,082)
199,019	0	0	4,912,691	5,144,082	11,829,767
<u>\$ 111,424</u>	<u>\$ 2,382</u>	<u>\$ 4,158</u>	<u>\$ 5,344,334</u>	<u>\$ 3,285,914</u>	<u>\$ 9,680,685</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, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Taxes	\$ 610,140	\$ 610,140	\$ 615,374	\$ 5,234
Investment earnings	9,500	9,500	5,646	(3,854)
Total revenue	<u>\$ 619,640</u>	<u>\$ 619,640</u>	<u>\$ 621,020</u>	<u>\$ 1,380</u>
EXPENDITURES				
Debt service				
Principal retirement	\$ 645,000	\$ 645,000	\$ 645,000	\$ 0
Interest and fiscal charges	63,615	63,615	63,615	0
Total expenditures	<u>\$ 708,615</u>	<u>\$ 708,615</u>	<u>\$ 708,615</u>	<u>\$ 0</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, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Investment earnings	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,957</u>	<u>\$ 1,957</u>
EXPENDITURES				
Debt service				
Principal retirement	\$ 2,870,000	\$ 2,870,000	\$ 2,870,000	\$ 0
Interest and fiscal charges	<u>223,750</u>	<u>223,750</u>	<u>223,325</u>	<u>425</u>
Total expenditures	<u>\$ 3,093,750</u>	<u>\$ 3,093,750</u>	<u>\$ 3,093,325</u>	<u>\$ 425</u>
OTHER FINANCING SOURCE				
Transfer in	<u>\$ 3,093,750</u>	<u>\$ 3,093,750</u>	<u>\$ 3,093,750</u>	<u>\$ 0</u>

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF REVENUE AND EXPENDITURES - SERIES 2003 DEBT SERVICE FUND -
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS

Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Investment earnings	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,585</u>	<u>\$ 2,585</u>
EXPENDITURES				
Debt service				
Principal retirement	\$ 175,000	\$ 175,000	\$ 175,000	\$ 0
Interest and fiscal charges	<u>1,066,800</u>	<u>1,066,800</u>	<u>1,065,227</u>	<u>1,573</u>
Total expenditures	<u>\$ 1,241,800</u>	<u>\$ 1,241,800</u>	<u>\$ 1,240,227</u>	<u>\$ 1,573</u>
OTHER FINANCING SOURCE				
Transfer in	<u>\$ 1,241,800</u>	<u>\$ 1,241,800</u>	<u>\$ 1,241,800</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, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Investment earnings	\$ 88,500	\$ 88,500	\$ 78,846	\$ (9,654)
Miscellaneous	40,000	40,000	60,470	20,470
Total revenue	<u>\$ 128,500</u>	<u>\$ 128,500</u>	<u>\$ 139,316</u>	<u>\$ 10,816</u>
EXPENDITURES				
Current				
General government	\$ 0	\$ 0	\$ 1,703	\$ (1,703)
Physical environment	0	0	1,274	(1,274)
Capital outlay	946,925	946,925	899,497	47,428
Total expenditures - budgetary basis	<u>\$ 946,925</u>	<u>\$ 946,925</u>	902,474	<u>\$ 44,451</u>
Current year encumbrances outstanding at year end			(156,003)	
Prior year encumbrances paid in the current year			<u>2,625</u>	
GAAP basis expenditures			<u>\$ 749,096</u>	
OTHER FINANCING SOURCE				
Transfer in	<u>\$ 1,001,632</u>	<u>\$ 1,001,632</u>	<u>\$ 1,041,423</u>	<u>\$ 39,791</u>

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Investment earnings	\$ 45,000	\$ 45,000	\$ 59,324	\$ 14,324
EXPENDITURES				
Capital outlay				
Town Hall renovations	\$ 2,535,294	\$ 2,535,294	\$ 412,543	\$ 2,122,751
Central Fire-Rescue station	3,301,399	3,301,399	3,448,785	(147,386)
Other	407,889	407,889	0	407,889
Total expenditures - budgetary basis	\$ 6,244,582	\$ 6,244,582	3,861,328	\$ 2,383,254
Current year encumbrances outstanding at year end			(841,546)	
GAAP basis expenditures			\$ 3,019,782	
OTHER FINANCING SOURCE				
Transfer in	\$ 1,100,500	\$ 1,100,500	\$ 1,102,290	\$ 1,790

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, 2004

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 10,000	\$ 29,429	\$ 39,429
Equity in pooled cash and investments	<u>7,464,585</u>	<u>17,191,144</u>	<u>24,655,729</u>
Total current assets	7,474,585	17,220,573	24,695,158
Noncurrent assets			
Capital assets			
Equipment	8,012	8,269	16,281
Accumulated depreciation	<u>(1,690)</u>	<u>(4,902)</u>	<u>(6,592)</u>
Total capital assets, net of accumulated depreciation	<u>6,322</u>	<u>3,367</u>	<u>9,689</u>
Total assets	7,480,907	17,223,940	24,704,847
LIABILITIES			
Current liabilities			
Accounts payable	107,132	81,151	188,283
Accrued liabilities	3,582,824	784,829	4,367,653
Due to other funds	<u>1,780</u>	<u> </u>	<u>1,780</u>
Total current liabilities	3,691,736	865,980	4,557,716
Noncurrent liability			
Compensated absences payable	6,523	1,453	7,976
NET ASSETS			
Invested in capital assets	6,322	3,367	9,689
Unrestricted	<u>3,776,326</u>	<u>16,353,140</u>	<u>20,129,466</u>
Total net assets	<u>\$ 3,782,648</u>	<u>\$ 16,356,507</u>	<u>\$ 20,139,155</u>

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2004

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Total
Operating revenue			
Charges for services	\$ 2,817,292	\$ 4,678,482	\$ 7,495,774
Operating expenses			
Personal services	116,490	105,103	221,593
Contractual services	46,976	19,496	66,472
Insurance and claims	3,640,991	4,745,535	8,386,526
Hurricane expenses	101,250		101,250
Depreciation	958	1,276	2,234
Other	16,587	2,436	19,023
	<u>3,923,252</u>	<u>4,873,846</u>	<u>8,797,098</u>
Operating loss	(1,105,960)	(195,364)	(1,301,324)
Non-operating revenue			
Investment earnings	<u>92,934</u>	<u>300,868</u>	<u>393,802</u>
Change in Net Assets	(1,013,026)	105,504	(907,522)
Net assets at October 1, 2003	<u>4,795,674</u>	<u>16,251,003</u>	<u>21,046,677</u>
Net assets at September 30, 2004	<u>\$ 3,782,648</u>	<u>\$ 16,356,507</u>	<u>\$ 20,139,155</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUNDS

Year Ended September 30, 2004

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Total
OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,817,292	\$ 4,678,482	\$ 7,495,774
Payments to employees	(113,212)	(102,949)	(216,161)
Payments to suppliers	(1,844,155)	(4,678,601)	(6,522,756)
Payments for interfund services used	1,672	(496)	1,176
Net cash provided by (used in) operating activities	861,597	(103,564)	758,033
INVESTING ACTIVITY			
Investment earnings received	92,934	300,868	393,802
Net cash provided by investing activity	92,934	300,868	393,802
Net increase in cash and cash equivalents	954,531	197,304	1,151,835
Cash and cash equivalents at October 1, 2003	6,520,054	17,023,269	23,543,323
Cash and cash equivalents at September 30, 2004	<u>\$ 7,474,585</u>	<u>\$ 17,220,573</u>	<u>\$ 24,695,158</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	\$ (1,105,960)	\$ (195,364)	\$ (1,301,324)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	958	1,276	2,234
Changes in operating assets and liabilities:			
Decrease in prepaid items	150	27,863	28,013
Increase (decrease) in accounts payable	61,500	(55,823)	5,677
Increase in accrued liabilities	1,900,340	117,685	2,018,025
Increase (decrease) in due to other funds	1,672	(496)	1,176
Increase in compensated absences payable	2,937	1,295	4,232
Net cash provided by (used in) operating activities	<u>\$ 861,597</u>	<u>\$ (103,564)</u>	<u>\$ 758,033</u>

FIDUCIARY FUNDS
COMBINING FINANCIAL STATEMENTS

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.

AGENCY FUND

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

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF PLAN NET ASSETS -
PENSION TRUST FUNDS

September 30, 2004

	General Employees Pension Trust Fund	Public Safety Pension Trust Fund	Total
ASSETS			
Cash and short-term investments	\$ 954,665	\$ 627,231	\$ 1,581,896
Accrued interest and dividends receivable	218,304	151,150	369,454
Due from other funds	10,443		10,443
Investments, at fair value			
U.S. Government and Agency securities	10,077,263	5,809,738	15,887,001
Passive Bond Market Index Fund		15,225,857	15,225,857
Domestic common stocks	20,273,878	15,466,444	35,740,322
Common Stock Index Fund	13,510,454		13,510,454
Domestic corporate bonds	11,778,239	7,082,646	18,860,885
Mutual funds		33,171,448	33,171,448
Investment partnerships		13,784,200	13,784,200
Total investments	<u>55,639,834</u>	<u>90,540,333</u>	<u>146,180,167</u>
Total assets	56,823,246	91,318,714	148,141,960
LIABILITIES			
Accounts payable	14,612	71,648	86,260
Due to other funds		10,443	10,443
DROP plan liability	1,142,473	2,183,687	3,326,160
Total liabilities	<u>1,157,085</u>	<u>2,265,778</u>	<u>3,422,863</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 55,666,161</u>	<u>\$ 89,052,936</u>	<u>\$ 144,719,097</u>

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2004

	General Employees Pension Trust Fund	Public Safety Pension Trust Fund	Total
ADDITIONS			
Contributions			
Employer	\$ 1,522,597	\$ 1,933,293	\$ 3,455,890
Employee	722,770	770,142	1,492,912
State		744,341	744,341
Total contributions	<u>2,245,367</u>	<u>3,447,776</u>	<u>5,693,143</u>
Investment income			
Net appreciation in fair value of investments	4,350,385	7,460,203	11,810,588
Interest income	1,032,865	696,894	1,729,759
Dividend income	300,801	492,053	792,854
	<u>5,684,051</u>	<u>8,649,150</u>	<u>14,333,201</u>
Less investment expense	217,634	312,166	529,800
Net investment income	<u>5,466,417</u>	<u>8,336,984</u>	<u>13,803,401</u>
Total additions	7,711,784	11,784,760	19,496,544
DEDUCTIONS			
Benefit payments	2,304,344	4,281,342	6,585,686
Share account distributions		781,792	781,792
Refunds	33,211	90,198	123,409
Administrative expense	60,555	114,962	175,517
Total deductions	<u>2,398,110</u>	<u>5,268,294</u>	<u>7,666,404</u>
Net increase	5,313,674	6,516,466	11,830,140
Net assets held in trust for pension benefits at October 1, 2003	<u>50,352,487</u>	<u>82,536,470</u>	<u>132,888,957</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT SEPTEMBER 30, 2004	<u>\$ 55,666,161</u>	<u>\$ 89,052,936</u>	<u>\$ 144,719,097</u>

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUND

Year Ended September 30, 2004

	Balance October 1, 2003	Additions	Deductions	Balance September 30, 2004
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
KREUSLER PARK FUND				
ASSETS				
Equity in pooled cash and investments	\$ 2,062	\$ 16,673	\$	\$ 18,735
Due from General Fund	<u>13,586</u>	<u> </u>	<u>5,989</u>	<u>7,597</u>
Total assets	<u>\$ 15,648</u>	<u>\$ 16,673</u>	<u>\$ 5,989</u>	<u>\$ 26,332</u>
LIABILITIES				
Accounts payable	\$ 15,156	\$ 11,176	\$	\$ 26,332
Due to other governments	<u>492</u>	<u> </u>	<u>492</u>	<u>0</u>
Total liabilities	<u>\$ 15,648</u>	<u>\$ 11,176</u>	<u>\$ 492</u>	<u>\$ 26,332</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, 2004

Governmental funds capital assets	
Land	\$ 8,039,238
Buildings	12,610,650
Improvements other than buildings	1,272,855
Equipment	11,152,077
Infrastructure	46,142,790
Construction in progress	<u>11,645,577</u>
	<u>\$ 90,863,187</u>
Governmental funds capital assets by source	
General Fund	\$ 31,412,050
Capital Projects Funds	54,194,094
Donations	4,644,524
Transfer from Parking Fund at closure	<u>612,519</u>
	 <u>\$ 90,863,187</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, 2004

Function and Activity	Land	Buildings	Improvements other than Buildings	Equipment	Infrastructure	Construction in Progress	Total
General Government							
Assets acquired prior to 1989	\$ 1,802,583	\$ 4,298,079	\$ 735,159	\$ 8,073	\$	\$	\$ 6,843,894
Town Manager				72,476		291,431	363,907
Human Resources				36,317			36,317
Information Systems				963,728			963,728
Finance				23,504			23,504
Purchasing				30,156			30,156
Planning, Zoning and Building		34,394		244,593			278,987
Town Clerk				13,140			13,140
Total General Government	1,802,583	4,332,473	735,159	1,391,987	0	291,431	8,553,633
Public Safety							
Assets acquired prior to 1989	1,675,000	4,149,604					5,824,604
Police		668,854		2,539,894		9,419	3,218,167
Fire-Rescue		1,858,966	181,138	3,240,206		3,987,935	9,268,245
Total Public Safety	1,675,000	6,677,424	181,138	5,780,100	0	3,997,354	18,311,016
Public Works	2,583,905	1,467,338	356,558	3,979,990	46,142,790	7,356,792	61,887,373
Recreation	1,977,750	133,415					2,111,165
Total Governmental Funds Capital Assets	<u>\$ 8,039,238</u>	<u>\$ 12,610,650</u>	<u>\$ 1,272,855</u>	<u>\$ 11,152,077</u>	<u>\$ 46,142,790</u>	<u>\$ 11,645,577</u>	<u>\$ 90,863,187</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, 2004

Function and Activity	Balance October 1, 2003	Additions	Deletions	Transfers	Balance September 30, 2004
General Government					
Assets acquired prior to 1989	\$ 6,933,976	\$	\$ 90,082	\$	\$ 6,843,894
Town Manager	151,050	248,685	35,828		363,907
Human Resources	32,667	3,650			36,317
Information Systems	877,913	202,107	116,292		963,728
Finance	39,385	5,202	21,083		23,504
Purchasing	30,156				30,156
Planning, Zoning and Building	247,437	38,973	7,423		278,987
Town Clerk	11,852	2,865	1,577		13,140
Total General Government	8,324,436	501,482	272,285	0	8,553,633
Public Safety					
Assets acquired prior to 1989	5,824,604				5,824,604
Police	3,042,776	461,094	285,703		3,218,167
Fire-Rescue	6,138,834	3,204,811	75,400		9,268,245
Total Public Safety	15,006,214	3,665,905	361,103	0	18,311,016
Public Works	58,499,116	3,460,584	72,327		61,887,373
Recreation	4,113,519		2,002,354		2,111,165
Total Governmental Funds Capital Assets	<u>\$ 85,943,285</u>	<u>\$ 7,627,971</u>	<u>\$ 2,708,069</u>	<u>\$ 0</u>	<u>\$ 90,863,187</u>

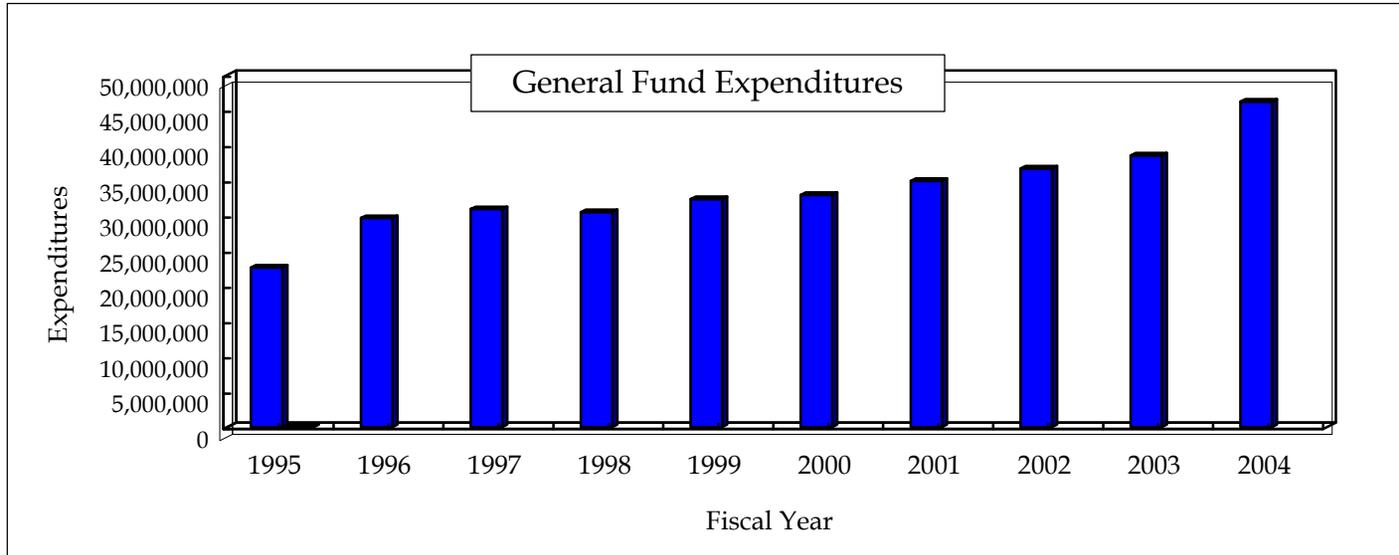
A more detailed segregation of capital assets by activity is not available for years prior to 1989. This information is being developed prospectively.

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, 2004

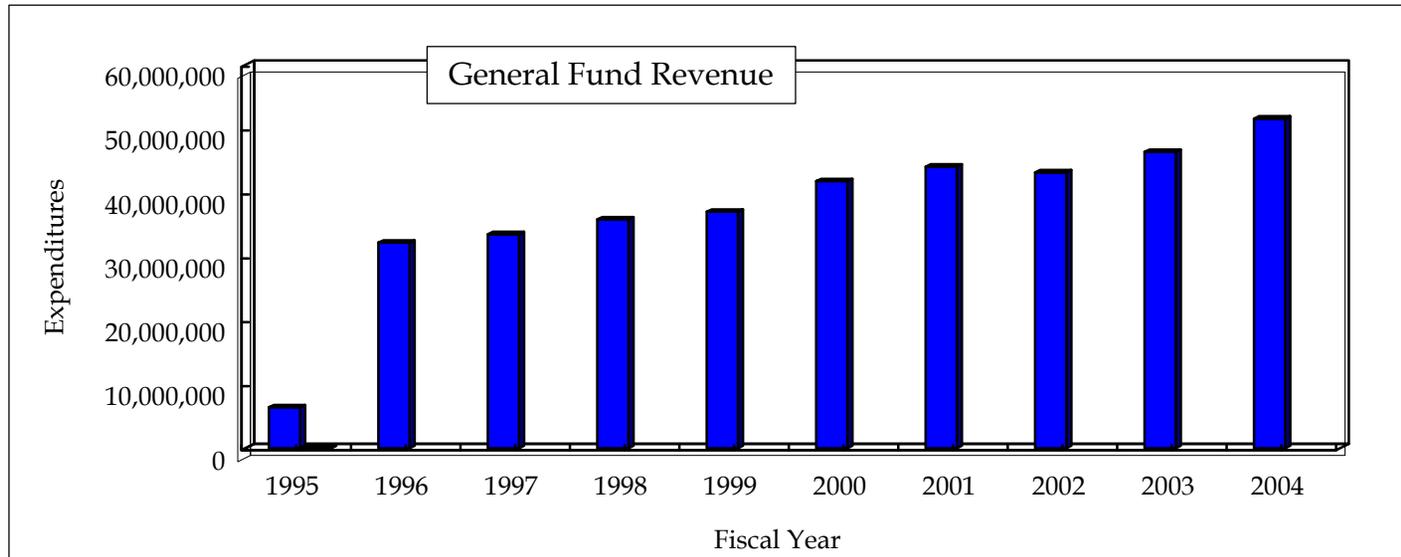
Fiscal Year Ended September 30 ,	General Government	Public Safety	Physical Environment	Transportation	Culture and Recreation	Non-Departmental	Principal Retirement & Interest	Total
1995	\$ 4,820,706	\$ 13,229,969	\$ 7,668,558	\$ 886,672	\$ 873,600		\$ 164,120	\$ 22,658,799
1996	4,498,077	14,906,964	7,228,727	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
2004	6,931,671	25,200,764	8,618,594	922,609	1,588,292	2,804,242	155,649	46,221,821



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, 2004

Fiscal Year Ended September 30 ,	Taxes	Licenses and Permits	Inter- governmental	Charges for Services	Fines and Forfeitures	Investment Earnings	Contributions	Grants and Miscellaneous	Total
1995	\$ 23,791,343	\$ 2,883,641	\$ 868,807	\$ 1,111,711	\$ 402,128	\$ 875,580	\$ 264,405	\$ 934,205	\$ 6,406,272
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
2004	38,247,168	6,116,488	1,183,128	2,054,178	1,046,677	527,686	0	2,391,036	51,566,361



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, 2004

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 Purposes	Designated for ECR (1)	Total Unreserved			
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
2004	15,625,847	1,935,500	4,460,947	1,391,155	23,413,449	49,960,367	46.86	31.28

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, 2004

	Actual FY1998	Actual FY1999	Actual FY2000	Actual FY2001	Actual FY2002	Actual FY2003	Actual FY2004	Budget FY 2005
Franchise fees	\$ 1,682,379	\$ 1,725,946	\$ 1,693,857	\$ 2,049,125	\$ 1,716,214	\$ 1,726,221	\$ 1,881,195	\$ 1,790,000
Utility service tax	3,387,188	3,556,197	3,549,952	3,560,240	4,022,212	4,156,003	3,983,261	4,054,500
Occupational licenses	580,162	572,005	547,441	634,645	605,737	617,974	697,297	632,000
Building permits (1)	4,672,211	4,460,447	6,406,102	5,158,528	4,781,034	4,906,964	5,273,284	3,554,275
Other license fees & permits	170,214	207,819	245,086	219,919	116,811	129,199	145,907	111,300
State shared revenue (2)	825,207	840,777	872,579	833,836	903,840	846,318	893,193	886,407
Grants	8,889	10,178	217,939	26,212	44,608	52,768	150,735	170,340
Local shared revenue	34,349	32,483	596,487	86,922	163,871	290,620	196,841	97,700
General government	32,585	41,421	34,135	28,739	30,709	36,095	46,244	39,900
Public safety	326,572	527,801	655,934	775,900	662,763	940,784	705,442	820,600
Physical environment	739,993	789,701	829,803	893,973	907,551	892,634	869,451	939,600
Transportation	319,286	331,804	343,076	340,899	351,495	398,614	433,041	417,700
Culture-recreation	271,769	281,102	268,636	269,969	274,840	292,682	0	0
Fines & Forfeitures	592,508	632,805	600,722	758,453	550,323	863,474	946,677	787,500
Contributions	114,083	145,201	0	25,801	250	0	150,000	0
Investment earnings	1,076,220	1,208,413	1,637,841	1,782,377	665,828	583,091	527,686	617,379
Rents and royalties	10,128	21,973	71,695	70,203	92,470	60,573	72,377	48,575
Special assessments	1,415	0	0	0	0	0	0	0
Sale of fixed assets	47,632	101,622	33,041	35,014	41,923	0	0	0
Other miscellaneous	576,091	266,727	70,974	150,926	88,808	69,386	83,894	84,000
Total Non-Ad Valorem Revenue	\$ 15,468,881	\$ 15,754,422	\$ 18,675,300	\$ 17,701,681	\$ 16,021,287	\$ 16,863,400	\$ 17,056,525	\$ 15,051,776

(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 and Sales Tax .

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, EMS transport fees, burglar alarm registration and false alarm fees, police ID cards, Direct Connect Alarm fees, and tent permits.

Physical Environment Revenue

Physical Environment Revenue includes solid waste collection fees (collected through a non-ad valorem assessment), recycling fees and beach cleaning fees.

Transportation

Revenues include parking meter and permit collections.

Culture - Recreation

Recreation fees have been transferred to the new Leisure Services Enterprise Fund beginning in FY 2004.

Fines and Forfeitures

Fines and penalties received from traffic violations, parking meter violations, right-of-way violations and code compliance fines.

Investment Earnings

Interest earnings on cash, cash equivalents, and investments.

Grant Revenue

Reflected in the grant total for FY 2005 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. Sale proceeds have been deposited in the Equipment Replacement Fund since FY 2003.

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, 2004, the Series 1993 General Obligation Bonds were outstanding in the amount of \$680,000 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, 2004. At the present time the Town does not have any other authorized but unissued debt.

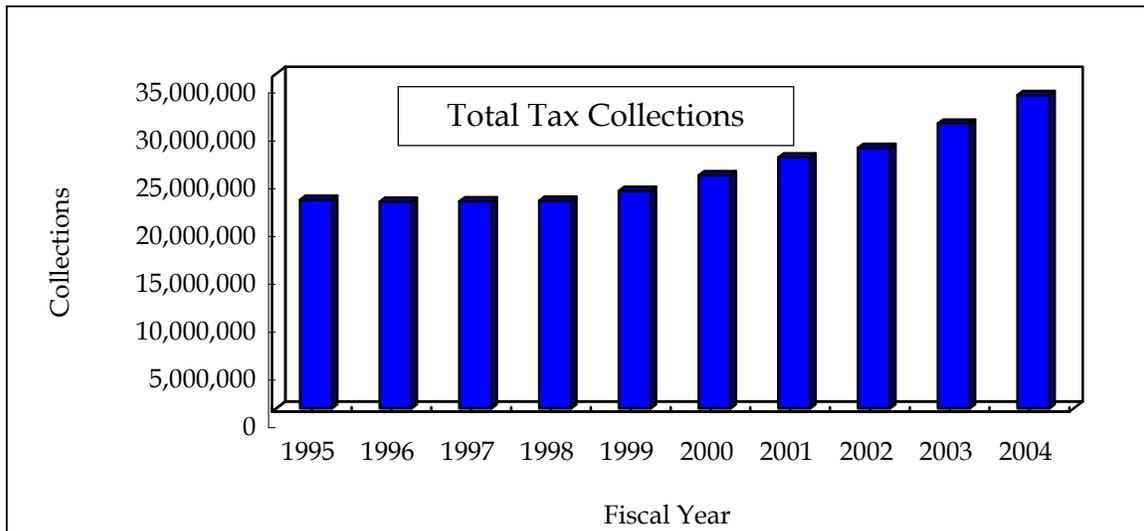
TOWN OF PALM BEACH, FLORIDA
PROPERTY TAX LEVY AND COLLECTIONS (UNAUDITED)
Last Ten Fiscal Years
September 30, 2004

Fiscal Year	Tax Levy*	Collections*	Ratio of Tax Collections To Tax Levy	Delinquent Taxes**
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
2004	34,130,901	32,778,331	96.04%	57,193

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.

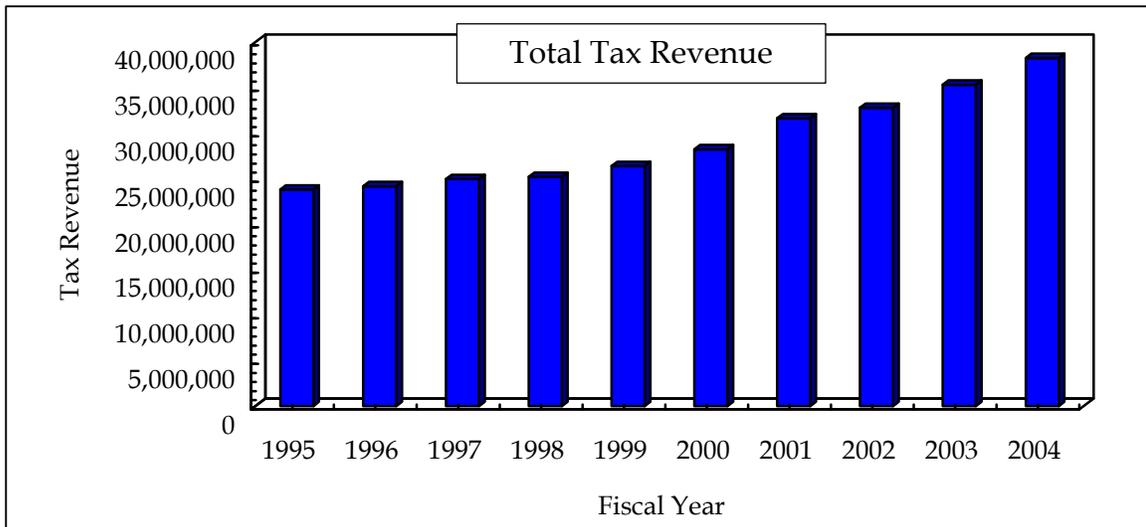


Source: Palm Beach County Tax Collector

TOWN OF PALM BEACH, FLORIDA
TAX REVENUE BY SOURCE (UNAUDITED)
Last Ten Fiscal Years
September 30, 2004

Fiscal Year	Ad Valorem*	Local Option Gas Tax	Franchise Fees	Utility Service	Total
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
2004	32,162,957	219,755	1,881,195	3,983,261	38,247,168

* Property tax revenue related to General Fund



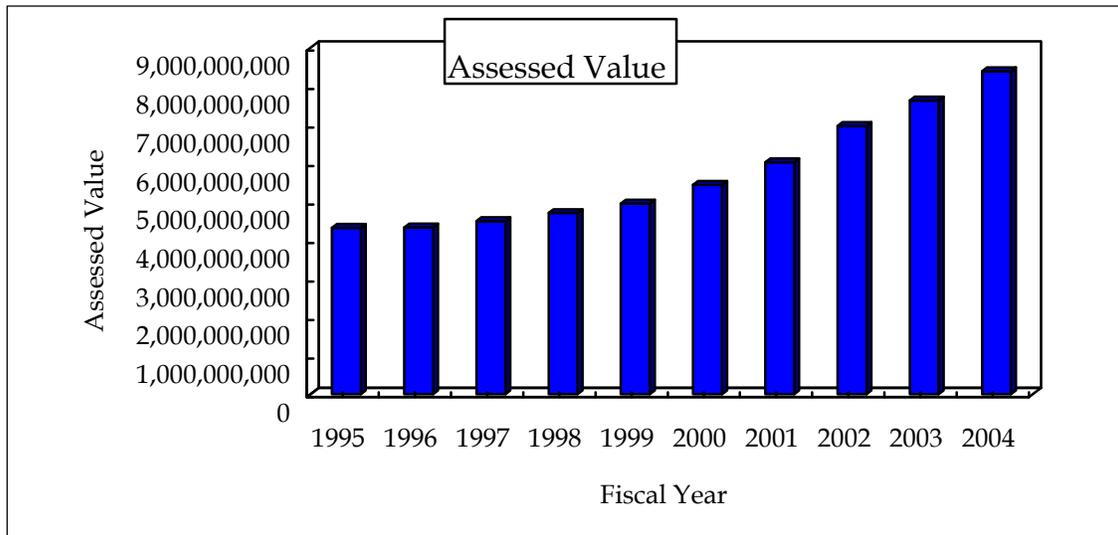
Source: Town of Palm Beach Finance Department

TOWN OF PALM BEACH, FLORIDA
 ASSESSED VALUE (UNAUDITED)
 Last Ten Fiscal Years
 September 30, 2004

Fiscal Year	Real Property	Personal Property	Total Assessed Value*	Actual Value**	Ratio of Assessed Value To Actual Value
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%
2004	8,272,932,924	121,731,447	8,394,664,371	10,095,042,197	83.16%

* 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, 2004									
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Town of Palm Beach	5.1679	4.9960	4.9810	4.7901	4.7528	4.6452	4.5059	4.0641	4.0541	4.0529
Palm Beach County	4.5193	4.5191	4.5191	4.8666	4.8582	4.9456	4.9362	4.9351	4.8084	4.7910
Palm Beach County School District	10.1850	9.7970	9.7880	9.5570	9.6820	9.0430	8.9180	8.9780	8.7790	8.5710
South Florida Water Management District	0.6470	0.6470	0.5720	0.5970	0.5970	0.5970	0.5970	0.5970	0.5970	0.5970
South Lake Worth Inlet District (2)	0.1017	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Children Services Council	0.3515	0.3730	0.3756	0.4530	0.4403	0.4696	0.5000	0.5703	0.6228	0.6902
Florida Inland Navigation District	0.0490	0.0400	0.0380	0.0500	0.0470	0.0440	0.0410	0.0385	0.0385	0.0385
Health Care District	1.4750	1.4250	1.2000	1.1600	1.0500	0.9750	1.0250	1.1500	1.1300	1.1300
Everglades Construction	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
	<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>	<u>19.9706</u>

(1) All rates expressed in mills

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

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

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

Last Ten Fiscal Years
September 30, 2004

	<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>	<u>2004</u>
TAXING UNIT										
Town of Palm Beach	22.86%	22.82%	23.08%	22.20%	22.08%	22.31%	21.85%	19.89%	20.14%	20.29%
Palm Beach County	20.00%	20.64%	20.96%	22.56%	22.57%	23.75%	23.94%	24.15%	23.89%	23.99%
Palm Beach County School District	45.06%	44.74%	45.37%	44.30%	44.97%	43.44%	43.24%	43.94%	43.61%	42.92%
OTHER										
South Florida Water Management District	2.86%	2.95%	2.65%	2.77%	2.77%	2.87%	2.89%	2.92%	2.97%	2.99%
South Lake Worth Inlet Dist.*	0.45%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Children Services Council	1.56%	1.70%	1.74%	2.10%	2.05%	2.26%	2.42%	2.79%	3.09%	3.46%
Florida Inland Navigation Dist.	0.22%	0.18%	0.18%	0.23%	0.22%	0.21%	0.20%	0.19%	0.19%	0.19%
Health Care District	6.55%	6.51%	5.56%	5.38%	4.88%	4.68%	4.97%	5.63%	5.61%	5.66%
Everglades Construction	0.44%	0.46%	0.46%	0.46%	0.46%	0.48%	0.49%	0.49%	0.50%	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)

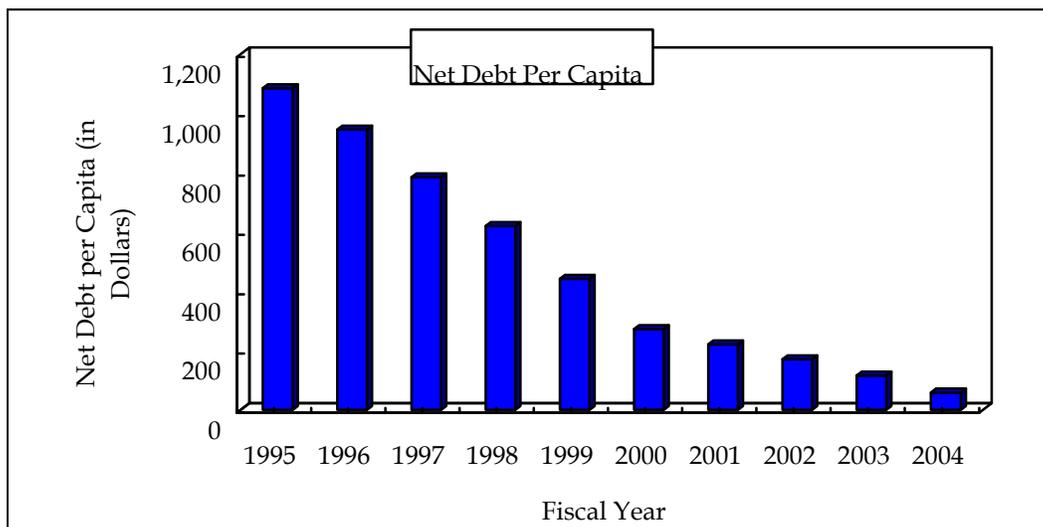
Last Ten Fiscal Years
 September 30, 2004

Fiscal Year	Population	Assessed* Value (2)	Gross Bonded Debt*	Amount* Available	Net Bonded Debt*	Ratio Debt to Assessed Value	Net Debt Per Capita
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
2004	9,662 (1)	8,394,664	680	111	569	0.01%	59

* 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, 2004

<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)	\$ 680,000	100.00%	\$ 680,000
OVERLAPPING DEBT			
Palm Beach County (2)	275,905,000	8.54%	23,562,287
Palm Beach County School District (3)	<u>154,400,000</u>	8.54%	<u>13,185,760</u>
Total Overlapping Debt	<u>430,305,000</u>		<u>36,748,047</u>
Town Direct and Overlapping Debt	<u>\$ 430,985,000</u>		<u>\$ 37,428,047</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, 2004

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)		\$ 8,425,454,262
Legal Debt Margin:		
Debt Limitation - 5% of assessed value (2)		\$ 421,272,713
Debt Applicable to Limitation:		
General Obligation Bonded Debt	\$ 680,000	
Less: Amount Available for Repayment of General Obligation Bonds	111,424	
Net Debt Applicable to Limitation		568,576
Legal Debt Margin		\$ 420,704,137

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

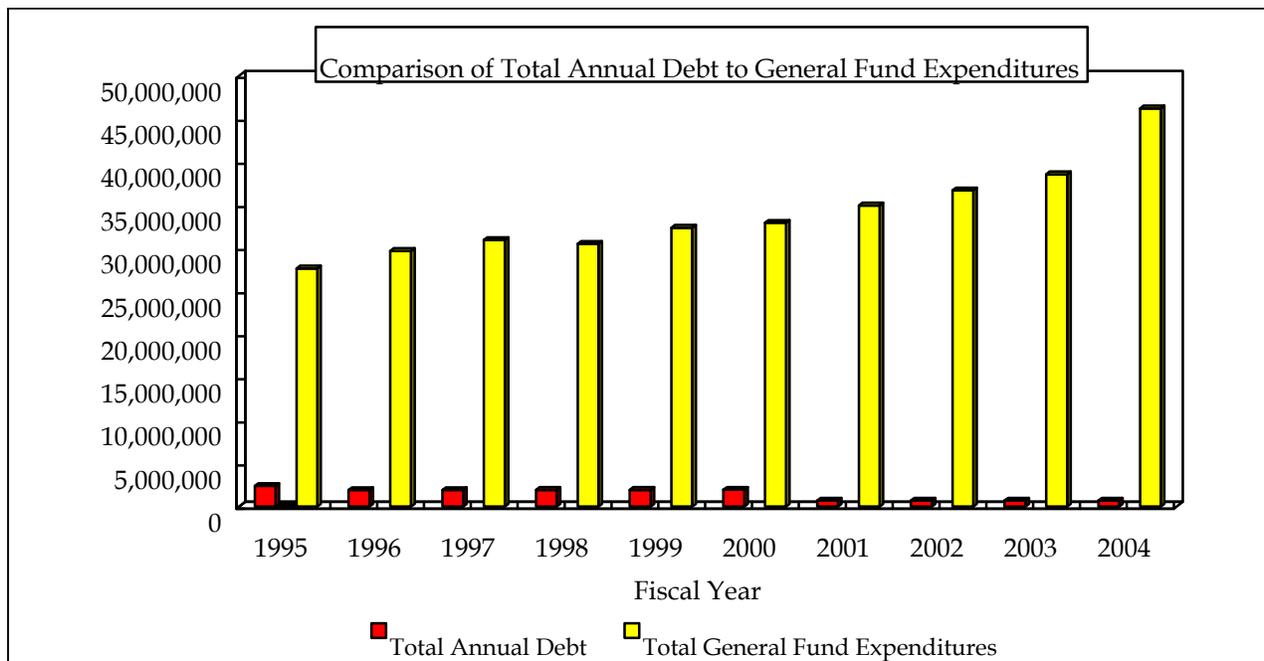
(2) Per Town Charter Section 7.02 Authority to Borrow.

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, 2004

Fiscal Year	Debt Service		Total	General Fund Budgetary Expenditures	Ratio of Debt Service to General Expenditures
	Principal	Interest			
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%
2004	645,000	63,615	708,615	46,221,821	1.53%



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, 2004

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*	
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
2004	8,272,933	121,731	8,394,664	0	485	26	54,808	1,567,400

(*) 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, 2004

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

Source: Town of Palm Beach
Planning, Zoning & Building Department, 2004

TOWN OF PALM BEACH, FLORIDA
 PRINCIPAL TAXPAYERS (UNAUDITED)

September 30, 2004

<u>Taxpayer</u>	<u>2003 Taxable Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
The Breaker's Hotel	\$ 188,258,246	2.24%
Nelson Peltz	50,759,491	0.60%
J. V. Associates	49,000,000	0.58%
Sydell Miller	42,823,474	0.51%
Thirty Eight East Corp.	36,046,706	0.43%
Everglades Club	31,355,849	0.37%
Sydney Spiegel Trust	27,500,000	0.33%
Worth Avenue Association	28,500,000	0.34%
Sidney Kimmel	28,460,022	0.34%
Irwin Kramer & Terry Allen	26,719,383	0.32%
George Lindemann	<u>26,070,536</u>	<u>0.31%</u>
Total	<u><u>\$ 535,493,707</u></u> *	<u><u>6.37%</u></u>

*Total Assessed Valuation \$8,394,664,000

Source: Palm Beach County Property Appraiser

TOWN OF PALM BEACH, FLORIDA
DEMOGRAPHIC AND MISCELLANEOUS STATISTICS (UNAUDITED)
September 30, 2004

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 7,935 registered voters as of December 2004.

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, 2004, the Town employed 401 full and part time employees.

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

The following services are provided to residents by other governments:

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

TOWN OF PALM BEACH, FLORIDA
 DEMOGRAPHIC AND MISCELLANEOUS STATISTICS (UNAUDITED)
 September 30, 2004

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
2004	9,662	(0.21)%	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).....	414	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, 2004

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	\$ 276.7	205
Single Family Residential	5,052.1	2,252
Multi-Family, 10 units or more	70.2	13
Condominiums	1,895.1	5,494
Cooperatives	141.8	1,040
Retirement Homes & Miscellaneous	1.2	1
Multi-Family Less Than 10 Units	74.4	74
Vacant Commercial	.0	1
Improved Commercial	730.0	198
Improved Industrial	.6	1
Institutional	42.5	21
Government	.0	50
Leasehold Interests	.0	2
Miscellaneous	2.0	35
Total	\$ 8,286.6	9,387

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 FY2004 was 2.4%. The Town has 3,408 (36.4%) homesteaded properties.

TOWN OF PALM BEACH, FLORIDA
INSURANCE PROGRAM (UNAUDITED)

Fiscal Year 2003-2004

TYPE OF POLICY	COMPANY	DATES	LIMITS	DESCRIPTION	RETENTION	PREMIUM
Public Entity Package	Preferred Governmental Insurance Trust	10/01/03-4	\$1,000,000	Property - Inland Marine, General Liability, Law Enforcement, Public Officials Liability, Employment Practices Liability, Automobile Liability	\$100,000	\$610,596
Workers Compensation	Preferred Governmental Insurance Trust	10/01/03-04	1,000,000	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	449,734
Crime	CAN	10/01/03-04	1,000,000	Employee Dishonesty; Forgery or Alteration; Theft, Disappearance & Destruction; Robbery & Safe Burglary, Fraud	100,000	3,692
Fidelity Bond	Travelers Casualty and Surety Company of America	10/01/03-04	1,000,000	Public Official Bond	100,000	2,982
Flood Insurance	American B	07/30/03-04	500,000	South Fire Station	500	1,301
Flood Insurance	American B	08/08/03-04	500,000	Town Hall	500	6,054
Flood Insurance	American B	08/08/03-04	500,000	Recreation Center	500	6,054
Flood Insurance	American B	08/08/03-04	500,000	North Fire Station	500	3,021
Flood Insurance	American B	08/08/03-04	500,000	Police Facility	500	3,491
Flood Insurance	American B	08/08/03-04	500,000	Public Works Facility	500	3,161
Loss Fund	Not Applicable	10/01/03-04	735,000	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	N/A	N/A
Fiduciary Liability	Travelers Casualty and Surety Company of America	01/01/04-05	10,000,000	General Liability - General Employees Pension Fund	150,000	27,500
Fiduciary Liability	Travelers Casualty and Surety Company of America	01/01/04-05	10,000,000	General Liability - Fiduciary Liability/Public Safety	150,000	38,000
Pollution Liability	FPLIPA	10/01/03-04	1,000,000	Storage Tank Liability, 3rd Party BI & PD due to storage tank release; cleanup for aboveground storage tank releases	100,000 100,000	52,940 2,131

**COMPLIANCE REPORTS AND
MANAGEMENT LETTER**



CALER, DONTEN, LEVINE,
DRUKER, 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 Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, the 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, 2004, which collectively comprise the basic financial statements of the Town of Palm Beach, Florida, and have issued our report thereon dated February 2, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the internal control over financial reporting of the Town of Palm Beach, Florida, in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the 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. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the Town of Palm Beach, Florida, in a separate management letter dated February 2, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required

to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to the management of the Town of Palm Beach, Florida, in a separate management letter dated February 2, 2005.

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

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

February 2, 2005



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
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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
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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance With
Requirements Applicable to Each Major Federal Program
and State Project and Internal Control Over Compliance

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 U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2004. The major federal program and state 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 federal program and state 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 of compliance 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and, Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about 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 federal program and state project for the year ended September 30, 2004.

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 requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 and 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 reportable 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 caused by error or fraud that would be material in relation to a major federal program or state 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 and use of the Town Council and management of the Town of Palm Beach, Florida, federal and state awarding and pass-through agencies, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Cale, Danten, Levine,
Dunker, Porter & Veil, P.A.*

June 7, 2005

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

Year Ended September 30, 2004

Grantor/ Program Title	CFDA Number	Contract/Grantor Number	2004 Program Expenditures	Transfers to Subrecipients
Federal Awards				
U.S. Department of the Interior				
Pass-through Award from the State of Florida Division of Historical Resources Historic Preservation Fund Grant	15.904	F0310	\$ 11,000	\$ 0
U.S. Department of Justice				
Direct Award 2004 Local Law Enforcement Block Grant	16.592	04-CJ-7N-10-60-02-100	6,853	0
U.S. Department of Transportation				
Pass-through award from the State of Florida Department of Transportation Highway Planning and Construction	20.205	ANW73	243,868	0
U.S. Department of Homeland Security				
Federal Emergency Management Agency Pass-through award from the State of Florida Department of Community Affairs Public Assistance Grant	97.036	05-PA-G%-10-60-02-964	1,203,419	0
Public Assistance Grant	97.036	05-PA-E=-10-60-02-014	636,837	0
Federal Emergency Management Agency Assistance to Firefighters	97.044	EMW-2003-FG-02790	58,962	0
Total U.S. Department of Homeland Security			<u>1,899,218</u>	<u>0</u>
Total Federal Awards			<u>\$ 2,160,939</u>	<u>\$ 0</u>

See notes to schedule of expenditures of federal awards and state financial assistance.

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE (Continued)

Year Ended September 30, 2004

Grantor/ Program Title	CSFA Number	Contract/Grantor Number	2004 Program Expenditures	Transfers to Subrecipients
State Financial Assistance				
Florida Department of Environmental Protection				
Direct Awards				
Beach Erosion Control Program				
Lake Worth Inlet Management Implementation	37.003	97PB-5	\$ 200,378	\$ 0
Palm Beach Island Beach Restoration	37.003	OOPB1	<u>406,832</u>	<u>0</u>
Total Florida Department of Environmental Protection			607,210	0
Florida Department of Health				
Pass-through from Palm Beach County, Florida				
Emergency Medical Services Matching Awards	64.003	C3050	<u>12,712</u>	<u>0</u>
Total State Financial Assistance			<u><u>\$ 619,922</u></u>	<u><u>\$ 0</u></u>

See notes to schedule of expenditures of federal awards and state financial assistance.

TOWN OF PALM BEACH, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

September 30, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal awards and state financial assistance of the Town of Palm Beach, Florida, for the year ended September 30, 2004 and is presented in accordance with the requirements of the provisions of OMB Circular A-133 and the requirements of the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General. The Schedule of Expenditures of Federal Awards and State Financial Assistance has been prepared on the modified accrual basis of accounting.

NOTE B - SCOPE OF SINGLE AUDIT

The federal programs and state financial assistance projects have been audited in accordance with the provisions of OMB Circular A-133, the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General, for program transactions occurring during the year ended September 30, 2004. The Town had one federal program meeting the definition of a Type A program under the provisions of OMB Circular A-133. The following Type A program was audited as a major federal program:

	<u>CFDA Number</u>
U.S. Department of Homeland Security	
Federal Emergency Management Agency	
Pass-through award from the State of Florida	
Department of Community Affairs	
Public Assistance Grant	97.036

The Town had one state financial assistance project 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 project:

	<u>CSFA Number</u>
Florida Department of Environmental Protection	
Beach Erosion Control Program	37.003

NOTE C - CONTINGENCY

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies. 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 federal and state laws and regulations.

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS (Continued)

Year Ended September 30, 2004

A. SUMMARY OF AUDITOR'S RESULTS

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

FEDERAL PROGRAM	CFDA Number
U.S. Department of Homeland Security Federal Emergency Management Agency Pass-through award from the State of Florida Department of Community Affairs Public Assistance Grant	97.036
STATE PROJECTS	CSFA Number
Florida Department of Environmental Protection Beach Erosion Control Program	37.003

8. The threshold for distinguishing Type A and B programs/projects was \$300,000 for major Federal programs and \$185,977 for major State projects.
9. The Town of Palm Beach, Florida, is not a low-risk auditee.

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS (Continued)

Year Ended September 30, 2004

B. FINDINGS - BASIC FINANCIAL STATEMENTS

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAM

None

D. FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECT

None

E. OTHER MATTERS

1. A Summary Schedule of Prior Audit findings is not required because there were no prior audit findings related to Federal programs or State projects.
2. A Corrective Action Plan is not required because there were no findings required to be reported under the Federal or Florida Single Audit Acts.



CALER, DONTEN, LEVINE, DRUKER, 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

Management Letter

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

We have audited the financial statements of the Town of Palm Beach, Florida, as of and for the year ended September 30, 2004 and have issued our report thereon dated February 2, 2005.

We conducted our audit in accordance with U.S. generally accepted audited standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated February 2, 2005, 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 require that we address certain compliance and other matters in the management letter, if not already addressed in the auditor's report on internal control over financial reporting and on compliance and other matters. In planning and performing our audit of the financial statements of the Town of Palm Beach, Florida, as of and for the year ended September 30, 2004, we considered the Town's internal control over financial reporting in order to determine the scope of our audit procedures for the purpose of expressing opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. While our purpose was not to provide an opinion on the internal control over financial reporting, certain matters came to our attention that we want to report to you. These matters, along with our recommendations, are as follows.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Capital Outlay Expenditure Accounts (2004-1)

While reviewing the capital outlay reconciliation, we noted that expenditures related to capital assets, assets with amounts under the capitalization amount, and repairs and maintenance are often posted to incorrect accounts during the fiscal year. Then at year-end, the accounts are reviewed and reclass entries must be prepared to move expenditures that are not for capital assets to other general ledger accounts. This contributes to a cumbersome reconciliation process. We recommend that when the budget is

prepared, capital and non-capital items be budgeted in the proper line items. In addition, a semi-annual reconciliation of the capital outlay accounts to the fixed asset additions would facilitate the year end reconciliation.

The Town should also explore other software systems that have the ability to automatically post capital items into the fixed asset detail records. This would allow the recording of fixed assets to be done more timely and with greater accuracy.

Management response: We will perform a semi-annual reconciliation of capital assets and be more diligent regarding the proper coding of capital assets during the budget and purchasing process. In addition, we believe that a capital asset software program that is integrated with the purchasing and general ledger software would make the capital project reconciliation process more manageable.

Insurance Fixed Costs (2004-2)

During our review of the group health insurance fixed costs, we noted 12 reclassification entries that needed to be made in order to properly classify insurance related invoices in the general ledger. Staff in the Human Resources department are coding these invoices and there does not appear to be a review of these codings in the Finance department prior to posting the invoices. We recommend that the Human Resources staff review the general ledger account codes for the various insurance invoices to verify that invoices are coded properly. In addition, the Finance department should review the account coding prior to entering the invoice into the accounting system.

Management response: Finance staff will work with Human Resource staff to ensure that the health insurance costs are recorded in the proper accounts to eliminate reclassifications in the future.

Contract Renewals (2004-3)

In connection with our testing of purchases related to grants, we noted that a contract for debris removal was renegotiated and extended by department personnel without prior review and approval by the Town Attorney or the Town Council as required by the Town's procurement policy. We recommend that all contract renewals for services be formally documented and approved in accordance with the Town's policies and procedures.

Management response: The renewal of the debris removal contract will be presented to the Town Council when it expires. Information regarding this matter will be included in the emergency response plan to ensure that the matter is addressed each year.

Emergency Accounting Policies and Procedures (2004-4)

The Town should consider adopting written policies and procedures regarding accounting administration and procurement in the event of emergencies or disasters such as the hurricanes of this past year. These policies and procedures would attempt to formalize rules of governance in emergencies where it is not possible to follow the Town's normal practices.

Management response: Procedure No. 1-05-5 titled "Accounting for Emergency Events" and No. 1-05-6 titled "Storm Pay Policy" have been approved as of June 1, 2005. These procedures outline the accounting and payroll procedures to be used during an emergency event. Training workshops on FEMA reporting, accounting, purchasing and insurance procedures for emergency events were held for all departments in June 2005.

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 report on internal control over financial reporting and on compliance and other matters, whether or not inaccuracies, shortages, defalcations, fraud and/or violations of laws, rules, regulations and contractual provisions reported in the preceding annual financial audit report have been corrected. 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 report on internal control over financial reporting and on compliance and other matters, whether or not recommendations made in the preceding management letter have been followed or otherwise no longer apply. We noted that our recommendations related to Golf Course Losses and Reconciliation of Capital Outlay Accounts to Capital Asset Additions included in our management letter dated January 23, 2004 for the year ended September 30, 2003 no longer apply.

OTHER REQUIRED INFORMATION

Consideration of Financial Emergency Criteria

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit, we determined that the Town of Palm Beach, Florida, has not met any of the conditions described in Section 218.503(1), Florida Statutes during the fiscal year ended September 30, 2004, and therefore, is not considered to be in a state of financial emergency.

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, 2004. 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 Government filed by the Town of Palm Beach, Florida, with the Florida Department of Banking and Finance pursuant to Section 218.32, Florida Statutes, for the fiscal year ended September 30, 2004. 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, 2004.

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, 2004.

Other Matters

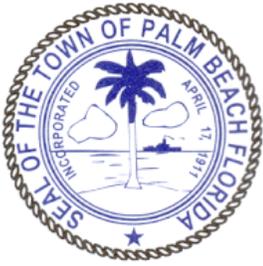
The Rules of the Auditor General require disclosure in the management letter of the following matters if not already addressed in the auditor's report on internal control over financial reporting and on compliance and other matters: (1) violations of laws, rules, regulations and contractual provisions 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. Except as reported in this management letter, our audit for the year ended September 30, 2004 disclosed none of the foregoing matters that are required to be disclosed.

This report is intended solely for the information and use of the Town Council and management of the Town of Palm Beach, Florida, federal and state awarding and pass-through agencies, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Cale, Danten, Levine,
Dunker, Porter & Veil, P.A.*

June 7, 2005



TOWN OF PALM BEACH

Finance Department

June 29, 2005

Mayor and Town Council
Peter B. Elwell, Town Manager

Subject: Management Letter responses

The following are comments and recommendations from the Town's auditing firm of Caler, Donten, Levine, Druker, Porter & Veil, P.A., that involve matters that they did not consider to be reportable conditions or material instances of noncompliance under standards established by the American Institute of Certified Public Accountants. The responses by Town staff immediately follow each comment.

Capital Outlay Expenditure Accounts (2004-1)

While reviewing the capital outlay reconciliation, we noted that expenditures related to capital assets, assets with amounts under the capitalization amount, and repairs and maintenance are often posted to incorrect accounts during the fiscal year. Then at year-end, the accounts are reviewed and reclass entries must be prepared to move expenditures that are not for capital assets to other general ledger accounts. This contributes to a cumbersome reconciliation process. We recommend that when the budget is prepared, capital and non-capital items be budgeted in the proper line items. In addition, a semi-annual reconciliation of the capital outlay accounts to the fixed asset additions would facilitate the year end reconciliation.

The Town should also explore other software systems that have the ability to automatically post capital items into the fixed asset detail records. This would allow the recording of fixed assets to be done more timely and with greater accuracy.

Management response: We will perform a semi-annual reconciliation of capital assets and be more diligent regarding the proper coding of capital assets during the budget and purchasing process. In addition, we believe that a capital asset software program that is integrated with the purchasing and general ledger software would make the capital project reconciliation process more manageable.

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Management response: Finance staff will work with Human Resource staff to ensure that the health insurance costs are recorded in the proper accounts to eliminate reclassifications in the future.

Contract Renewals (2004-3)

Post Office Box 2029 • 360 South County Road • Palm Beach, Florida 33480
Telephone (561) 838-5444 • Facsimile (561) 838-5417
E-mail: finance@townofpalmbeach.com • Website: www.townofpalmbeach.com

In connection with our testing of purchases related to grants, we noted that a contract for debris removal was renegotiated and extended by department personnel without prior review and approval by the Town Attorney or the Town Council as required by the Town's procurement policy. We recommend that all contract renewals for services be formally documented and approved in accordance with the Town's policies and procedures.

Management response: The renewal of the debris removal contract will be presented to the Town Council when it expires. Information regarding this matter will be included in the emergency response plan to ensure that the matter is addressed each year.

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Management response: Procedure No. 1-05-5 titled "Accounting for Emergency Events" and No. 1-05-6 titled "Storm Pay Policy" have been approved as of June 1, 2005. These procedures outline the accounting and payroll procedures to be used during an emergency event. Training workshops on FEMA reporting, accounting, purchasing and insurance procedures for emergency events were held for all departments in June 2005.

If you require any further information or have any questions regarding the audit or the Management Letter please contact me at my extension 4724.

Sincerely,



Jane Skittone, CPA
Finance Director