

TOWN OF LAUDERDALE BY THE SEA, FLORIDA

**COMPREHENSIVE ANNUAL FINANCIAL
STATEMENTS**

SEPTEMBER 30, 2003

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2003

Prepared by:

THE FINANCE DEPARTMENT

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2003

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i-iv
Organization Chart	v
Town Officials	vi
Certificate of Achievement for Excellence in Financial Reporting	vii
FINANCIAL SECTION	
Report of Independent Certified Public Accountants	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Assets – Proprietary Funds	15
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	16
Statement of Cash Flows – Proprietary Funds	17-18
Statement of Fiduciary Net Assets – Fiduciary Funds	19
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	20
Notes to Basic Financial Statements	21-36
Required Supplementary Information (Other than MD&A):	
Budgetary Comparison Schedule – General Fund	37
Notes to Budgetary Comparison Schedule	38
Schedule of Contributions from the Employer and Other Contributing Entities	39
Schedule of Funding Progress	40
Combining and Individual Fund Statements and Schedules:	
Comparative Balance Sheets – General Fund	41
Combining Balance Sheet – Nonmajor Governmental Funds	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	43
Schedule of Revenues, Expenditures and Changes in Fund Balances – Special Revenue Fund – Police Law Training and Forfeiture	44

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2003

TABLE OF CONTENTS

(Continued)

	<u>PAGE</u>
STATISTICAL SECTION	
Demographic Statistics	45
Government-wide Information:	
Government-wide Expenses by Function	46
Government-wide Revenues	47
Fund Information:	
General Governmental Expenditures by Function	48
General Governmental Revenues by Source	49
Property Tax Levies and Collections	50
Taxable Property Values	51
Property Tax Rates -- Direct and Overlapping Governments	52
Principal Taxpayers	53
Property Values and Construction Values	54
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures	55
COMPLIANCE SECTION	
Report of Independent Certified Public Accountants on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	56-57
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	58-59
Schedule of Findings	60-61

Introductory Section



Town of
LAUDERDALE-BY-THE-SEA

4501 Ocean Drive, Lauderdale-by-the-Sea, Florida 33308-3610

December 22, 2003

Telephone: (954) 776-0576 • Fax: (954) 776-1857

Honorable Mayor and Commissioners:

State law requires that all general purpose local governments publish within one year of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The Town of Lauderdale-By-The-Sea has elected to implement early the new financial reporting requirements of Governmental Accounting Standards Board (GASB) Statement Number 34. Pursuant to these requirements, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Lauderdale-By-The-Sea for the fiscal year ended September 30, 2003.

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

The Town's financial statements have been audited by Rachlin Cohen & Holtz LLP, a licensed certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the Town's financial statements for the fiscal year ended September 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon their audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Lauderdale-By-The-Sea's financial statements for the fiscal year ended September 30, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town of Lauderdale-By-The-Sea's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The Town of Lauderdale-By-The-Sea, incorporated in 1947, is located between the Atlantic Ocean and the Intracoastal Waterway on the Gold Coast of Florida. The Town is in the east-central part of Broward County, 30 miles north of Miami and 33 miles south of Palm Beach. Because of the Town's prime seaside location, it can be expected to continue economic growth from tourism and other industries.

The Town of Lauderdale-By-The-Sea is primarily a residential community. Employment within the Town is primarily executive/managerial, professional and sales. The major industries within the Town are retail trade, finance, insurance and real estate. Most residents are employed within South Florida. The Town is presently 8.5 miles in area and has a year-round population of approximately 7,185 residents. The peak seasonal population is approximately 11,350.

The Town of Lauderdale-By-The-Sea provides the full range of municipal services for its citizens. These include public safety, sewer, and stormwater utilities, public works, parks and recreation facilities, and building, zoning and code enforcement.

The annual budget serves as the foundation for the Town of Lauderdale-By-The-Sea's financial planning and control. All departments of the Town are required to submit requests for appropriation to the Town Manager and these requests are the starting point for developing a proposed budget. The Town Manager then presents this proposed budget to the commission for review. The commission is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the Town's fiscal year. The budget is legally enacted through the passage of an ordinance. The appropriated budget is prepared by fund and department (e.g., police). The classification detail at which expenditures may not legally exceed appropriations is at the fund level. The Town Manager is authorized to transfer part or all of an unencumbered appropriation balance within a fund; however, any revisions that alter the total appropriations of any fund must be approved by the Town. Budget-to-actual comparisons are provided in this report for the general fund for which an appropriated annual budget has been adopted.

The Town operates under a commission-manager form of government. Policy-making and legislative authority are vested in the Town Commission, which consists of a mayor, a vice-mayor and three commissioners. The Town Commission is responsible, for passing ordinances, adopting and amending the annual budget, approving large purchases, adopting resolutions and appointing the Town Manager and Town Attorney.

The Town Manager is the chief administrative officer of the Town. The Town Manager is responsible for carrying out the policies and ordinances of the Commission, directing all Town employees, appointing and removing subordinate employees, preparing and submitting the annual budget and overseeing the day-to-day operations of the Town.

The Volunteer Fire Department is a private corporation whose operations are funded by the Town. The Fire Chief is elected by vote of the volunteer firefighters.

The Town Commission meets on the second and fourth Tuesday of each month at 7:00 p.m. in Jarvis Hall, 4501 Ocean Drive, Lauderdale-By-The-Sea, Florida.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town of Lauderdale-By-The-Sea operates.

Local economy. The Town achieved tremendous growth, primarily residential, through annexation. The Town's 2002 final gross taxable value of \$1,137,417,925 increased to a current year gross taxable value of \$1,273,513,274 in 2003. This increase enabled the Town to maintain its high level of services and provide additional funding for the Townwide Capital Improvement Projects. In addition, the Town has maintained a low mileage rate of 4.70 per \$1,000 of assessed property values. Economic factors that will impact the Town in the upcoming year is the low rate of return on investments due to interest rates.

The Town continues to study the availability of vacant land or property within the Town limits to continue to improve townwide infrastructure, updating zoning protection, and funding capital improvement projects that support a healthy economical residential and business district.

Long-term financial planning. Earlier this year the Town was awarded local and state funding for Townwide capital projects. The improvement and expansion project of the Towns municipal park which began fiscal year 2002-2003 and will be completed first quarter of fiscal year 2003-2004.

The Town will begin bid preparation and award construction contracts in order to begin the below projects:

- Construction of sanitary sewers in the northern part of town.
- Construction of four portals and one beach pavilion.
- Conversion of overhead utility lines along A-1A.

The Town projects completion of the stormwater, sewer and land use master plans during fiscal year 2003-2004.

The Town continues to improve the Capital Improvement Program by reviewing proposed plans, revising plan documents and when funding permits expanding projects. This approach will allow the Town to refine project cost estimates and undertake several capital improvement projects during the year.

The Town remains poised to move boldly into redevelopment by improving and maintaining infrastructure and fund beautification projects, which contribute to a healthy municipality and provide an economically viable business district. When done properly the Town residents' taxes will remain low while the service level remains high. If there is no redevelopment, the alternative will be higher taxes and a reduction of the quality of life.

Cash Management

As of September 30, 2003 the Town had approximately \$1,818,041 in emergency reserves. Most of the Town's unrestricted cash is deposited in pooled cash money market accounts and in repurchase agreements. Cash, temporarily idle and not required for current operation, is invested with the Florida State Board of Administration's Local Government Surplus Trust Investment Pool.

Risk Management

The Town obtains insurance coverage from the Florida Municipal Insurance Trust. In addition to maintaining the mandated insurance coverage the Town participates in the Florida League of Cities premium credit programs. This led to an incentive of \$21,988 in the current fiscal year. Since entering the Town in the Premium Credit Program, in FY 96/97, the Town has saved \$232,314.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Town of Lauderdale-By-The-Sea for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2002. This was the seventh consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

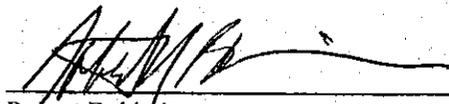
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the Town again received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget for the fiscal year beginning October 1, 2002. In order to qualify for the Distinguished Budget Presentation Award the Town's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

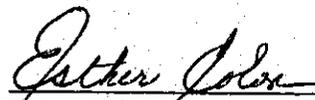
The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the administration department. We would also like to extend our thanks to the firm of Rachlin Cohen & Holtz LLP for their professional conduct of the Town's annual audit.

Finally, we wish to acknowledge the interest, funding and support of the Town Commission in management's planning and conducting the financial operations in a responsible and progressive manner.

Respectfully submitted,



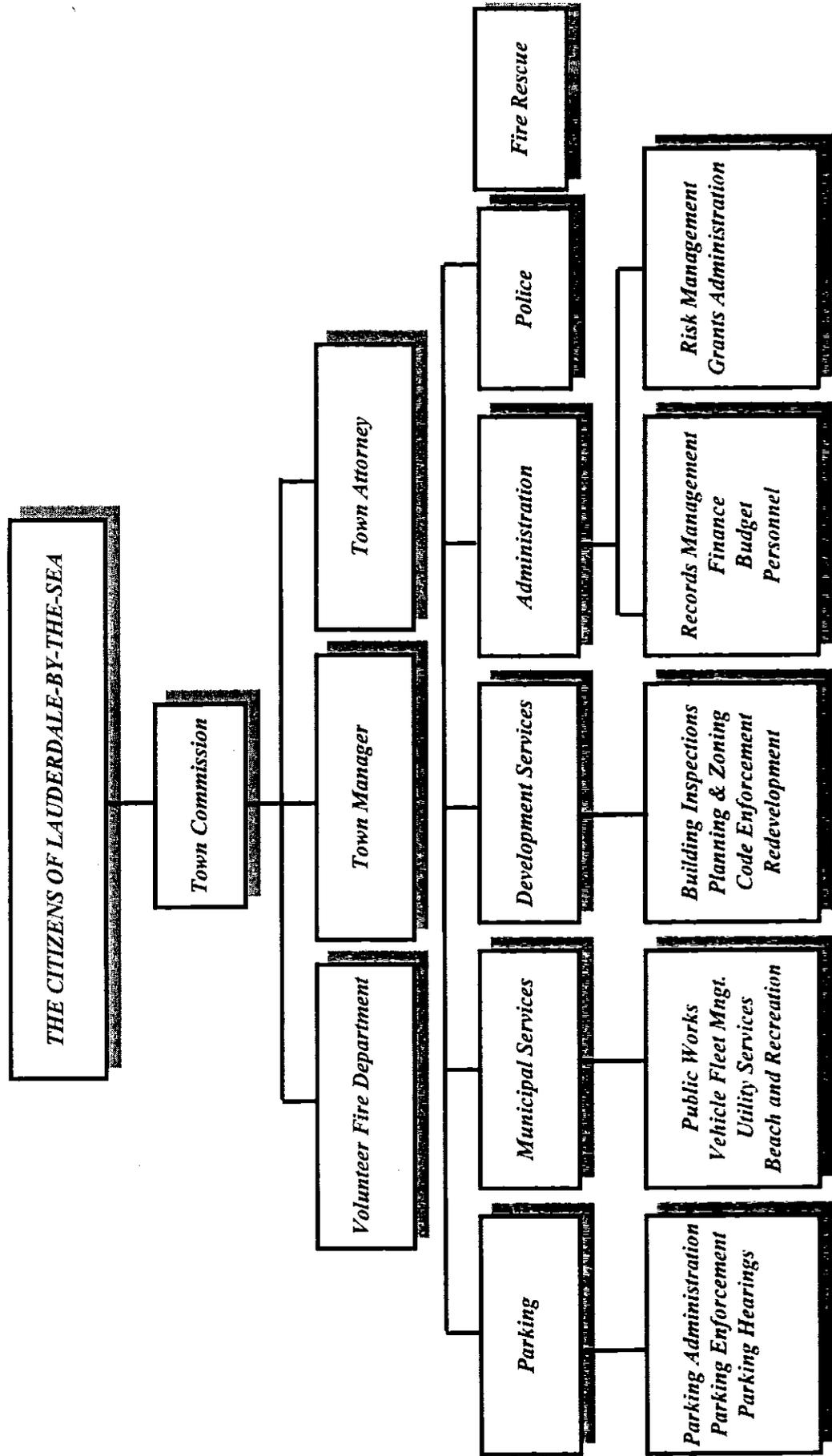
Robert Baldwin
Town Manager



Esther Colon
Finance Director

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

ORGANIZATION CHART



TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TOWN OFFICIALS

SEPTEMBER 30, 2003

TOWN COMMISSIONERS

Oliver Parker - Mayor
John L. Yanni - Vice Mayor
David Wessels - Mayor Pro Tem
Marc Furth
Ed Kennedy

TOWN MANAGER

Robert Baldwin

TOWN ATTORNEY

James A. Cherof

TOWN CLERK

Jonda Joseph

FINANCE DIRECTOR

Esther Colon

TOWN AUDITORS

Rachlin Cohen & Holtz LLP
Accountants • Advisors

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to
Town of Lauderdale by the Sea,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2002

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



Edward Hendry
President

Jeffrey R. Enow
Executive Director

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Financial

Section

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor, Town Commission and Town Manager
Town of Lauderdale-By-The-Sea, 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 Lauderdale-By-The-Sea, Florida (the Town) as of and for the year then ended September 30, 2003, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

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 Lauderdale-By-The-Sea, Florida as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2003 on our consideration of the Town's internal control over financial reporting and our tests of compliance with certain laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Required Supplementary Information on pages 3 to 9 and pages 37 to 40, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

Honorable Mayor, Town Commission and Town Manager
Town of Lauderdale-By-The-Sea, Florida
Page 2

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The information shown in the statistical section listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Rachlin Cohen + Holtz LLP

Fort Lauderdale, Florida
December 5, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Lauderdale-By-The-Sea financial performance provides an overview of the Town's financial activities for the fiscal year ended September 30, 2003. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal in the introductory section and in conjunction with the Town's basic financial statements, which begin on page 10.

Financial Highlights

The assets of the Town of Lauderdale-By-The-Sea exceeded its liabilities at the close of the most recent fiscal year by \$15,633,883 (*net assets*). Of this amount, \$5,017,803 (*unrestricted net assets*) may be used to meet the ongoing obligations to citizens and creditors. The Town's assets increased by \$3,900,395 during the current fiscal year.

As of the close of the current fiscal year, the Town of Lauderdale-By-The-Sea's governmental funds reported combined ending fund balances of \$14,581,036, an increase of \$1,667,361 from the prior year.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$4,746,739 or 66.41% of total general fund expenditures.

The Town of Lauderdale-By-The-Sea has outstanding debt of approximately \$10,923,000.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 10-11) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statement by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the Town.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Lauderdale-By-The-Sea's basic financial statements. The Town of Lauderdale-By-The-Sea's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes 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 Lauderdale-By-The-Sea's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town of Lauderdale-By-The-Sea'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).

Both of the government-wide financial statements distinguish functions of the Town of Lauderdale-By-The-Sea that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Lauderdale-By-The-Sea include general government, public safety, physical environment, recreation, and roads and street services. The business-type activities of the Town of Lauderdale-By-The-Sea include parking, stormwater and sewer operations.

The government-wide financial statements can be found on pages 10-11 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 Lauderdale-By-The-Sea, like other state and local governments use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Lauderdale-By-The-Sea can be divided into three categories: governmental funds, propriety 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Lauderdale-By-The-Sea maintains three individual governmental funds (general, capital projects, special revenue). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and capital improvement fund, both of which are considered to be major funds.

The Town of Lauderdale-By-The-Sea adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12-14 of this report.

Proprietary funds. The Town of Lauderdale-By-The-Sea maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Lauderdale-By-The-Sea uses enterprise funds to account for its parking, stormwater and sewer operations.

The proprietary fund provides 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 sewer, parking and stormwater operations, which are considered to be a major fund of the Town of Lauderdale-By-The-Sea.

The basic proprietary fund financial statements can be found on pages 15-18 of this report.

The Town As Trustee

The Town is the trustee, or fiduciary, for the Volunteer Firefighters' Pension Trust Fund. The *Pension Trust Fund* uses the accrual basis of accounting and is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. The Town's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 19. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-36 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Town's financial position. In the case of the Town of Lauderdale-By-The-Sea, total net assets exceeded liabilities by \$15,633,883 at the close of the most recent fiscal year.

By far the largest portion of the Town of Lauderdale-By-The-Sea's net assets reflects its investment in capital assets (e.g., roadways, improvements, equipment, buildings, land). The Town of Lauderdale-By-The-Sea uses these capital assets to provide services to citizens; consequently they are not available for future spending.

An additional portion of the Town of Lauderdale-By-The-Sea's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Lauderdale-By-The-Sea is able to report positive balances in all three categories of net assets, both for the Town as a whole, as well as for its separate governmental and business-type activities.

Due to lesser than anticipated expenditures, the Town's net assets increased by \$3,946,922 during the current fiscal year.

Governmental activities. Governmental activities increased the Town of Lauderdale-By-The-Sea's net assets by \$3,423,723, thereby accounting for 86.74% of the total growth in the net assets of the Town of Lauderdale-By-The-Sea, basically due to the delay of the expenditure of funds for the expansion of the Administration Building and the delay of occupying the new Public Work Complex.

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

Business-type activities. Business-type activities increased the Town of Lauderdale-By-The-Sea's net assets by \$523,199, accounting for 17.90% of the total growth in the government's net assets.

Town of Lauderdale-By-The-Sea's Net Assets

	Governmental Activities	Business- type Activities	Total 2003	Governmental Activities	Business- type Activities	Total 2002
Current and other assets	\$ 14,856,160	\$ 1,422,184	\$ 16,278,344	\$ 13,163,634	\$ 1,147,701	\$ 14,311,335
Capital assets, net	<u>8,391,248</u>	<u>2,703,158</u>	<u>11,094,406</u>	<u>5,236,506</u>	<u>2,590,991</u>	<u>7,827,497</u>
Total assets	<u>23,247,408</u>	<u>4,125,342</u>	<u>27,372,750</u>	<u>18,400,140</u>	<u>3,738,692</u>	<u>22,138,832</u>
Long-term liabilities	9,654,495	327,359	9,981,854	8,678,756	441,223	9,119,979
Other liabilities	<u>1,652,991</u>	<u>104,022</u>	<u>1,757,013</u>	<u>1,205,185</u>	<u>80,180</u>	<u>1,285,365</u>
Total liabilities	<u>11,307,486</u>	<u>431,381</u>	<u>11,738,867</u>	<u>9,883,941</u>	<u>521,403</u>	<u>10,405,344</u>
Net assets:						
Invested in capital assets, net of related debt	8,288,058	2,328,022	10,616,080	5,236,506	2,097,213	7,333,719
Unrestricted	<u>3,651,864</u>	<u>1,365,939</u>	<u>5,017,803</u>	<u>3,279,693</u>	<u>1,120,076</u>	<u>4,399,769</u>
Total net assets	<u>\$ 11,939,922</u>	<u>\$ 3,693,961</u>	<u>\$ 15,633,883</u>	<u>\$ 8,516,199</u>	<u>\$ 3,217,289</u>	<u>\$ 11,733,488</u>

Town of Lauderdale-By-The-Sea's Changes in Net Assets by Program – Comparative

	Governmental Activities	Business- type Activities	Total 2003	Governmental Activities	Business- type Activities	Total 2002
Revenues:						
Program revenues:						
Charges for services	\$ 1,154,460	\$ 1,162,229	\$ 2,316,689	\$ 1,225,376	\$ 933,844	\$ 2,159,220
Operating grants and contributions	530,154	-	530,154	41,638	-	41,638
Capital grants and contributions	28,177	200	28,377	-	207,160	207,160
General revenues:						
Property taxes and assessments	5,531,092	-	5,531,092	4,814,157	-	4,814,157
Franchise fees and utility taxes	1,298,731	-	1,298,731	1,278,311	-	1,278,311
Intergovernmental	1,320,181	-	1,320,181	732,080	-	732,080
Unrestricted interest	690,604	13,375	703,979	382,058	19,922	401,980
Other miscellaneous	209,967	-	209,967	-	-	-
Total revenues	10,763,366	1,175,804	11,939,170	8,473,620	1,160,926	9,634,546
Expenses:						
General government	1,624,691	-	1,624,691	1,280,215	-	1,280,215
Public safety	3,506,295	-	3,506,295	3,118,446	-	3,118,446
Roads and streets	868,121	-	868,121	831,148	-	831,148
Recreation	277,542	-	277,542	216,885	-	216,885
Physical environment	107,469	-	107,469	81,886	-	81,886
Interest on long-term debt	429,724	-	429,724	464,295	-	464,295
Sewer	-	1,012,239	1,012,239	-	909,617	909,617
Stormwater	-	66,182	66,182	-	104,721	104,721
Parking	-	146,512	146,512	-	34,904	34,904
Total expenses	6,813,842	1,224,933	8,038,775	5,992,875	1,049,242	7,042,117
Increase in net assets before transfers	3,949,524	(49,129)	3,900,395	2,480,745	111,684	2,592,429
Transfers	(525,801)	525,801	-	(462,266)	462,266	-
Change in net assets	3,423,723	476,672	3,900,395	2,018,479	573,950	2,592,429
Net assets, beginning	8,516,199	3,217,289	11,733,488	6,497,720	2,643,339	9,141,059
Net assets, ending	\$ 11,939,922	\$ 3,693,961	\$ 15,633,883	\$ 8,516,199	\$ 3,217,289	\$ 11,733,488

Financial Analysis of the Town's Funds

As noted earlier, the Town of Lauderdale-By-The-Sea uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town of Lauderdale-By-The-Sea'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 Lauderdale-By-The-Sea's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Lauderdale-By-The-Sea's *governmental funds* reported combined ending fund balances of \$14,581,036, an increase of \$1,667,361 from the prior year. The general fund is the primary operating fund of the Town. At the end of the current fiscal year, the fund balance of the general fund was \$4,746,739, an increase of \$1,582,344. The key factor in this growth was management's conservative spending policy and approach in financial planning due to economic constraints.

Proprietary funds. The Town of Lauderdale-By-The-Sea's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer, Parking and Stormwater Funds at the end of the year amounted to \$1,365,939.

General Fund Budgetary Highlights

The differences in the actual revenues and expenses as compared to the budget are summarized as follows:

- Ad valorem taxes are by law provided in the budget at a 95% rate of actual anticipated revenue to provide an allowance for uncollected taxes, however, the Town's collection rate is almost always 100%.
- Interest rates were lower due to the economic condition during the year resulting in a decrease from anticipated interest earnings.
- Utility taxes and franchise fees collected were lower than anticipated due to lower consumption.
- Communication Service Tax franchise fees were higher due to an increase in the quantity of accounts.
- Intergovernmental revenues were higher due to funds received from Broward County as a result of our recent annexation.
- Due to management's conservative spending policy general fund actual expenditures as compared to the budget were realized at 91.6 percent. No department exceeded their annual adopted budget.

Capital Assets

The Town of Lauderdale-By-The-Sea's investment in capital assets for its governmental and business type activities as of September 30, 2003, amounts to \$11,140,932 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements other than buildings, machinery and equipment.

Major capital asset events during the current fiscal year included:

- Completed construction of south Seagrape Drive Beautification project.
- Completed construction of administrative offices at 4509 Ocean Drive.
- Completed remodeling Jarvis Hall kitchen and replaced major appliances.
- Purchased building for relocation of the public works compound.

Additional information on the Town of Lauderdale-By-The-Sea's capital assets can be found in Note 4 on pages 28 and 29 of this report.

Economic Factors and Next Year's Budgets

Economic factors that will impact the Town's General Fund in upcoming budget considerations, include: the significant reduction in interest rates, the census error which has resulted in a lower population number affecting state shared revenues. With the national economy still at in flux and the war with Iraq could have an impact in the Town's future development.

Additionally, staff has been working with consultants to complete the following:

- Consolidation of townwide Fire Services with the Broward Sheriff's Office.
- Towns Comprehensive Land Use and Master Plan.
- Review of current debt structure.
- Towns Comprehensive Land Use and Master Plan.
- Review of current contract with Broward County for joint construction project to build new police and fire complex.

Increase in staff to maintain a high level of community standards and operating expenses related to completed improvements projects have reviewed and budgeted next year in the appropriated department.

All the above factors were considered in preparing the Town's budget for fiscal year 2004.

Requests for Information

This financial report is designed to provide a general overview of the Town of Lauderdale-By-The-Sea's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Town of Lauderdale-By-The-Sea, 4501 Ocean Drive, Lauderdale-By-The-Sea, Florida 33308.

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BASIC FINANCIAL STATEMENTS

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2003

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and investments	\$ 13,750,443	\$ 1,215,746	\$ 14,966,189
Receivables	1,105,717	206,438	1,312,155
Capital assets, not depreciated			
Land	944,159	870,671	1,814,830
Construction in progress	1,522,990	10,371	1,533,361
Capital assets, net of accumulated depreciation			
Buildings and utility plant	1,554,608	1,822,116	3,376,724
Improvements other than buildings	1,907,668	-	1,907,668
Furniture, fixtures, machinery and equipment	758,243	-	758,243
Vehicles	242,993	-	242,993
Infrastructure	1,460,587	-	1,460,587
Capital assets, net	<u>8,391,248</u>	<u>2,703,158</u>	<u>11,094,406</u>
Total assets	<u>23,247,408</u>	<u>4,125,342</u>	<u>27,372,750</u>
<u>LIABILITIES</u>			
Vouchers payable and accrued liabilities	243,462	56,247	299,709
Deferred revenue	27,868	-	27,868
Deposits held in trust	3,794	-	3,794
Noncurrent liabilities:			
Due within one year	1,377,867	47,775	1,425,642
Due in more than one year	9,654,495	327,359	9,981,854
Total liabilities	<u>11,307,486</u>	<u>431,381</u>	<u>11,738,867</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	8,288,058	2,328,022	10,616,080
Unrestricted	3,651,864	1,365,939	5,017,803
Total net assets	<u>\$ 11,939,922</u>	<u>\$ 3,693,961</u>	<u>\$ 15,633,883</u>

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2003

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business-type Activities	Total
Governmental activities:						
General government	\$ 1,624,691	\$ 62,587	\$ 469,492	\$ 28,177	\$ (1,064,435)	\$ (1,064,435)
Public safety	3,506,295	137,966	-	-	(3,368,329)	(3,368,329)
Roads and streets	868,121	942,833	-	-	74,712	74,712
Recreation	277,542	4,273	60,662	-	(212,607)	(212,607)
Physical environment	107,469	6,801	-	-	(100,668)	(100,668)
Interest on long-term debt	429,724	-	-	-	(429,724)	(429,724)
Total governmental activities	<u>6,813,842</u>	<u>1,154,460</u>	<u>530,154</u>	<u>28,177</u>	<u>(5,101,051)</u>	<u>(5,101,051)</u>
Business-type activities:						
Sewer	1,012,239	1,111,234	-	-	98,995	98,995
Stormwater	66,182	-	-	-	(66,182)	(66,182)
Parking	146,512	50,995	-	200	(95,317)	(95,317)
Total business-type activities	<u>1,224,933</u>	<u>1,162,229</u>	<u>-</u>	<u>200</u>	<u>(62,504)</u>	<u>(62,504)</u>
Total	<u>8,038,775</u>	<u>2,316,689</u>	<u>530,154</u>	<u>28,377</u>	<u>(5,101,051)</u>	<u>(5,163,555)</u>
General revenues:						
Property taxes					5,531,092	5,531,092
Franchise fees and utility taxes					1,298,731	1,298,731
Miscellaneous					209,967	209,967
Intergovernmental					1,320,181	1,320,181
Unrestricted interest					690,604	690,604
Transfers					(525,801)	(525,801)
Total general revenues and transfers					<u>8,524,774</u>	<u>8,524,774</u>
Change in net assets					3,423,723	3,423,723
Net assets - beginning					8,516,199	8,516,199
Net assets - ending					<u>\$ 11,939,922</u>	<u>\$ 11,939,922</u>
					<u>\$ 3,693,961</u>	<u>\$ 3,693,961</u>

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2003

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and investments	\$4,375,860	\$9,037,075	\$ 337,508	\$ 13,750,443
Receivables	615,910	469,492	20,315	1,105,717
Total assets	<u>\$4,991,770</u>	<u>\$9,506,567</u>	<u>\$ 357,823</u>	<u>\$ 14,856,160</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Vouchers payable and accrued liabilities	\$ 213,369	\$ 30,093	\$ -	\$ 243,462
Deferred revenue	27,868	-	-	27,868
Deposits	3,794	-	-	3,794
Total liabilities	<u>245,031</u>	<u>30,093</u>	<u>-</u>	<u>275,124</u>
Fund balances:				
Unreserved	-	-	-	-
Designated for:				
Subsequent years' expenditures	-	4,438,396	-	4,438,396
Emergencies	1,818,041	-	-	1,818,041
Capital projects	-	4,612,126	-	4,612,126
Vehicle and equipment reserve	-	124,058	-	124,058
Capital assets	252,366	301,894	-	554,260
Special revenue funds	-	-	357,823	357,823
Undesignated	2,676,332	-	-	2,676,332
Total fund balances	<u>4,746,739</u>	<u>9,476,474</u>	<u>357,823</u>	<u>14,581,036</u>
Total liabilities and fund balances	<u>\$4,991,770</u>	<u>\$9,506,567</u>	<u>\$ 357,823</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,391,248
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(11,032,362)
Net assets of governmental activities	<u>\$ 11,939,922</u>

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 5,531,092	\$ -	\$ -	\$ 5,531,092
Franchise fees and utility taxes	1,298,731	-	-	1,298,731
Intergovernmental	1,326,982	-	-	1,326,982
Fines and forfeitures	522,436	-	-	522,436
Charges for services	558,188	-	-	558,188
Interest and other	92,856	120,354	477,394	690,604
Licenses and permits	67,035	-	-	67,035
Grants	88,839	469,492	-	558,331
Miscellaneous revenues	76,599	-	-	76,599
Total revenues	<u>9,562,758</u>	<u>589,846</u>	<u>477,394</u>	<u>10,629,998</u>
Expenditures:				
Current:				
General government	1,454,061	7,799	-	1,461,860
Public safety	2,894,240	-	504,329	3,398,569
Roads and streets	868,121	-	-	868,121
Recreation	277,542	-	-	277,542
Physical environment	107,469	-	-	107,469
Capital outlay	1,469,187	1,975,368	-	3,444,555
Debt service:				
Principal	67,655	1,093,999	-	1,161,654
Interest	8,885	420,839	-	429,724
Total expenditures	<u>7,147,160</u>	<u>3,498,005</u>	<u>504,329</u>	<u>11,149,494</u>
Excess (deficiency) of revenues over expenditures	<u>2,415,598</u>	<u>(2,908,159)</u>	<u>(26,935)</u>	<u>(519,496)</u>
Other financing sources (uses):				
Proceeds from notes payable and capital leases	1,488,491	1,224,167	-	2,712,658
Transfers in	-	1,459,948	335,996	1,795,944
Transfers out	<u>(2,321,745)</u>	-	-	<u>(2,321,745)</u>
Total other financing sources (uses)	<u>(833,254)</u>	<u>2,684,115</u>	<u>335,996</u>	<u>2,186,857</u>
Net change in fund balances	1,582,344	(224,044)	309,061	1,667,361
Fund balances - beginning	<u>3,164,395</u>	<u>9,700,518</u>	<u>48,762</u>	<u>12,913,675</u>
Fund balances - ending	<u>\$4,746,739</u>	<u>\$9,476,474</u>	<u>\$ 357,823</u>	<u>\$ 14,581,036</u>

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2003

Amounts reported for governmental activities in the statement of activities
(Page 10) are different because:

Net change in fund balances - total governmental funds (Page 13)	\$ 1,667,361
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

The details of the difference are as follows:

Capital outlay	\$ 3,444,555	
Depreciation expense	<u>296,324</u>	
Net adjustment		3,148,231

The net effect of various miscellaneous transactions involving capital assets	6,590
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Transfer of debt from Capital Projects Fund to the Sewer Utility Fund	133,369
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

The details of the difference are as follows:

Debt issued:		
Notes payable	11,400,000	
Capital leases	38,490	
Line of credit	<u>50,000</u>	
	<u>11,488,490</u>	
Principal payments:		
Notes payable	9,935,867	
Capital leases	75,148	
Line of credit	<u>1,619</u>	
	<u>10,012,634</u>	
Net adjustment		(1,475,856)

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.

The details of the difference is as follows:

Compensated absences	<u>(55,972)</u>
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Change in net assets of governmental activities (Page 11)	<u>\$ 3,423,723</u>
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See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

SEPTEMBER 30, 2003

	<u>Enterprise Funds</u>			
<u>ASSETS</u>	<u>Sewer Utility</u>	<u>Parking Revenue Improvement</u>	<u>Stormwater Utility (Nonmajor Fund)</u>	<u>Totals</u>
Current assets:				
Cash and investments	\$ 547,004	\$ 500,982	\$ 167,760	\$1,215,746
Accounts receivable	205,085	1,353	-	206,438
	752,089	502,335	167,760	1,422,184
Plant and equipment:				
Buildings and utility plant	2,421,825	203,508	2,722,584	5,347,917
Land	-	870,671	-	870,671
Construction-in-progress	10,371	-	-	10,371
	2,432,196	1,074,179	2,722,584	6,228,959
Less accumulated depreciation	819,632	78,829	2,627,340	3,525,801
	1,612,564	995,350	95,244	2,703,158
Total assets	2,364,653	1,497,685	263,004	4,125,342
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Vouchers payable and accrued liabilities	55,595	652	-	56,247
Current portion of promissory note	47,775	-	-	47,775
Total current liabilities	103,370	652	-	104,022
Promissory note	327,359	-	-	327,359
Total liabilities	430,729	652	-	431,381
Net assets:				
Invested in capital assets, net of related debt	1,237,428	995,350	95,244	2,328,022
Unrestricted	696,495	501,684	167,760	1,365,939
Total net assets	\$1,933,923	\$ 1,497,034	\$ 263,004	\$3,693,961

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Enterprise Funds</u>			<u>Totals</u>
	<u>Sewer Utility</u>	<u>Parking Revenue Improvement</u>	<u>Stormwater Utility (Nonmajor Fund)</u>	
Operating revenues:				
Service revenues	\$ 1,111,234	\$ 50,995	\$ -	\$ 1,162,229
Total operating revenues	<u>1,111,234</u>	<u>50,995</u>	<u>-</u>	<u>1,162,229</u>
Operating expenses:				
Operating, administrative and maintenance	807,467	135,626	31,350	974,443
Depreciation	47,040	10,886	34,832	92,758
Total operating expenses	<u>854,507</u>	<u>146,512</u>	<u>66,182</u>	<u>1,067,201</u>
Operating income (loss)	<u>256,727</u>	<u>(95,517)</u>	<u>(66,182)</u>	<u>95,028</u>
Non-operating revenue (expense):				
Interest income	6,334	5,251	1,790	13,375
Interest expense	(24,363)	-	-	(24,363)
Total non-operating revenue (expense)	<u>(18,029)</u>	<u>5,251</u>	<u>1,790</u>	<u>(10,988)</u>
Income (loss) before transfers	<u>238,698</u>	<u>(90,266)</u>	<u>(64,392)</u>	<u>84,040</u>
Transfer of debt from Capital Project fund	(133,369)	200	-	(133,169)
Transfers in	144,786	301,260	79,755	525,801
	<u>11,417</u>	<u>301,460</u>	<u>79,755</u>	<u>392,632</u>
Change in net assets	250,115	211,194	15,363	476,672
Net assets, beginning	<u>1,683,808</u>	<u>1,285,840</u>	<u>247,641</u>	<u>3,217,289</u>
Net assets, ending	<u>\$ 1,933,923</u>	<u>\$ 1,497,034</u>	<u>\$ 263,004</u>	<u>\$ 3,693,961</u>

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Enterprise Funds</u>			<u>Totals</u>
	<u>Sewer Utility</u>	<u>Parking Revenue Improvement</u>	<u>Stormwater Utility (Nonmajor Fund)</u>	
Cash flows from operating activities:				
Cash received from customers	\$ 1,014,402	\$ 49,642	\$ -	\$ 1,064,044
Cash payments to suppliers	(739,501)	(136,528)	(31,350)	(907,379)
Cash payments to employees	(38,442)	-	-	(38,442)
Net cash provided by (used in) operating activities	<u>236,459</u>	<u>(86,886)</u>	<u>(31,350)</u>	<u>118,223</u>
Cash flows from noncapital financing activities:				
Operating transfers from other funds	<u>144,786</u>	<u>301,260</u>	<u>79,755</u>	<u>525,801</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(46,528)	(158,395)	-	(204,923)
Interest paid	(24,363)	-	-	(24,363)
Payments on note payable	(252,014)	-	-	(252,014)
Net cash used by capital and related financing activities	<u>(322,905)</u>	<u>(158,395)</u>	<u>-</u>	<u>(481,300)</u>
Cash flows from investing activities:				
Interest on investments	<u>6,334</u>	<u>5,251</u>	<u>1,790</u>	<u>13,375</u>
Net increase in cash and investments	64,674	61,230	50,195	176,099
Cash and investments, beginning	<u>482,330</u>	<u>439,552</u>	<u>117,565</u>	<u>1,039,447</u>
Cash and investments, ending	<u>\$ 547,004</u>	<u>\$ 500,782</u>	<u>\$ 167,760</u>	<u>\$ 1,215,546</u>
Noncash financing activity:				
Transfer of Debt from Capital Projects Fund	<u>\$ 133,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,369</u>

(Continued)

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Enterprise Funds</u>			<u>Totals</u>
	<u>Sewer Utility</u>	<u>Parking Revenue Improvement</u>	<u>Stormwater Utility (Nonmajor Fund)</u>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 256,727	\$ (95,517)	\$ (66,182)	\$ 95,028
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	47,040	10,886	34,832	92,758
Changes in operating assets and liabilities:				
Increase in accounts receivable	(96,832)	(1,353)	-	(98,185)
Increase (decrease) in:				
Vouchers payable and accrued liabilities	29,524	(902)	-	28,622
Total adjustments	(20,268)	8,631	34,832	23,195
Net cash provided by (used in) operating activities	\$ 236,459	\$ (86,886)	\$ (31,350)	\$ 118,223

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND

SEPTEMBER 30, 2003

	<u>Pension Trust Fund</u>
<u>ASSETS</u>	
Cash held with trustee	\$ 26,653
Investments	227,043
Contributions receivable	<u>22,152</u>
Total assets	<u>275,848</u>
 <u>NET ASSETS</u>	
Net assets held in trust for pension benefits	<u>\$ 275,848</u>

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND**

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 6,494
State	30,871
Volunteer Fire Department	<u>6,494</u>
Total contributions	<u>43,859</u>
Investment income :	
Net appreciation in fair value of investments	31,995
Interest	<u>159</u>
Net investment income	<u>32,154</u>
Total additions	<u>76,013</u>
DEDUCTIONS	
Pension benefits	12,353
Refunds	2,875
Administrative expenses	<u>514</u>
Total deductions	<u>15,742</u>
Net increase	60,271
Net assets held in trust for pension benefits:	
Beginning	<u>215,577</u>
Ending	<u>\$ 275,848</u>

See notes to basic financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Lauderdale-By-The-Sea, Florida (the Town) was incorporated in 1947. The Town operates under a Commission-Manager form of government and provides the following municipal services to include but not be limited to: public safety (police and fire), parks and recreation, public works, stormwater management, and building, zoning and code enforcement. The basic financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 *Basic Financial Statement – and Management Discussion and Analysis – for State and Local Governments*. This Statement provides for significant changes in financial reporting. The Town early implemented the new accounting and financial reporting requirements of GASB Statement No. 34 during the fiscal year ended September 30, 2002. The more significant of the Town's accounting policies are described below.

1. Reporting Entity

The financial statements were prepared in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the Town, organizations for which the Town is financially accountable, and other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Town. A blended component unit, although a legally separate entity, is, in substance, part of the Town's operations and so data from this unit is combined with data of the Town. Based upon the application of these criteria, there was one organization that met the criteria described above.

Blended component unit - the Volunteer Fire Department, created by ordinance in 1962, serves all the citizens of the Town. The Town Commission is the governing body of the Volunteer Fire Department. It approves and funds the operating budget of the Fire Department, and the Town is therefore financially accountable for the Department. The Volunteer Fire Department is reported as a special revenue fund.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and inter-governmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

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

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as 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*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Taxes, intergovernmental revenues, and interest associated with the current fiscal period are considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Other receipts and fees become measurable and available when cash is received by the Town and are recognized as revenue at that time.

The Town reports the following major governmental funds:

The *General fund* is the Town's primary operating fund. It accounts for all or most of the Town's general activities except those required to be accounted for in another fund.

The *Capital Projects fund* is used to account for the acquisition and construction of major capital facilities.

The Town reports the following major proprietary funds:

The *Sewer Utility Fund* accounts for the activities associated with providing sewer services within the Town.

The *Parking Revenue Improvement Fund* accounts for parking meter revenue in the Town's business district.

The Town reports the following nonmajor proprietary fund:

The *Stormwater Utility Fund* accounts for the activities associated with providing stormwater services within the Town. Although this fund is presented in the basic financial statements, it is not presented as or reported on as a major fund.

Additionally, the Town reports the following fund type:

The *Pension Trust Fund* accounts for the activities of the Volunteer Fire Department's Pension Plan and the accumulation of resources for pension benefits.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Town has the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

4. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, bike paths and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

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

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30-50
Utility plant	25-75
Infrastructure	50
Improvements other than buildings	25
Furniture, fixtures, machinery and equipment	5-10
Motor vehicles	5-7

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance to indicate that a portion of fund balance is not available for appropriation or is legally segregated for a specific future use. The description of each reserve indicates the purpose for which each was intended.

Designated fund balance indicates that a portion of fund equity has been segregated based on tentative plans of the Town. Such plans or intent are subject to change.

Unreserved undesignated fund balance is the portion of fund equity available for any lawful use.

6. Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use and recoverability of inventory, pension and postretirement obligations, and useful lives and impairment of tangible and intangible assets, among others. Actual results could differ from these estimates.

7. Deposits and Investments

Town administration is authorized to invest in those instruments authorized by the Florida statutes.

Investments are reported at fair value. In accordance with the Town's investment policy, investments consist of funds maintained with the State Board of Administration Investment Pool, and are reported at the fair value of its position in the Pool which is the same as its value of the Pool shares. Income from investments is recorded as earned.

8. Compensated Absences

Town employees are granted vacation in varying amounts based on length of service and sick leave at the rate of one day per month. Up to 30 days of vacation time and 60 days of sick leave may be accrued and carried forward into the next year. In the event of termination, an employee is reimbursed for accumulated vacation days. Employees are reimbursed for 25 percent of accumulated sick leave upon leaving Town employment in good standing.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Compensated Absences (Continued)

The cost of accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee retirements or resignations. The general fund has been used to liquidate these amounts.

9. Long-Term Obligations

In the government-wide financial statements and in the proprietary fund types of the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

10. Property Taxes

Property taxes are assessed as of January 1 each year and are first billed (levied) and due the following November 1.

Under Florida law, the assessment of all properties and the collection of all county, municipal, school board and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws for the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The millage rate assessed by the Town for the year ended September 30, 2003 was 4.7 mills.

The tax levy of the Town is established by the Commission prior to October 1 of each year, and the County Property Appraiser incorporates the millage into the local tax levy, which includes Broward County, Broward County School Board and special taxing districts.

All property is reassessed according to its fair market value as of January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State Statutes.

All real and tangible personal property taxes are due and payable on November 1 each year. Broward County mails to each property owner on the assessment roll a notice of the taxes due and Broward County also collects the taxes for the Town. Taxes may be paid upon receipt of such notice from Broward County, with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount, and all unpaid taxes on real and tangible personal property become delinquent and liens are placed on April 1 of the year following the year in which taxes were assessed. Procedures for the collection of delinquent taxes by Broward County are provided for in the Laws of Florida. There were no material delinquent property taxes at September 30, 2003.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The Town's deposits at year end are insured or collateralized with securities held by the entity or by its agent in the entity's name.

Investments

The State Board of Administration is part of the Local Government Surplus Funds Trust Fund and is governed by Ch. 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 fund.

At year end, the Town's investment balances were not subject to categorization and were as follows:

Investments not subject to risk categorization:	
State Board of Administration Investment Pool	<u>\$3,123,685</u>

A reconciliation of deposits and investments as shown on the statement of net assets and fiduciary net assets for the Town is as follows:

By category:	
Deposits	\$12,096,200
Investments	<u>3,123,685</u>
	<u>\$15,219,885</u>

Statement of net assets:	
Cash	\$11,842,504
Investments	<u>3,123,685</u>
	<u>14,966,189</u>

Statement of fiduciary net assets:	
Cash held with Trustee	26,653
Investments	<u>227,043</u>
	<u>\$15,219,885</u>

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 3. RECEIVABLES

Receivables as of September 30, 2003 for the Town's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Capital</u>	<u>Sewer</u>	<u>Parking Revenue</u>	<u>Non- Major</u>	<u>Total</u>
Receivables:						
Billed	\$ -	\$ 469,492	\$ 205,085	\$ 1,353	\$ -	\$ 675,930
Utility Tax	15,553	-	-	-	-	15,553
Intergovernmental	464,826	-	-	-	-	464,826
Grants	-	-	-	-	-	-
Other	<u>135,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,315</u>	<u>155,846</u>
Gross receivables	615,910	469,492	205,085	1,353	20,315	1,312,155
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 615,910</u>	<u>\$ 469,492</u>	<u>\$ 205,085</u>	<u>\$ 1,353</u>	<u>\$ 20,315</u>	<u>\$ 1,312,155</u>

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, *deferred revenue* reported in the governmental funds was as follows:

Occupational licenses	<u>\$27,868</u>
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NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2003 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental activities</u>				
Capital assets, not being depreciated:				
Land	\$ 662,299	\$ 281,860	\$ -	\$ 944,159
Construction in progress	<u>923,251</u>	<u>599,739</u>	<u>-</u>	<u>1,522,990</u>
Total capital assets, not being depreciated	<u>1,585,550</u>	<u>881,599</u>	<u>-</u>	<u>2,467,149</u>
Capital assets, being depreciated:				
Buildings	878,192	1,495,360	175,629	2,197,923
Improvements other than buildings	959,707	2,576,464	1,413,749	2,122,422
Furniture, fixtures, machinery and equipment	920,177	24,080	-	944,257
Vehicles	814,999	46,542	-	861,541
Infrastructure	<u>4,866,427</u>	<u>16,399</u>	<u>-</u>	<u>4,882,826</u>
Total capital assets being depreciated	<u>8,439,502</u>	<u>4,158,845</u>	<u>1,589,378</u>	<u>11,008,969</u>

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 4. CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings	(641,752)	(1,563)	-	(643,315)
Improvements other than buildings	(157,558)	(57,196)	-	(214,754)
Furniture, fixtures, machinery and equipment	(137,828)	(48,186)	-	(186,014)
Vehicles	(532,126)	(86,422)	-	(618,548)
Infrastructure	(3,319,282)	(102,957)	-	(3,422,239)
Total accumulated depreciation	<u>(4,788,546)</u>	<u>(296,324)</u>	<u>-</u>	<u>(5,084,870)</u>
Total capital assets, being depreciated, net	3,650,956	3,862,520	1,589,378	5,924,099
Governmental activities capital assets, net	<u>\$ 5,236,506</u>	<u>\$ 4,744,122</u>	<u>\$ 1,589,378</u>	<u>\$ 8,391,250</u>
 <u>Business-type activities</u>				
Capital assets, not being depreciated:				
Land	\$ 795,871	\$ 74,800	\$ -	\$ 870,671
Construction in progress	10,280	10,371	10,280	10,371
Total capital assets, not being depreciated	<u>806,151</u>	<u>85,171</u>	<u>10,280</u>	<u>881,042</u>
Capital assets, being depreciated:				
Buildings and utility plant	<u>5,217,883</u>	<u>130,034</u>	<u>-</u>	<u>5,347,917</u>
Total capital assets being depreciated	<u>5,217,883</u>	<u>130,034</u>	<u>-</u>	<u>5,347,917</u>
Less accumulated depreciation for:				
Buildings and utility plant	<u>(3,433,043)</u>	<u>(92,758)</u>	<u>-</u>	<u>(3,525,801)</u>
Total accumulated depreciation	<u>(3,433,043)</u>	<u>(92,758)</u>	<u>-</u>	<u>(3,525,801)</u>
Total capital assets, being depreciated, net	1,784,840	37,276	-	1,822,116
Business-type activities capital assets, net	<u>\$ 2,590,991</u>	<u>\$ 122,447</u>	<u>\$ 10,280</u>	<u>\$ 2,703,158</u>

Depreciation expense was charged to functions/programs of the Town as follows:

Governmental activities:	
General government	\$ 34,172
Public safety	69,953
Recreation	26,175
Roads and streets	116,413
Physical environment	49,610
Total depreciation expense - governmental activities	<u>\$ 296,324</u>
Business-type activities:	
Sewer utility	\$ 47,040
Parking revenue improvement	10,886
Stormwater utility	34,832
Total depreciation expense - business-type activities	<u>\$ 92,758</u>

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 5. INTERFUND TRANSFERS

Interfund transfers:

	Transfers in				Total
	Capital Projects	Sewer	Parking Revenue	Nonmajor Stormwater	
Transfers out:					
General fund	\$ 1,459,948	\$ 144,786	\$ 301,260	\$ 79,755	\$ 1,985,749

NOTE 6. LONG-TERM DEBT

Changes in long-term liabilities for the fiscal year ended September 30, 2003 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Within One Year
<u>Governmental activities</u>					
Accrued vacation and sick leave	\$ 53,812	\$ 107,726	\$ 51,832	\$ 109,706	\$ 15,394
Capital lease obligations	139,847	38,490	75,148	103,189	70,618
Promissory note	9,440,322	-	9,440,322	-	-
Promissory note	-	8,775,833	493,805	8,282,028	887,088
Promissory note	-	1,224,167	69,073	1,155,094	129,984
Promissory note	-	1,400,000	66,036	1,333,964	268,191
Line of credit	-	50,000	1,619	48,381	6,592
	<u>\$ 9,633,981</u>	<u>\$ 11,596,216</u>	<u>\$ 10,197,835</u>	<u>\$ 11,032,362</u>	<u>\$ 1,377,867</u>
<u>Business-type activities</u>					
Promissory note	\$ 541,898	\$ 699,852	\$ 866,616	\$ 375,134	\$ 47,775

Promissory Notes

In June 2000, the Town borrowed \$900,000 at 5.7% interest rate compounded quarterly from SunTrust Bank. In March 2003, this note was paid and refinanced for \$699,852 at 4.999% interest rate compounded quarterly from SunTrust Bank. This note matures on June 28, 2010. The Town obtained the funding for improvement and rehabilitation of the Town's sewer lift system as authorized by the Town Commission.

In September 2001, the Town borrowed \$10,000,000 at a 4.629% interest rate from SunTrust Bank. This debt was restructured in order to obtain lower interest rates and to obtain additional funding for future capital expenditures authorized by the Town Commission. In March 2003, the Town borrowed \$8,775,833 at 4.299% interest rate compounded quarterly from SunTrust Bank. In May 2003, the Town borrowed \$1,224,167 at 2.933% interest rate compounded quarterly from Sun Trust Bank. These notes mature on June 28, 2011.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 6. LONG-TERM DEBT (Continued)

Promissory Notes (Continued)

In May 2003, the Town borrowed \$1,400,000 at 2.4367% interest rate compounded quarterly from SunTrust Bank. The Town obtained the funding from the acquisition of building as authorized by the Town Commission. The note matures on May 28, 2008.

In May 2003, the Town established a \$50,000 line of credit from SunTrust Bank at 2.871% interest rate compounded quarterly from SunTrust Bank. The line of credit was established to facilitate the acquisition of property within the Town. The note matures on May 31, 2010.

Debt service to maturity is as follows:

\$8,775,833 Note			
	Principal	Interest	Total
Fiscal year ending September 30:			
2004	\$ 887,088	\$ 341,871	\$ 1,228,959
2005	925,843	303,116	1,228,959
2006	966,292	262,667	1,228,959
2007	1,008,507	220,452	1,228,959
2008	1,052,567	176,392	1,228,959
2009 – 2011	3,441,731	245,146	3,686,877
Total	\$ 8,282,028	\$ 1,549,644	\$ 9,831,672

\$1,224,167 Note			
	Principal	Interest	Total
Fiscal year ending September 30:			
2004	\$ 129,984	\$ 32,439	\$ 162,423
2005	133,839	25,584	159,423
2006	137,808	24,616	162,424
2007	141,894	20,529	162,423
2008	146,102	16,321	162,423
2009 – 2011	465,467	22,461	487,928
Total	\$ 1,155,094	\$ 141,950	\$ 1,297,044

\$1,400,000 Note			
	Principal	Interest	Total
Fiscal year ending September 30:			
2004	\$ 268,191	\$ 30,058	\$ 298,249
2005	274,784	23,465	298,249
2006	281,539	16,710	298,249
2007	288,460	9,788	298,248
2008	220,990	2,697	223,687
Total	\$ 1,333,964	\$ 82,718	\$ 1,416,682

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

	\$50,000 Line of Credit		
	Principal	Interest	Total
Fiscal year ending September 30:			
2004	\$ 6,592	\$ 1,318	\$ 7,910
2005	6,783	1,127	7,910
2006	6,980	930	7,910
2007	7,182	728	7,910
2008	7,391	519	7,910
2009 – 2010	13,453	389	13,842
Total	\$ 48,381	\$ 5,011	\$ 53,392

	\$699,852 Line of Credit		
	Principal	Interest	Total
Fiscal year ending September 30:			
2004	\$ 47,775	\$ 17,795	\$ 65,570
2005	50,208	15,361	65,569
2006	52,765	12,804	65,569
2007	55,453	10,116	65,569
2008	58,277	7,292	65,569
2009 – 2010	110,656	5,528	116,184
Total	\$ 375,134	\$ 68,896	\$ 444,030

Capital Leases

Capital leases outstanding as of September 30, 2003 consist of motor vehicles. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of the future minimum lease payments.

The future minimum lease payments are as follows:

Fiscal year ending September 30:	
2003	\$ 70,618
2004	30,231
2005	2,961
Total minimum lease payments	103,810
Less amount representing interest	621
Present value of minimum lease payments	\$ 103,189

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 7. COMMITMENTS AND CONTINGENCIES

Operating Lease

In January 2000, the Town entered into a non-cancelable operating lease for a copier, which expires in January 2005. Future minimum lease payments as of September 30, 2003 are as follows:

Fiscal year ending September 30:	
2004	\$2,484
2005	<u>828</u>
Total minimum lease payments	<u>\$3,312</u>

Interlocal Agreement

The Town entered into an interlocal agreement with Broward County for emergency medical services within the municipal services benefit unit and cooperative delivery of fire protection services with the Town. This agreement was entered into in January 2000 for a five-year term with an option to renew for five additional terms. Renewal will commence on October 1 of the fifth year. The Town's obligation to the County will be approximately \$467,000 for fiscal year 2004.

Contingent Liabilities

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

NOTE 8. FLORIDA RETIREMENT SYSTEM

Plan Description

The Town participates in the Florida Retirement System (FRS), a cost-sharing multiple employer Public Employee Retirement System (PERS). The FRS issues a publicly available financial report that includes financial statements and required supplementary information for the PERS. Copies of the FRS's annual report for the year ended June 30, 2003 may be obtained by writing to the Division of Retirement, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560. Payroll for Town employees covered by the System for the year ended September 30, 2003 was approximately \$1,100,000.

All full-time Town employees are eligible to participate in the System. Normal retirement is at 10 years of credited service and age 62 or at 30 years of credited service regardless of age for regular members.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. FLORIDA RETIREMENT SYSTEM (Continued)

Plan Description (Continued)

Benefits vest after six years of credited service. Early retirement may be taken any time after vesting; however, there is a five percent benefit reduction for each year prior to normal retirement age or date. The System also provides disability and survivor benefits. Benefits are established by State statute.

Funding Policy

Employees cannot contribute to the System. The Town is required to contribute a certain percentage of employee compensation per year. The following are the required contributions and the percentage contributed by the Town for the current year and the preceding two years:

	<u>Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
Fiscal year ending September 30:			
2001	\$ 179,861	\$ 179,861	100%
2002	76,494	76,494	100%
2003	80,623	80,623	100%

NOTE 9. VOLUNTEER FIREFIGHTERS PENSION FUND

Basis of Accounting

The Volunteer Firefighters Pension Plan (the Plan) financial statements are prepared on the accrual basis of accounting. All contributions are recognized in the period the services are performed.

Investments

Investments, which consist of certificates of deposit, are carried at fair value (which is cost) and are classified as deposits for purposes of risk categorization. Interest is recognized when earned. Purchases and sales are recorded on a trade-date basis.

Within certain limitations as specified in the Plan, the investment policy is determined by the Board of Trustees and is implemented by an investment advisor.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. VOLUNTEER FIREFIGHTERS PENSION FUND (Continued)

Plan Description

The Volunteer Firefighters Pension Plan is a single-employer Public Employee Retirement System (PERS) defined benefit pension plan. Volunteer firefighters do not receive salaries but receive incentive pay based on calls to which they respond. Participants should refer to the Plan documents for more complete information. A publicly available financial statement for the Plan can be obtained from the Board of Trustees, 255 Commercial Boulevard, Suite 200, Lauderdale-By-The-Sea, Florida.

As of October 1, 2002, the date of the latest actuarial valuation, firefighters' membership data related to the Plan as stated in the actuarial valuation was as follows:

Retirees and beneficiaries currently receiving benefits and former volunteers entitled to receive benefits but not yet receiving them	<u>8</u>
Current volunteers:	
Fully vested	-
Non-vested	<u>37</u>
	<u>37</u>

All volunteer firefighters of the Town are eligible for membership in the Plan; eligibility is determined by a point system whereby a firefighter must accumulate 30 points during a Plan year to be credited for one year of service. Points are accumulated by attendance at meetings, drills, fires and false alarms. Normal retirement is at age 55 and 10 years of credited service. The benefit is \$10 per month for each year of credited service payable in a life annuity, with other options available. Disability benefits are available for total and permanent disability payable at \$10 per month for each year of credited service. Death benefits are available under the same terms as normal retirement benefits.

Funding Policy

Firefighters are not required to contribute to the Plan but may voluntarily do so. Contributions from the State of Florida are based on the amount of fire insurance premiums written by private insurers on property within Town limits. The Town is required to contribute if there is any shortfall between the State's contributions and funding requirements of the Plan.

Funding is based on actuarial determined required contributions using the frozen entry age actuarial cost method under which the excess of actuarial present value of projected benefits of the group over the actuarial value of assets is allocated over the service of the group, not as a sum of individual allocations. Annual required contribution as determined by the actuarial valuation was \$28,343; based on estimated State contributions of \$16,735, contributions by the Town of \$11,608 would be required.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. VOLUNTEER FIREFIGHTERS PENSION FUND (Continued)

Annual Pension Cost and Net Pension Asset

The annual pension cost and net pension asset as of the latest actuarial valuation is as follows:

Annual required contribution	\$ 28,343
Interest on net pension asset	(2,692)
Adjustment to annual required contribution	<u>3,977</u>
Annual pension cost	29,628
Contributions made	<u>47,375</u>
Increase in net pension asset	17,747
Net pension asset, beginning of year	<u>38,457</u>
Net pension asset, end of year	<u>\$ 56,204</u>

The annual required contribution for 2003 was determined as part of the most recent actuarial report dated October 1, 2002, using the frozen entry age actuarial cost method. The actuarial assumptions included a 7% investment rate of return net of administrative expenses and an inflation component of 4%.

Fiscal Year <u>Ending</u>	<u>Trend Information</u>		
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
9/30/2000	\$ 13,212	69.2%	\$ 38,457
9/30/2001	13,079	362.2%	17,747
9/30/2002	29,628	100.0%	56,204

NOTE 10. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the Town carries commercial insurance. There were no significant reductions in insurance coverage from coverages in the prior year. The Town provides employee medical benefits through commercial insurance coverage. Settlements during the previous three years did not exceed insurance coverage.

**REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD&A)**

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$5,474,166	\$5,474,166	\$5,531,092	\$ 56,926
Franchise fees and utility taxes	1,473,663	1,473,663	1,298,731	(174,932)
Intergovernmental	695,707	695,707	1,326,982	631,275
Fines and forfeitures	473,241	473,241	522,436	49,195
Charges for services	601,001	601,001	558,188	(42,813)
Interest and other	131,683	131,683	92,856	(38,827)
Licenses and permits	55,850	55,850	67,035	11,185
Grants	60,645	60,645	88,839	28,194
Miscellaneous revenues	-	-	76,599	76,599
Total revenues	<u>8,965,956</u>	<u>8,965,956</u>	<u>9,562,758</u>	<u>596,802</u>
Expenditures:				
Current:				
General government	2,070,013	1,918,931	1,454,061	464,870
Public safety	3,035,014	3,035,014	2,894,240	140,774
Roads and streets	956,273	1,036,364	868,121	168,243
Recreation	300,320	311,720	277,542	34,178
Physical environment	97,685	168,495	107,469	61,026
Capital outlay	57,435	1,465,527	1,469,187	(3,660)
Debt service	-	144,437	76,540	67,897
Total expenditures	<u>6,516,740</u>	<u>8,080,488</u>	<u>7,147,160</u>	<u>933,328</u>
Other financing sources (uses):				
Appropriated fund balance	300,000	300,000	-	(300,000)
Proceeds from notes payable	-	1,450,000	1,450,000	-
Proceeds from capital leases	-	-	38,491	38,491
Operating transfers out	(1,985,749)	(1,985,749)	(2,321,745)	(335,996)
Total other financing sources (uses)	<u>(1,685,749)</u>	<u>(235,749)</u>	<u>(833,254)</u>	<u>(597,505)</u>
 Net change in fund balances	 <u>\$ 763,467</u>	 <u>\$ 649,719</u>	 <u>\$1,582,344</u>	 <u>\$ 932,625</u>

See notes to budgetary comparison schedule.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2003

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

Annual appropriated budgets are adopted for the General Fund and the Police Training and Forfeiture Fund (special revenue fund) on a basis consistent with accounting principles generally accepted in the United States except for debt service expenditures and compensated absences.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- (a) The Town Manager submits to the Commission a proposed operating and capital budget for the ensuing fiscal year. The budget includes proposed expenditures and the means of financing them.
- (b) Public hearings are conducted to obtain taxpayer comments.
- (c) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- (d) The Town Commission, by motion, may make supplemental appropriations for the year. There were no supplemental appropriations for the year ended September 30, 2003.
- (e) Formal budgetary integration is employed as a management control device during the year for the general fund.
- (f) The Town Manager is authorized to transfer part or all of an unencumbered appropriation balance within a fund; however, any revisions that alter the total appropriations of any fund must be approved by the Town Commission. The classification detail at which expenditures may not legally exceed appropriations is at the fund level.
- (g) Unencumbered appropriations lapse at fiscal year end. Unencumbered amounts are reappropriated in the following year's budget.
- (h) Budgeted amounts are as originally adopted or as amended. Individual type amendments were not material in relation to the original appropriations.

NOTE 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended September 30, 2003, expenditures exceeded appropriations in the capital outlay by \$3,660. This excess was funded by greater than anticipated revenues.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES

RETIREMENT PLAN FOR VOLUNTEER FIREFIGHTERS

<u>Fiscal Year</u>	<u>Annual Required Contributions</u>	<u>Employer Contributions</u>	<u>State/County Contributions</u>	<u>Percentage Contributed</u>
1998	\$ 11,630	\$ 2,212	\$ 18,073	174.4%
1999	11,630	2,871	14,916	152.9%
2000	11,794	3,417	5,730	77.6%
2001	-	6,163	38,973	632.0%
2002	11,794	6,494	30,871	316.8%
2003	28,343	11,608	30,871	265.9%

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

Valuation date	10/1/02
Actuarial cost method	Frozen Entry Age Method
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7% compounded annually
Projected salary increases	N/A - No salaries paid
Cost of living adjustments	None

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2003

RETIREMENT PLAN FOR VOLUNTEER FIREFIGHTERS

<u>Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability AAL - Entry Age (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)</u>	<u>Funded Ratio (a) / (b)</u>
10/1/1995	\$ 154,992	\$ 135,147	\$ (19,845)	114.7%
10/1/1997	181,337	160,453	(20,884)	113.0%
10/1/1999	227,535	189,763	(37,772)	119.9%
10/1/2002	179,222	231,741	52,519	77.3%

Note: Volunteer firefighters - no covered payroll

**COMBINING, INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

GOVERNMENTAL FUND TYPES

GENERAL FUND

The General Fund is the principal operating fund of the Town and is used to account for resources traditionally associated with governments which are not required legally or by sound financial management to be accounted for in another fund.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

GENERAL FUND
COMPARATIVE BALANCE SHEETS

SEPTEMBER 30, 2003
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2002)

	<u>2003</u>	<u>2002</u>
<u>ASSETS</u>		
Cash and investments	\$4,375,860	\$3,111,618
Receivables	<u>615,910</u>	<u>218,319</u>
Total assets	<u>\$4,991,770</u>	<u>\$3,329,937</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Vouchers payable and accrued liabilities	\$ 213,369	\$ 113,712
Deferred revenue	27,868	43,171
Deposits	<u>3,794</u>	<u>8,659</u>
Total liabilities	<u>245,031</u>	<u>165,542</u>
Fund balance:		
Unreserved:		
Designated for:		
Subsequent years' expenditures	-	300,000
Emergencies	1,818,041	-
Capital assets	252,366	1,068,043
Undesignated	<u>2,676,332</u>	<u>1,796,352</u>
Total fund balance	<u>4,746,739</u>	<u>3,164,395</u>
Total liabilities and fund balance	<u>\$4,991,770</u>	<u>\$3,329,937</u>

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

Volunteer Fire Department Fund - This fund, which is a blended component unit, accounts for the revenues and expenditures of the Volunteer Fire Department.

Police Training and Forfeiture Fund - This fund accounts for:

- a portion of traffic citation revenue dedicated to police training and
- the confiscation of property and the related authorized law enforcement expenditures

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2003

	<u>Special Revenue</u>		
	Volunteer Fire Department	Police Training and Forfeiture	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 13,680	\$ 323,828	\$ 337,508
Receivables	20,315	-	20,315
Total assets	<u>\$ 33,995</u>	<u>\$ 323,828</u>	<u>\$ 357,823</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Vouchers payable and accrued liabilities	\$ -	\$ -	\$ -
Fund balances:			
Designated for police	-	319,923	319,923
Designated for fire	33,995	-	33,995
Designated for subsequent years' expenditures	-	3,905	3,905
Total fund balances	<u>33,995</u>	<u>323,828</u>	<u>357,823</u>
Total liabilities and fund balances	<u>\$ 33,995</u>	<u>\$ 323,828</u>	<u>\$ 357,823</u>

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Special Revenue</u>		
	<u>Volunteer Fire Department</u>	<u>Police Training and Forfeiture</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:			
Interest and other	\$ 175,011	\$ 302,383	\$ 477,394
Total revenues	175,011	302,383	477,394
Expenditures:			
Current:			
Public safety	502,829	1,500	504,329
Excess (deficiency) of revenues over expenditures	(327,818)	300,883	(26,935)
Other financing sources:			
Transfers in	335,996	-	335,996
Excess of revenues and other financing sources over expenditures	8,178	300,883	309,061
Fund balances, beginning	25,817	22,945	48,762
Fund balances, ending	\$ 33,995	\$ 323,828	\$ 357,823

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

SPECIAL REVENUE FUND

POLICE TRAINING AND FORFEITURE

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Forfeitures and citations	\$ 5,230	\$ 5,230	\$ 302,383	\$ 297,153
Total revenues	<u>5,230</u>	<u>5,230</u>	<u>302,383</u>	<u>297,153</u>
Expenditures:				
Current:				
Public safety	1,500	1,500	1,500	-
Capital outlay	<u>3,730</u>	<u>3,730</u>	<u>-</u>	<u>3,730</u>
Total expenditures	<u>5,230</u>	<u>5,230</u>	<u>1,500</u>	<u>3,730</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,883</u>	<u>\$ 300,883</u>

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Statistical

Section

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATISTICS DEMOGRAPHICS

SEPTEMBER 30, 2003

Date of Incorporation:	November 30, 1947	
Year of Charter Adoption:	1947	
Form of Town Government:	Commission-Manager	
Location:	Lauderdale-By-The-Sea is in the east-central part of Broward County and shares boundaries with three other municipalities. Its eastern boundary is the Atlantic Ocean. It is 30 miles north of Miami and 33 miles south of Palm Beach. The Town is just over 8.5 square miles in area and has a population of 7,185 with a peak seasonable population of 11,350. It is a seaside community with primary industries being retail trade, tourism/hospitality, finance, insurance and real estate.	
Number of Employees:	Full and Part-Time, Permanent Contractual	125
Recreation facilities:	Miles of Public Beach	2.3
	Miles of Navigable Water	2.3
	Parks	1
	Tennis Courts	2
	Shuffleboard Courts	2
	Bocci Ball Court	1
	Basketball Court	1
Infrastructure:	Town Buildings	6
	Fire Stations	2
	Fire Rescue Stations	2
	Surface Parking Lot	1
Socio-Economic Data:	Consumer Price Index (5) 4/03	3.3%
	Median Household Income (2003)	\$27,060
	Per Capital Income (2003)	\$39,004
Population Statistics:	Civilian Labor Force (1) 3/03	854.6
	Unemployment Rate (2) 3/03	5.5%

Source: U.S. Census

Bureau of Labor Statistics - Broward County (2003)

(1) Number of Persons, in thousands, not seasonally adjusted.

(2) In Percent, not seasonally adjusted.

(5) Urban Wage Earners and Clerical Workers,
base: 1982 - 84 = 100, not seasonally adjusted.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

GOVERNMENT-WIDE EXPENSES BY FUNCTION

LAST TEN FISCAL YEARS (1)

Fiscal Year	General Government	Public Safety	Roads and Streets	Recreation	Physical Environment	Interest on Long-Term Debt	Sewer	Storm-water	Parking Revenue	Improvement	Total
2002	\$1,280,215	\$3,118,446	\$831,148	\$216,885	\$81,886	\$464,295	\$909,617	\$104,721	\$34,904	\$7,042,117	
2003	1,624,691	3,506,295	868,121	277,542	107,469	429,724	1,012,239	66,182	146,512	8,038,775	

(1) Information for fiscal years ended September 30, 2001 and prior is unavailable.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

GOVERNMENT-WIDE REVENUES

LAST TEN FISCAL YEARS (1)

Fiscal Year	Program Revenues			General Revenues					Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Franchise Fees and Utility Taxes	Inter-governmental	Investment Earnings	Miscellaneous	
2002	\$ 2,159,220	\$ 41,638	\$ 207,160	\$ 4,814,157	\$ 1,278,311	\$ 732,080	\$ 401,980	\$ -	\$ 9,634,546
2003	2,316,689	530,154	74,904	5,531,092	1,298,731	1,320,181	690,604	209,967	11,972,322

(1) Information for fiscal years ended September 30, 2001 and prior is unavailable.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)

LAST TEN FISCAL YEARS

Fiscal Year	General Government	Public Safety	Physical Environment	Economic Environment	Roads and Streets			Parks and Recreation	Debt Service	Capital Outlay	Total
					Roads	Streets	and				
1994	\$ 610,300	\$ 894,422	\$ 635,050	\$ -	\$ 454,974	\$ 37,746	\$ 95,810	\$ 202,557	\$ 2,930,859		
1995	772,945	1,258,906	862,023	-	373,226	39,134	96,961	451,338	3,854,533		
1996	868,678	1,147,334	566,157	-	401,704	37,434	93,232	233,171	3,347,710		
1997	699,432	1,266,304	532,746	-	447,640	47,120	94,185	231,734	3,319,161		
1998	725,422	1,334,912	762,331	-	533,218	60,225	-	349,265	3,765,373		
1999	802,030	1,525,215	839,574	-	608,384	98,259	-	538,306	4,411,768		
2000	1,038,626	1,599,358	858,258	-	639,828	204,850	29,520	119,921	4,490,361		
2001	1,139,701	1,870,874	55,664	1,688	628,133	235,500	39,360	138,097	4,109,017		
2002	1,219,149	3,049,746	69,301	-	802,256	210,875	1,294,246	1,471,042	8,116,615		
2003	1,461,860	3,398,569	107,469	-	868,121	277,542	1,591,378	3,444,555	11,149,494		

(1) Governmental Fund Types: General, Special Revenue and Capital Projects.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS

Fiscal Year	Property Taxes Assess	Franchise Fees and Utility Taxes	Parking Meters	Licenses and Permits	Inter-Gov't	Charges Services	Fines and Forfeitures	Grants	Interest and Other	Total
1994	\$ 1,252,826	\$ 611,670	\$ -	\$ 97,777	\$ 261,844	\$ 451,277	\$ 135,910	\$ 22,373	\$ 265,603	\$ 3,099,280
1995	1,268,970	616,658	-	71,247	269,564	452,788	209,348	24,457	438,396	3,351,428
1996	1,288,589	638,043	373,383	85,336	272,129	473,953	276,909	-	96,459	3,504,801
1997	1,278,107	674,732	408,338	61,419	284,623	481,900	283,252	53,972	122,720	3,649,063
1998	1,576,735	819,166	426,393	63,741	288,622	547,090	401,327	-	201,875	4,324,949
1999	1,649,463	886,470	529,239	61,444	328,092	571,127	468,163	30,813	182,949	4,707,760
2000	1,761,322	954,994	491,304	55,897	374,416	643,183	470,803	8,004	343,709	5,103,632
2001	1,940,633	1,002,015	522,205	95,132	380,643	31,937	452,617	21,506	319,334	4,766,022
2002	4,814,157	1,278,311	-	66,369	732,080	559,787	599,220	41,638	382,058	8,473,620
2003	5,531,092	1,298,731	-	67,035	1,326,982	558,188	522,436	558,331	767,203	10,629,998

(1) Governmental Fund Types: General, Special Revenue and Capital Projects.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (2)	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Total Tax
1994	\$ 1,289,554	\$ 1,238,931	96.1%	\$ 8,496	\$ 1,247,427	96.7%
1995	1,297,908	1,251,539	96.4%	13,005	1,264,544	97.4%
1996	1,325,336	1,274,670	96.2%	8,936	1,283,606	96.9%
1997	1,313,213	1,265,524	96.4%	4,138	1,269,662	96.7%
1998	1,624,589	1,565,486	96.4%	3,041	1,568,527	96.5%
1999	1,695,686	1,636,320	96.5%	3,614	1,639,934	96.7%
2000	1,815,592	1,753,186	96.6%	2,854	1,756,040	96.7%
2001	2,000,611	1,932,547	96.6%	2,234	1,934,781	96.7%
2002	4,688,957	4,533,059	96.7%	1,227	4,534,286	96.7%
2003	5,359,896	5,177,975	96.6%	1,304	5,179,279	96.6%

Source: Broward County, Florida, Property Appraiser

(1) Net of certified adjustments

(2) Florida Law allows up to 4 % discount for timely payment of property taxes

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TAXABLE PROPERTY VALUES

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Exemptions</u>		<u>Net Taxable Value</u>
			<u>Real</u>	<u>Personal</u>	
1994	\$ 271,161,030	\$ 14,320,031	\$22,219,840	\$ 2,550	\$ 263,258,671
1995	272,655,110	16,085,105	22,385,730	2,900	266,351,585
1996	278,250,640	15,278,403	23,720,380	13,700	269,794,963
1997	281,769,560	13,920,490	24,143,140	13,604	271,533,306
1998	439,918,640	14,423,656	31,013,910	13,604	423,314,782
1999	461,691,590	15,084,338	35,249,530	13,514	441,512,884
2000	497,729,400	15,279,811	40,565,170	13,514	472,430,527
2001	560,251,790	12,958,060	46,356,830	13,434	526,839,586
2002	1,162,796,770	13,701,721	62,867,630	2,634	1,113,628,227
2003	1,333,494,270	14,684,976	67,100,270	2,634	1,281,076,342

Source: Broward County, Florida, Property Appraiser

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

PROPERTY TAX RATES (PER \$1,000) DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

Fiscal Year	Lauderdale By-The-Sea	Broward County	<u>State Special Districts</u>					Hillsboro Inlet	<u>Total</u>
			Broward County Schools	Florida Inland Navigation	South Florida Water Management	North Broward Hospital			
1994	4.9043	8.1327	9.8197	0.0510	0.5970	2.4753	0.1195	26.0995	
1995	4.9043	8.0343	10.0259	0.0490	0.5970	2.4459	0.1163	26.1727	
1996	4.9043	8.1165	10.0366	0.0400	0.6470	2.4327	0.1142	26.2913	
1997	4.8500	7.7524	9.9400	0.0380	0.6720	2.4200	0.1112	25.7836	
1998	3.8500	7.8380	9.9745	0.0500	0.6970	2.4087	0.1071	24.9253	
1999	3.8500	7.5710	9.7256	0.0470	0.6970	2.5000	0.1021	24.4927	
2000	3.8500	7.5270	8.9553	0.0410	0.6970	2.4803	0.1036	23.6542	
2001	3.8500	7.5250	8.5410	0.0410	0.6970	2.4803	0.1036	23.2379	
2002	4.7000	7.3650	8.8825	0.0385	0.6970	2.4803	0.1170	24.2803	
2003	4.7000	7.1880	8.4176	0.0385	0.6970	2.5000	0.2490	23.7901	

Source: Broward County, Florida, Property Appraiser

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

PRINCIPAL TAXPAYERS

SEPTEMBER 30, 2003

<u>Name</u>	<u>Type of Business</u>	<u>Taxable Value</u>	<u>Percentage of Total Taxable Valuation</u>
Kensington Associates	Apartments	\$ 15,131,080	1.18%
T F V Properties LTD	Hotel	8,865,500	0.69%
Aquazul LTD	Condominium	7,934,780	0.62%
Chateau De Mer LLC	Condominium	7,311,480	0.57%
Edmondson, James P.	Hotel	4,797,110	0.37%
Ruttger Family Partners	Hotel	3,831,280	0.30%
Ashley Holding, Inc.	Hotel	3,415,380	0.27%
Outrigger Association	Resort	3,383,040	0.27%
Hapimag Vacations Corp.	Hotel	3,326,620	0.26%
Ruttger Family Partners	Hotel	<u>3,184,550</u>	<u>0.25%</u>
		<u>\$61,180,820</u>	<u>4.78%</u>

Source: Tax Roll of Broward County, Florida

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

PROPERTY VALUES AND CONSTRUCTION VALUES LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Property Value</u>	<u>Construction</u>	
		<u>Residential Values</u>	<u>Commercial Values</u>
1994	\$ 263,258,671	\$ 1,987,023	\$ 3,894,748
1995	266,351,585	941,198	1,146,693
1996	269,794,963	757,081	1,069,685
1997	271,533,306	2,809,520	308,804
1998	423,314,782	1,268,273	484,612
1999	441,512,884	1,045,327	604,714
2000	472,430,527	2,220,208	430,700
2001	526,839,586	1,324,333	228,867
2002	994,182,340	2,638,367	1,767,578
2003	1,137,417,925	34,395,973	4,515,593

Source: Broward County Property Appraiser

Source: Broward County Building Department

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES LAST TEN YEARS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service (1)</u>	<u>Total General Governmental Expenditures (2)</u>	<u>Ratio of Debt</u>
1994	\$ 80,000	\$ 15,810	\$ 95,810	\$ 2,930,859	3.30%
1995	85,000	11,961	96,961	3,854,533	2.50%
1996	85,000	8,232	93,232	3,347,710	2.80%
1997	90,000	4,185	94,185	3,319,161	2.80%
1998	-	-	-	3,765,373	0.00%
1999	-	-	-	4,411,768	0.00%
2000	16,950	12,570	29,520	4,490,361	0.70%
2001	67,803	50,275	118,078	4,857,148	2.40%
2002	829,951	464,295	1,294,246	8,116,615	15.90%
2003	1,161,654	429,724	1,591,378	11,149,494	14.30%

(1) No general obligation debt 1998 - 2002. Promissory note obligation 1999-2002.

(2) Included general, special, and capital projects funds.

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Compliance Section

**Report of Independent Certified Public Accountants on Compliance and on
Internal Control over Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with Government Auditing Standards**

Honorable Mayor, Town Commission and Town Manager
Town of Lauderdale-By-The-Sea, Florida

We have audited the basic financial statements of the Town of Lauderdale-By-The-Sea, Florida, (the Town) as of and for the year ended September 30, 2003, and have issued our report thereon dated December 5, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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.

Honorable Mayor, Town Commission and Town Manager
Town of Lauderdale-By-The-Sea, Florida
Page Two

However, we noted other matters involving the internal control over financial reporting that we have reported to management in the accompanying schedule of findings.

This report is intended solely for the information and use of the Mayor, Town Commission, management, and applicable state agencies and is not intended to be and should not be used by anyone other than those specified parties.

Rachlin Cohen + Holtz LLP

Fort Lauderdale, Florida
December 5, 2003

Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

Honorable Mayor, Town Commission and Town Manager
Town of Lauderdale-By-The-Sea, Florida

We have audited the basic financial statements of the Town of Lauderdale-By-The-Sea, Florida (the Town) as of and for the year ended September 30, 2003, and have issued our report thereon dated December 5, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report of Independent Certified Public Accountants on Compliance and Internal Control over Financial Reporting. Disclosure in this report, which is dated December 5, 2003, should be considered in conjunction with this management letter.

In connection with our audit of the basic financial statements of the Town for the year ended September 30, 2002, we report the following in accordance with Chapter 10.550 Rules of the Auditor General *Local Governmental Entity Audits* which requires that this report specifically address but not be limited to the matters outlined in Rule 10.554(1)(g):

1. No inaccuracies, shortages, defalcations, fraud and/or violations of laws, rules, regulations and contractual provisions were reported in the preceding annual financial audit.
2. The Town, during fiscal year 2003, was not in a state of financial emergency as defined by Florida Statute, Section 218.503 (1). The Town had no deficit fund balances.
3. Recommendations made in the preceding annual financial audit have been implemented, except as disclosed in the accompanying schedule of findings.
4. Recommendations to improve the Town's present financial management, accounting procedures and internal controls are accompanying this report in the schedule of findings.
5. The Town is in compliance with the investment policy of public funds established Section 218.415 of the Florida Statutes.
6. During the course of our audit, nothing came to our attention that caused us to believe that the Town:
 - a. Was in violation of any laws rules, regulations and contractual provisions.
 - b. Made any illegal or improper expenditures.

Honorable Mayor, Town Commission and Town Manager
Town of Lauderdale-By-The-Sea, Florida
Page Two

- c. Had improper or inadequate accounting procedures.
 - d. Failed to record financial transactions.
 - e. Had other inaccuracies, shortages, defalcations and instances of fraud.
7. The annual financial report for the year ended September 30, 2003 has been filed with the Department of Banking and Finance pursuant to Section 218.32 Florida Statutes and is in agreement with the annual financial audit report for the fiscal year ended September 30, 2003.
8. The Town of Lauderdale-By-The-Sea, Florida was incorporated by Laws of Florida 27675. The Volunteer Fire Department, a blended component unit of the Town, was created by ordinance in 1962.
9. During the course of our audit, we applied financial condition assessment procedures pursuant to Rule 10.566(8). It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment, which was performed as of the Town's fiscal year end, was based on representations made by management and the review of financial information provided by the Town. There were no findings regarding deteriorating financial conditions.

This report is intended solely for the information and use of the Mayor, Town Commission, management, 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.

Rachlin Cohen & Holtz LLP

Fort Lauderdale, Florida
December 5, 2003

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

SCHEDULE OF FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

PART I. CURRENT YEAR COMMENTS AND STATUS

None.

PART II. PRIOR YEAR COMMENTS AND STATUS

Personnel Policies and Procedures

Condition

During our audit of the financial statements, we noted that the Town's purchasing policies and procedures are not followed or have not been updated to reflect certain thresholds. The purchasing procedures, including authorization limits for oral and written bids as well as requirements for commission approval on purchases, has not been updated for several years; currently, these purchases require an approval of all expenditures of items over \$50. We noted that for the majority of the year, the Town did not follow the existing purchasing procedures because the threshold limits were too low.

Recommendation

We recommend that the Town review its existing personnel policies and procedures manual and propose and implement changes to reflect suitable procedures that would address and correct.

Management Response

We agree that the Town's existing policies and procedures manual should be suitably updated. Revisions will be proposed after Charter Amendments in March 2004.

Bookkeeping

Condition

While testing the Volunteer Fire Department Special Revenue Fund, a blended component unit, we noted that overall bookkeeping over the related activity was not adequately maintained. The Volunteer Firefighter Department records transactions in two general ledgers and is not provided to the Town regularly throughout the year. This form of recordkeeping is at risk of having transactions duplicated. Additionally, the Volunteer Firefighter Department does not keep an adequate audit trail of contributions received in their booster drives. Without an adequate audit trail of such matters, contributions are more susceptible to theft and misappropriations.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

SCHEDULE OF FINDINGS

(Continued)

PART II. PRIOR YEAR COMMENTS AND STATUS (Continued)

Personnel Policies and Procedures (Continued)

Recommendation

We recommend that the Volunteer Fire Department outsource its accounting function to an experienced and independent bookkeeper, as well as create written policies and procedures to clarify the functions of the bookkeeper and the Volunteer Firefighter Department's paid administrative staff. Additionally, all deposits should be reconciled and the appropriate documentation maintained by the accountant.

Management Response

This comment has not yet been implemented.

Town Of Lauderdale-By-The-Sea

COMPREHENSIVE ANNUAL FINANCIAL
REPORT



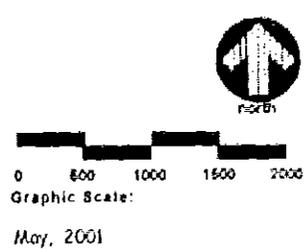
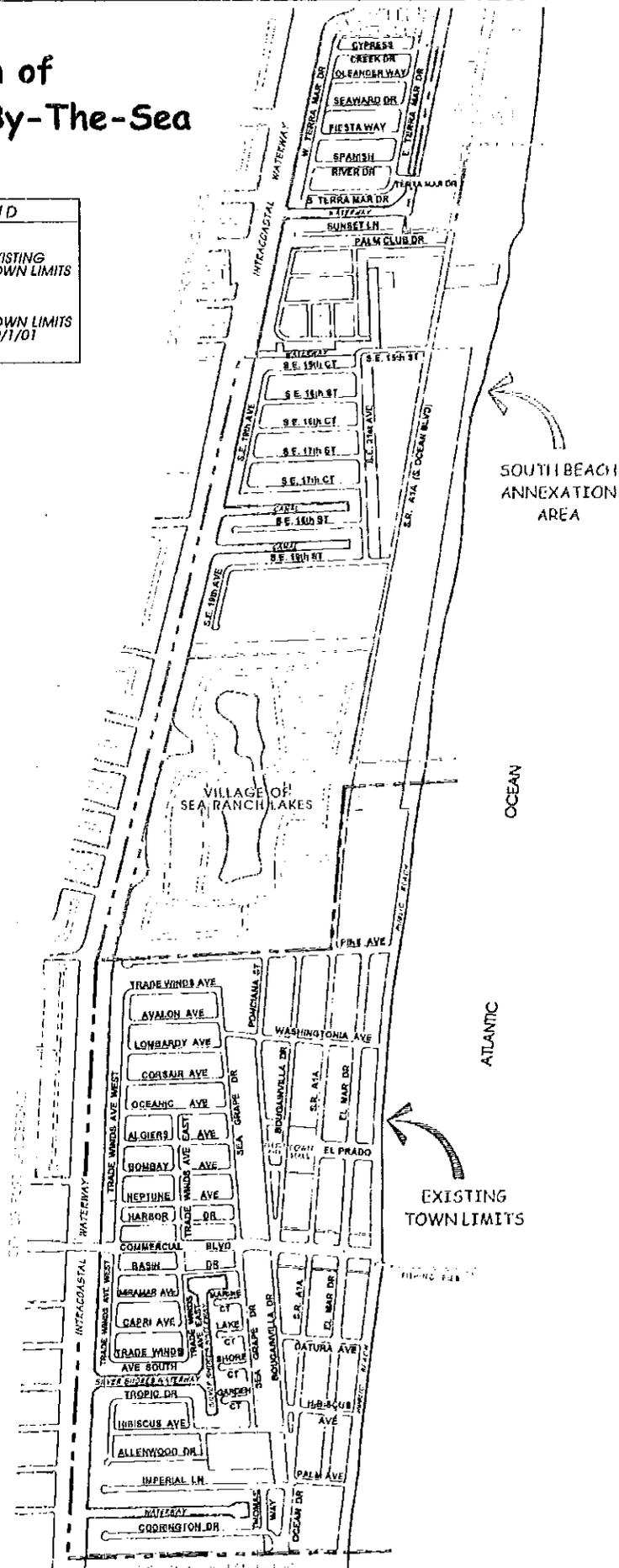
Photography by Marc Furth

Fiscal Year 2002/2003
October 1, 2002 - September 30, 2003

Town of Lauderdale-By-The-Sea

LEGEND

- EXISTING TOWN LIMITS
- TOWN LIMITS 10/1/01





**4501 Ocean Drive
Lauderdale By The Sea, Florida 33308
954-776-0576
www.townoflbs.com**