



**The Village of
North Palm Beach, Florida**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2006



The Village of North Palm Beach, Florida



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2006

**Prepared by:
Finance Department**

**Samia Janjua
Director of Finance**

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

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THE VILLAGE OF NORTH PALM BEACH, FLORIDA

FINANCIAL STATEMENTS

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INTRODUCTORY SECTION



THE VILLAGE OF
NORTH PALM BEACH
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March 22, 2007

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

The Finance Department and Village Manager's Office are pleased to submit the Comprehensive Annual Financial Report for the Village of North Palm Beach, Florida for the fiscal year ended September 30, 2006.

This report is published to provide the Village Council, Village staff, our citizens, our lenders, and other interested parties with detailed information concerning the financial condition and activities of the Village government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Village.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects, and is organized in a manner designed to fairly present the financial position and results of operations of the Village as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the Village's financial affairs have been included.

THE REPORT

This report is presented in three sections: Introductory, Financial and Statistical. The introductory section includes this transmittal letter, a listing of the Village Officials, and an organizational chart of the Village. The financial section includes Management's Discussion and Analysis (MD&A), basic financial statements, required supplementary information, and combining and individual fund statements and schedules, as well as the independent auditor's report on the basic financial statements. The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Village of North Palm Beach's MD&A can be found immediately following the report of the independent auditors. The statistical section includes financial and demographic information, usually presented on a multi-year basis; that is relevant to a financial statement reader.

The financial section described above is prepared in accordance with generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board (GASB) and other professional associations, as applicable.

VILLAGE PROFILE

The Village

The Village of North Palm Beach is primarily a residential community, having been incorporated as a political subdivision of the State of Florida in 1956. The registered population of the Village is approximately 13,000 which increase to approximately 18,000 during the winter months by residents who list their northern homes as their official place of residence. Residents are generally in the middle to upper income brackets.

Located in the northeastern quadrant of Palm Beach County, Florida, the Village has an abundant amount of waterfront property created by a number of lakes, canals, and the Atlantic Ocean.

The governing body of the Village consists of a five member Village Council, each of whom is elected to two-year overlapping terms. The Mayor is selected by majority vote of the Council and serves for a term of one year. Day to day affairs of the Village are under the leadership of a Village Manager who is appointed by the Council.

FINANCIAL DATA

Financial Reporting System and Budgetary Controls

The Village's financial records for its general governmental operations are maintained on the modified accrual basis, which means that revenues are recorded when available and measurable, and expenditures are reported when goods and services are received and the related liabilities are incurred; depreciation expense is not included.

Financial reporting for its Enterprise Fund (i.e., the Country Club operation) is presented using the full accrual basis of accounting required by GAAP for its annual financial report. The Country Club annual budget is adopted using a modified accrual basis of accounting (identical to the general government operations mentioned above) which is consistent with how general ledger financial records are maintained throughout the year by the Village administration.

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

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

The Village of North Palm Beach maintains budgetary controls through the annual budget public hearing and approval process of GAAP based budgets. The formal budget approval for each fiscal year is accomplished in a manner to comply with Florida State Statute 200.065, commonly referred to as Truth-in-Millage (TRIM).

Budget amendments require Village Council approval at public meetings. Budgetary control is maintained at the department level within Fund by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders, which result in an overrun of approved departmental appropriations within fund, are not released until additional appropriations are made available. Encumbered amounts lapse at year-end; however they are re-appropriated as part of the following year's budget.

ECONOMIC OUTLOOK

Property Values

The Village obtains a major portion of its annual general fund financial resources (56%) from ad valorem property taxes. Gross assessed property values have increased substantially over the past four years (67% between 2002 and 2006) rising \$225 million dollars, or 15% in 2006 alone, to a total of \$1,661,199,249. The Village anticipates a slower pace of planned new growth since most vacant property within the municipal limits has already been developed. The Village also anticipates a more moderate increase in annual property values from that of the previous year, resulting primarily from the sale, transfer and redevelopment of existing properties. There is an obvious softening of the real-estate market significantly impacting both home values and sales. Political discussions regarding portability of Florida's "Save Our Homes" property values and other alternative taxations make future forecasts of Village property tax valuation uncertain. The Village will continue to pursue annexation of surrounding unincorporated areas that compliment and enhance the services and values of our existing community. The focus of Village annexation efforts will be toward providing exemplary municipal services that are revenue "neutral" to both the annexed areas and to the Village.

Personnel Costs

The Village will continue to face challenges primarily in areas of increased employee personnel costs for both salaries and benefits as well as increased insurance and energy costs. In past years, several retirement plan amendments were implemented by the Village and then followed by significant salary adjustments that magnified the impact and cost of the retirement changes. The combination of these changes resulted in significant increases to - and continuing requirements for - annual Village pension costs. The Village annual contribution rates for its General Employee Plan have increased from 9% in 1999... to 16% in 2004... to 23% in 2006 but have decreased to 15.5% for 2007. In the Police Fire Plan, contribution rates increased from 6% in 1999... to 16% in 2004... to 20% in 2006 but also decreased in year 2007 to 16%. Significant increases in annual health insurance costs have also been encountered during the past few years. In 2005, the Village transitioned away from its self-insured health program to a contractual fixed fee Health/Dental program. This new health program more accurately reflects and contains annual Village health costs while re-establishing a cost sharing partnership with employees by adjusting the amount of their annual contribution for health coverage.

Agreements for all three of the Village's collective bargaining units (police, fire, and public service workers) expired on September 30, 2006 but have since been successfully negotiated and ratified through vote of the respective Unions and Village Council. All three collective bargaining agreements were transitioned from single to three year contracts thus giving the Village a more accurate means by which to calculate future year salaries and benefit costs. The impacts of personnel salaries and benefits in the coming years will have a large and continuing effect on future Village financing and service priorities in areas of staffing, public services and public projects.

INITIATIVES AND FUTURE PROJECTS

Country Club Tennis Facility

The Village Country Club Tennis Facility has passed its expected useful life. Council has provided for a “temporary” building (trailer) while engaging an architect to design and prepare the necessary construction documents for a permanent facility. Historically, tennis is a revenue neutral component of the Country Club budget. Given the current financial environment and liabilities of the newly renovated golf course, other options, both managerial and financial will be discussed during this upcoming budgetary process. An option would be to relocate the tennis component from the Country Club enterprise fund to the general fund under Parks and Recreation. Tennis activities customarily fall within Parks & Recreational departments in municipal entities. Under this option the Village would be eligible to seek outside grant funding for structural and non-structural improvements, an option not currently available to the Village under the enterprise fund. Should the decision be made to stay with the status quo, a financial advisor and loan legal counsel can assist in obtaining loan financing for this project. The construction loan’s annual repayment will be paid by the Club’s annual golf and tennis revenues over the 15- 30 year useful life of the new facility. Groundbreaking for the permanent facility is anticipated in early 2008.

Public Safety North Substation

The Village continues to move forward with the final stages of design of the new Public Safety sub-station located on the newly acquired parcel of land along Carolinda Drive. Both the small scale comprehensive plan and rezoning have been completed. Once the building’s engineering design is completed the construction project will be placed out for bid with hopes of ground breaking sometime in the winter of 2007.

Public Safety Radio Communication System

The Village Public Safety VHF radio communication system is both old and antiquated. The current system does not provide the basic interagency capabilities which are essential in a metropolitan environment. The need for communications interoperability was never more exemplified as during the Gulf Coast hurricane that crippled municipal infrastructure requiring responses from bordering public safety agencies. The migration to the 800 MHz system is a Palm Beach County, State of Florida and Federal initiative. North Palm Beach is currently a member of the Countywide Communications Consortium which has also made way for supplementary funding through revenue from traffic citations.

Northlake Boulevard Corridor Task Force

An initial \$500,000 grant from the State DOT allowed the Village to award a local company the bid for construction of Phase 1 of the Northlake Blvd. streetscape improvement. This first phase provided sidewalk widening and median / swale area landscaping improvements from US1 westward to Southwind Drive in the Village. Replacement of deficient vegetation was completed in February 2007 with only minor aesthetic issues to be addressed; once this is accomplished a final inspection can be conducted. The Task Force will begin to work on the implementation of Phase II in 2008. Phase II extends from Southwind Drive westward to Alternate A1A.

Prosperity Farms Roadway Improvements

The Prosperity Farms Road improvement project was funded by a County grant to the Village. The construction project was awarded by the Village to a Broward County firm in June 2005. Work on this project was impacted by the strike of Hurricane Wilma in October 2005. Substantial completion of this roadway project was achieved in December 2005 but the contractor experienced difficulties in both providing and installing the required landscaping materials as specified. This project was expected to be completed during 2006 however contractual disputes have placed the Village in litigation. It is the hope and desire to mediate those disputes and complete this improvement project prior to the end of fiscal year 2007.

Earman River Water Supply Line

The existing irrigation system for the Country Club and Golf Course, U.S. 1 Median and Village Parks are supplied by the Earman River. This supply line runs from the Earman River to the Lake on the 13th Fairway and is beginning to show signs of deterioration. Your Village Staff has obtained estimates for replacing a portion of the line that has shown signs of leaking. The initial repairs should be considered in this year's budget (2007-2008) with the remaining line replaced over the next few years.

Canal Dredging

One of the noted development signatures of the Village is its intricate network of canals and waterways. The canals and waterways enhance the property values of the Village and give it character as a boating community. The canals were built in the 1950's as part of the original development of North Palm Beach. However, the canals have not been maintained by the Village in that length of time, and, as a result, have silted up and created navigational problems for boaters. In order to alleviate this problem, the Village has been going through an extensive dredging program to upgrade the quality of the canals and the North Palm Beach waterways. The dredging program was developed and implemented as a four-phase program with the first and second phases being completed in 2004 and phase three reaching completion in 2005. Federal and State environmental agencies are working diligently to resolve some inter-agency divergence which has significantly stalled the Village's last Phase four permit application.

Lighthouse Bridge Refurbishment:

Public Works Staff has worked diligently with Village Engineer Keith Jackson (SFRN) and Allen Gerwig (Structural Engineer contracted by SFRN) on needed repairs to the Lighthouse Bridge. Technical specifications for the required work should be forthcoming and the required Bid manual prepared and sent out for contractor proposals. This item was anticipated and partial funding appropriated during fiscal year 2006/2007.

Parks and Recreation/Village Facility Improvement Grants

The Village has been awarded grants for projects at Anchorage Park, Village Pool and Lakeside Park. The Anchorage Park Improvements project has received a total of \$945,450 in grant funds to which the Village will match \$415,150 for a total of \$1,360,600. The grants obtained are from Florida Recreation Development Assistance Program (\$400,000), Transportation Enhancement Program (\$500,000), and Urban & Community Forestry (\$45,450). The grant project funds received for Lakeside Park total \$194,990 and will include a Village match of \$185,000 for a total of \$379,990. Grant funds have been received from FIND Waterways Assistance Program

(\$150,000), Public Lands Grant (\$35,000) and Keep Palm Beach County Beautiful (\$9,990) which will enhance the landscaping and boardwalks throughout the Park. The Village has also received \$50,000 from Palm Beach County for Village Pool improvements with no match required by the Village. The Village has applied for the following grants for Anchorage Park – Coastal Partnership (\$50,000), Treasure Coast Regional Planning Council (\$99,980) and for the Village Pool – FRDAP (\$200,000).

OTHER INFORMATION

Independent Audit

Article 11, Section 2.18 of the Village Charter requires an annual audit of the books of account, financial records, and transactions of all administrative departments of the Village by independent certified public accountants selected by the Village Council. This requirement has been complied with, and the independent auditor's report has been included in this report.

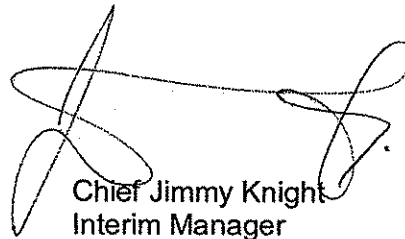
Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the Village of North Palm Beach for its Comprehensive Annual Financial Report for the fiscal year ending September 30, 2005. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

Respectfully submitted,



Samia Janjua
Director of Finance



Chief Jimmy Knight
Interim Manager

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

PRINCIPAL VILLAGE OFFICIALS

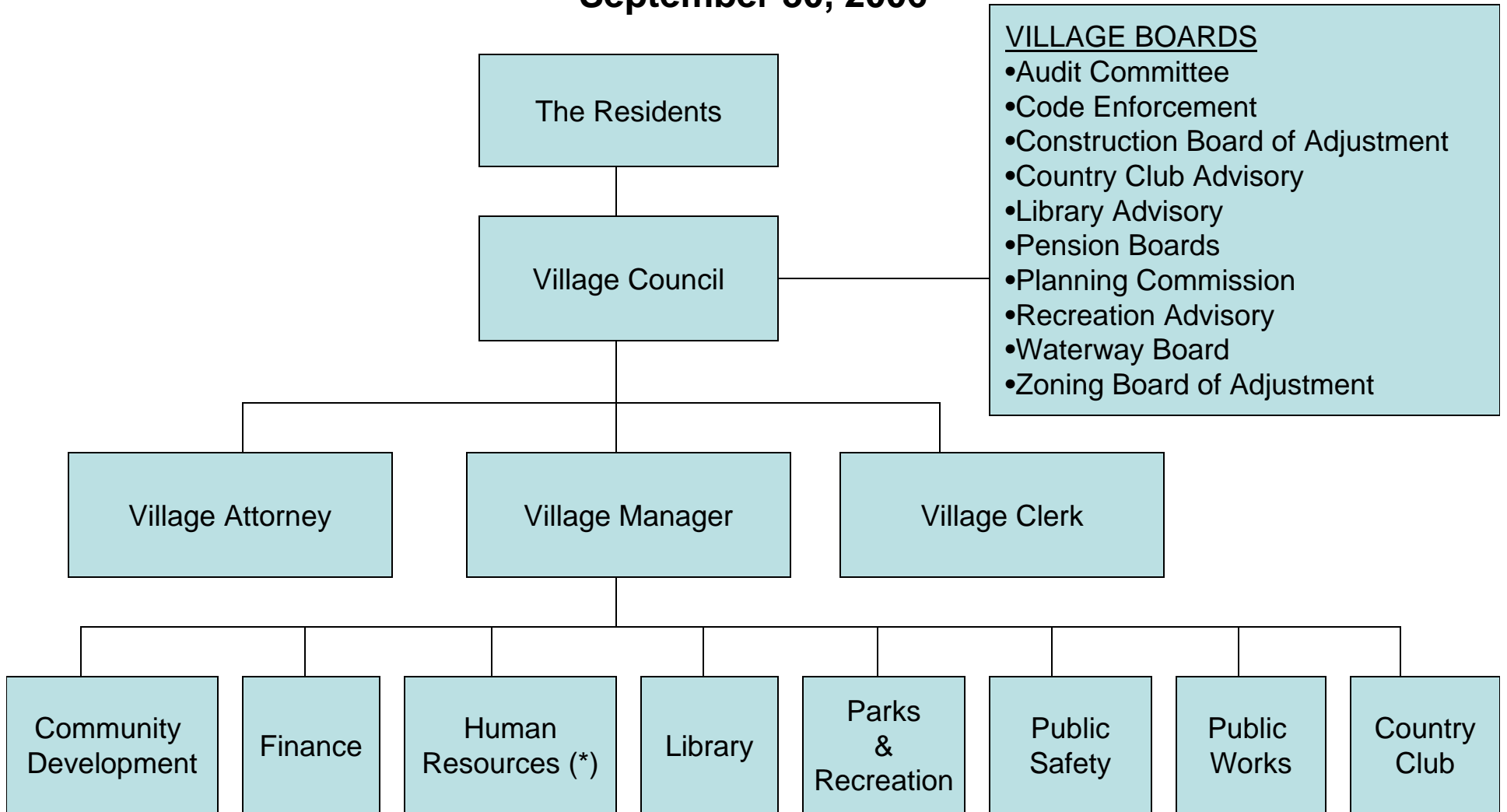
SEPTEMBER 30, 2006

| <u>Title</u> | <u>Name</u> |
|---------------------|---------------------|
| Mayor | David B. Norris |
| Vice Mayor | Edward M. Eissey |
| President Pro Tem | William Manuel |
| Council Member | Darryl C. Aubrey |
| Council Member | Charles R. O'Meilia |
| Interim Manager | Chief Jimmy Knight |
| Director of Finance | Samia Janjua |
| Village Clerk | Melissa Teal |

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Organization Chart

September 30, 2006



(*) Dept Created 10/01/06

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Village of North Palm Beach
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2005

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



President

Executive Director

FINANCIAL SECTION



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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J. MICHAEL STEVENS, CPA
DANIEL A. KIRCHMAN, CPA
ALEXIA G. VARGA, CPA
BRIAN J. BRESCIA, PFS, CPA
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INDEPENDENT AUDITORS' REPORT

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POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
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The Honorable Mayor and Members of the Village Council
The Village of North Palm Beach, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of North Palm Beach, Florida as of and for the year ended September 30, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of North Palm Beach, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of North Palm Beach, Florida as of September 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2007, on our consideration of the Village of North Palm Beach, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 3 through 10 and the required supplementary information on pages 58 through 62 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of North Palm Beach, Florida's basic financial statements. The introductory section, other supplemental information, and statistical data 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 Village of North Palm Beach, Florida. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Village of North Palm Beach, Florida. The schedule of expenditures of federal awards and other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Nowlen, Holt, & Miner, P.A.

February 28, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Village of North Palm Beach, Florida (Village) Administration offers readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended September 30, 2006. Please read it in conjunction with the accompanying transmittal letter beginning on page i, and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS (in millions)

| | September 30, | | Increase/ (Decrease) | Statement Page # |
|--|---------------|----------|-------------------------|---------------------|
| | 2006 | 2005(1) | | |
| Total net assets | \$17.83 | \$13.89 | \$3.94 | 11 |
| Unrestricted net assets available for future use | \$7.55 | \$5.86 | \$1.69 | 11 |
| Governmental net assets | \$15.42 | \$11.66 | \$3.76 | 11 |
| Total revenues from all sources | \$22.48 | \$21.01 | \$1.47 | 12 |
| Governmental revenues | \$20.13 | \$18.34 | \$1.79 | 12 |
| Total cost of all Village programs | \$18.53 | \$17.10 | \$0.78 | 12 |
| Governmental revenues over (under) expenses | \$3.76 | \$2.94 | \$0.82 | 13 |
| General fund revenues over (under) expenses | \$2.67 | \$2.77 | (\$0.10) | 16 |
| General fund unreserved fund balance | \$7.02 | \$5.93 | \$1.09 | 14 |
| As a percent of general fund expenditures | 41.96% | 38.11% | 3.85% | |
| Country Club revenues over (under) expenses | \$0.19 | \$0.06 | \$0.13 | 19 |
| Change in total long-term debt for the Village | \$3.92 | (\$0.65) | | |

(1) Throughout this narrative, amounts for fiscal year ended September 30, 2005, have been restated for the effects of the prior period adjustments discussed in Note 16, on page 56.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements that include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the Village as a whole. (2) Fund financial 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 Village's operations in more detail than the government wide statements by providing information about the Village's most significant funds. (3) Notes to the basic financial statements expand upon information reported in the government-wide and governmental fund statements.

REPORTING THE VILLAGE AS A WHOLE

Statement of Net Assets and the Statement of Activities (Government-wide)

A frequently asked question regarding the Village's financial health is whether the year's activities contributed positively to the overall financial well being. The Statement of Net Assets and the Statement of Activities report information about the Village as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current

These two statements report the Village's net assets and changes therein. Net assets, the difference between assets and liabilities, are one way to measure the Village's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating.

The Statement of Net Assets and the Statement of Activities present information about the following:

- Governmental activities - All of the Village's basic services are considered to be governmental activities, including general government, community development, public safety, public services, library, and recreation. Property taxes, sales taxes, utility taxes, and franchise fees finance most of these activities.
- Proprietary activities/Business type activities - The Village charges a fee to customers to cover all or most of the cost of the services provided. The Village's Country Club is reported in this category.

REPORTING THE VILLAGE'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the Village as a whole. Some funds are required to be established by State law. However, management establishes other funds, which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The Village's three kinds of funds, governmental, proprietary, and fiduciary, use different accounting approaches as explained below.

- Governmental funds - Most of the Village's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out, with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Village's general government operations and the basic services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. The basic governmental fund financial statements can be found on pages 11-17 of this report.
- Proprietary funds - The Village's only proprietary fund is the Country Club fund, which charges customers for the services it provides. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The basic proprietary fund financial statements can be found on pages 18-20 of this report.
- Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 21-22 of this report.
- Special Revenue funds - Special Revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The Village has four

funds in this category: Public Safety Fund, Northlake Boulevard Fund, On-Behalf Pension Contribution Fund and the Recreation Fund. The basic fund financial statements can be found on pages 14-16 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$17.8 million at the close of the most recent fiscal year.

A significant portion of the Village's net assets (56.7%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

| Village of North Palm Beach | | | | | | |
|--|------------------|------------------|-----------------|-----------------|------------------|------------------|
| Net Assets | | | | | | |
| (In Thousands) | | | | | | |
| | Governmental | | Business | | Total | |
| | Activities | | Activities | | | |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Assets: | | | | | | |
| Current and other assets | \$ 9,138 | \$ 7,591 | \$ 2,658 | \$ 453 | \$ 11,796 | \$ 8,044 |
| Capital assets | 13,270 | 11,936 | 6,690 | 2,412 | 19,960 | 14,348 |
| Total assets | <u>22,408</u> | <u>19,527</u> | <u>9,348</u> | <u>2,865</u> | <u>31,756</u> | <u>22,392</u> |
| Liabilities: | | | | | | |
| Current liabilities | 859 | 933 | 1,613 | 122 | 2,472 | 1,055 |
| Long-term debt outstanding | 6,127 | 6,932 | 5,320 | 515 | 11,447 | 7,447 |
| Total liabilities | <u>6,986</u> | <u>7,865</u> | <u>6,933</u> | <u>637</u> | <u>13,919</u> | <u>8,502</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of debt | 8,119 | 5,905 | 1,999 | 1,958 | 10,118 | 7,863 |
| Restricted | 160 | 168 | | | 160 | 168 |
| Unrestricted | 7,143 | 5,589 | 416 | 270 | 7,559 | 5,859 |
| Total net assets | <u>\$ 15,422</u> | <u>\$ 11,662</u> | <u>\$ 2,415</u> | <u>\$ 2,228</u> | <u>\$ 17,837</u> | <u>\$ 13,890</u> |

Governmental Activities

Governmental activities increased the Village's net assets by \$3.76 million, thereby accounting for 95% of the total increase in the net assets of the Village. An increase in Governmental Capital Assets (\$1.3m) is due to the reclassification of pool assets and an increase in capital improvement projects. Key elements of this increase are as follows:

Village of North Palm Beach
Changes in Net Assets
(In Thousands)

| | Governmental Activities | | Business Activities | | Total | |
|--|----------------------------|------------------|------------------------|-----------------|------------------|------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 2,392 | \$ 2,020 | \$ 2,167 | \$ 2,658 | \$ 4,559 | \$ 4,678 |
| Operating grants and contributions | 998 | 1,393 | 68 | | 1,066 | 1,393 |
| Capital grants and contributions | 462 | | | | 462 | |
| General revenues: | | | | | | |
| Property taxes | 10,882 | 10,071 | | | 10,882 | 10,071 |
| Local option gas taxes | 307 | 320 | | | 307 | 320 |
| Utility service taxes | 2,001 | 1,955 | | | 2,001 | 1,955 |
| Sales and use taxes | 1,416 | 957 | | | 1,416 | 957 |
| Franchise taxes | 1,151 | 890 | | | 1,151 | 890 |
| Grants and contributions not restricted to specific programs | | 421 | | | | 421 |
| Investment earnings | 477 | 197 | 113 | 13 | 590 | 210 |
| Miscellaneous | 53 | 112 | | | 53 | 112 |
| Gain (loss) on asset disposals | (7) | | | | (7) | |
| Total revenues | <u>\$ 20,132</u> | <u>\$ 18,336</u> | <u>\$ 2,348</u> | <u>\$ 2,671</u> | <u>\$ 22,480</u> | <u>\$ 21,007</u> |

The Village's programs include General Government, Public Safety, Public Services, and Leisure Services. Each program's net cost (total cost, less revenues generated by the activities) is presented below. The net cost shows the extent to which the Village's general taxes support each of the Village's programs.

**Village of North Palm Beach
Governmental Activities**

(In Thousands)

| | Governmental Activities | | Business Activities | | Total | |
|---------------------------------------|----------------------------|------------------|------------------------|-----------------|------------------|------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Expenses: | | | | | | |
| Program expenses: | | | | | | |
| General government | \$ 1,777 | \$ 1,637 | \$ | \$ | \$ 1,777 | \$ 1,637 |
| Public safety | 7,036 | 6,039 | | | 7,036 | 6,039 |
| Public services | 4,131 | 4,665 | | | 4,131 | 4,665 |
| Community development and planning | 657 | | | | 657 | |
| Leisure services | 2,563 | 2,062 | | | 2,563 | 2,062 |
| Reserves and other | 2 | 843 | | | 2 | 843 |
| Interest on long-term debt | 242 | 151 | | | 242 | 151 |
| Country Club | | | 2,125 | 2,570 | 2,125 | 2,570 |
| Total expenses | <u>16,408</u> | <u>15,397</u> | <u>2,125</u> | <u>2,570</u> | <u>18,533</u> | <u>17,967</u> |
| Transfers | 36 | | (36) | | | |
| Increase (decrease) in | | | | | | |
| net assets | 3,760 | 2,939 | 187 | 101 | 3,947 | 3,040 |
| Net assets - beginning of year | 11,662 | 8,723 | 2,228 | 2,127 | 13,890 | 10,850 |
| Net assets - end of year | <u>\$ 15,422</u> | <u>\$ 11,662</u> | <u>\$ 2,415</u> | <u>\$ 2,228</u> | <u>\$ 17,837</u> | <u>\$ 13,890</u> |

| | 2006 | | 2005 | |
|---------------------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| General government | \$ 1,777 | \$ (1,619) | \$ 1,637 | \$ (1,352) |
| Public safety | 7,036 | (6,337) | 6,039 | (5,653) |
| Public services | 4,131 | (2,840) | 4,665 | (2,015) |
| Community development and planning | 657 | 518 | | |
| Leisure services | 2,563 | (2,034) | 2,062 | (1,971) |
| Reserves and other | 2 | (2) | 843 | (843) |
| Interest on long-term debt | 242 | (242) | 151 | (151) |
| | <u>\$ 16,408</u> | <u>\$ (12,556)</u> | <u>\$ 15,397</u> | <u>\$ (11,985)</u> |

The cost of all governmental activities this year was \$16.4 million. Costs for the Public Safety Department increased by \$1.0 million due to an increase in personnel costs. Costs for the Public Services Department decreased by \$0.50 million due to department reclassification (creation of the Community Development & Planning Department) and more street maintenance in the prior year. The Leisure Services department experienced an increase of \$0.50 million due to the transfer of the pool from the

Business-Type Activities to the Leisure Services Department. Also, the Reserves & Other decreased by \$0.8 million due to the fact that there were less hurricane related expenses in the current year. As shown on the Statement of Activities, those who directly benefited from the programs paid for \$2.39 million of this cost and \$16.32 million was financed through general revenues. The Village added \$3.76 million to fund balance during 2006.

Business Type Activities

Business Type Activities were affected due to the transfer of the Pool to the General Fund and the Golf Course Renovation. An increase in the Business-type activities Capital Assets (\$4.3m) is due to the Golf Course Renovation Construction Project. Also, the Business-type activities Long-Term Debt increased by \$4.8m due to the financing for the Golf Course Renovation Project. Charges for Services decreased from the prior year by \$0.49m and the expenses decreased by \$0.42m due to the closure of the Golf Course. Net assets of the Proprietary Fund (Country Club) at September 30, 2006, were \$2.41 million. Net assets increased by \$187,441.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's general fund reported an ending fund balance of \$7.33 million, a \$1.20 million increase over the 2005 restated fund balance of \$6.13 million. Approximately 96% of the combined ending fund balance (\$7.82 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance (\$0.30 million) is reserved to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the general fund was \$7.02 million, while total fund balance was \$7.33 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance is 42% of total general fund expenditures, while total fund balance represents 44% of that same amount.

The capital projects fund has a total fund balance of \$397,233, all of which is reserved for capital outlay projects. The net increase in fund balance during the current year in the capital projects fund was \$0.38 million, and is the result of transfers in from the general fund (\$1.1 million) that were greater than expenditures for capital outlay/maintenance (\$0.69 million).

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$1,662,628 and can be briefly summarized as follows:

- Funding for capital projects (\$1,290,000)
- Fiscal Year 2004-2005 Open Purchase Order Carryover (\$372,628)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the Village are those assets that are used in the performance of Village functions. Capital assets include equipment, buildings, land, and park facilities etc. The Village has elected to retroactively apply the capitalization requirements of GASB Statement No 34 to major general infrastructure assets acquired in fiscal years ending after June 30, 1980, or that were significantly reconstructed or improved during that multiyear period.

The Village's investment in capital assets for its governmental and business-type activities as of September 30, 2006 and 2005 amounts to \$19.96 million and \$14.35 million as restated (net of accumulated depreciation). The total increase in the Village's investment in capital assets for the current fiscal year was \$5.61 million.

Village of North Palm Beach Capital Assets (In Thousands)

| | Governmental Activities | | Business Activities | | Total | |
|-----------------------------------|----------------------------|------------------|------------------------|-----------------|------------------|------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Land | \$ 2,151 | \$ 2,056 | \$ 1,051 | \$ 1,051 | \$ 3,202 | \$ 3,107 |
| Construction in progress | 2,530 | 1,469 | 4,382 | | 6,912 | 1,469 |
| Buildings and improvements | 11,107 | 10,441 | 1,500 | 1,477 | 12,607 | 11,918 |
| Improvements other than buildings | 6,375 | 5,943 | 407 | 574 | 6,782 | 6,517 |
| Improvements - golf course | | | 1,604 | 1,604 | 1,604 | 1,604 |
| Furniture, fixtures and equipment | | | 741 | 757 | 741 | 757 |
| Total assets | 22,163 | 19,909 | 9,685 | 5,463 | 31,848 | 25,372 |
| Less accumulated depreciation | (8,893) | (7,973) | (2,995) | (3,051) | (11,888) | (11,024) |
| Net assets | <u>\$ 13,270</u> | <u>\$ 11,936</u> | <u>\$ 6,690</u> | <u>\$ 2,412</u> | <u>\$ 19,960</u> | <u>\$ 14,348</u> |

Additional information on the Village's capital assets can be found in Note 5 on page 38 of this report.

Debt

Currently, the Village uses debt financing on an as needed basis each year. At the end of the current fiscal year, the Village had total debt of \$10.4 million. None of this amount comprises debt backed by the full faith and credit of the government.

**Village of North Palm Beach
Outstanding Debt
(In Thousands)**

| | Governmental Activities | | Business Activities | | Total | |
|----------------|----------------------------|-----------------|------------------------|---------------|------------------|-----------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Loans payable | \$ 4,942 | \$ 5,755 | \$ 5,186 | \$ 354 | \$ 10,128 | \$ 6,109 |
| Capital leases | 209 | 276 | 72 | 100 | 281 | 376 |
| Total | <u>\$ 5,151</u> | <u>\$ 6,031</u> | <u>\$ 5,258</u> | <u>\$ 454</u> | <u>\$ 10,409</u> | <u>\$ 6,485</u> |

Additional information on the Village's debt can be found in Note 6 on page 40-45 of this report.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The Village's Unappropriated Fund Balance is viewed by the Administration as a measurement of Village financial stability. Unreserved general fund balance increased to \$7.02 million during the current 2006 fiscal year. The Village is now ready to address the economic challenges anticipated in the next few years. This would include a further lowering of the millage rate which was decreased from 6.80 mills in 2005-06 to 6.30 in 2006-07.

The Village Council and management maintained an awareness of balancing the many levels of municipal service with the valuable and scarce financial resources in developing the Village's fiscal year 2006-2007 budgets. The budgetary goals were to ensure quality of life in the Village, to improve the utilization and operation of the Country Club for the benefit of all Village residents, to enhance the spirit and participation of the community, to improve the overall appearance of the Village and to improve the operation and effectiveness of Village departments. Continuing increases in the cost of employee compensation and benefits is a major economic challenge that the Village Administration is addressing.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village's Finance Department, at the Village of North Palm Beach, 501 U.S. Highway 1, North Palm Beach, Florida 33408.

BASIC FINANCIAL STATEMENTS

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Net Assets
September 30, 2006

| | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 8,245,879 | \$ 1,190,974 | \$ 9,436,853 |
| Accounts receivable | 523,159 | 69,950 | 593,109 |
| Inventories | 12,152 | 20,267 | 32,419 |
| Prepays | 3,479 | | 3,479 |
| Restricted assets: | | | |
| Cash and cash equivalents | 160,168 | 1,376,495 | 1,536,663 |
| Net pension assets | 193,274 | | 193,274 |
| Capital assets: | | | |
| Nondepreciable | 4,680,920 | 5,433,125 | 10,114,045 |
| Depreciable (net of depreciation) | 8,588,842 | 1,256,814 | 9,845,656 |
| Total assets | 22,407,873 | 9,347,625 | 31,755,498 |
| Liabilities | | | |
| Accounts payable | 331,460 | 89,383 | 420,843 |
| Accrued liabilities | 347,917 | | 347,917 |
| Accrued interest payable | 42,623 | 96,411 | 139,034 |
| Deposits | | 17,500 | 17,500 |
| Deferred revenue | 136,785 | 600,171 | 736,956 |
| Payable from restricted assets | | | |
| Retainage payable | | 809,511 | 809,511 |
| Noncurrent liabilities: | | | |
| Due within one year | 1,412,149 | 210,915 | 1,623,064 |
| Due in more than one year | 4,714,546 | 5,108,746 | 9,823,292 |
| Total liabilities | 6,985,480 | 6,932,637 | 13,918,117 |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 8,118,773 | 1,999,123 | 10,117,896 |
| Restricted for: | | | |
| Library | 95,293 | | 95,293 |
| Recreation | 28,500 | | 28,500 |
| Public safety | 34,491 | | 34,491 |
| Other purposes | 1,884 | | 1,884 |
| Unrestricted | 7,143,452 | 415,865 | 7,559,317 |
| Total net assets | \$ 15,422,393 | \$ 2,414,988 | \$ 17,837,381 |

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Activities
For the Year Ended September 30, 2006

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Charges for Activities</u> |
|---|-----------------------------|-------------------------------|
| Government: | | |
| Governmental activities | | |
| General government | \$ 1,777,300 | \$ 158,160 |
| Public safety | 7,036,117 | 388,671 |
| Public services | 4,131,500 | 140,923 |
| Community development and planning | 657,111 | 1,175,252 |
| Leisure services | 2,562,627 | 528,983 |
| Other government | 2,049 | |
| Interest on long-term debt | 241,996 | |
| Total governmental activities | <u>16,408,700</u> | <u>2,391,989</u> |
| Business-type activities - country club | <u>2,124,927</u> | <u>2,167,089</u> |
| Total business-type activities | <u>2,124,927</u> | <u>2,167,089</u> |
| | | |
| Total government | <u><u>\$ 18,533,627</u></u> | <u><u>\$ 4,559,078</u></u> |

| Program Revenues | | Net Expense (Revenue) and Changes in Net Assets | | |
|--|--|--|-----------------------------|-----------------|
| Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| \$ | \$ | \$ (1,619,140) | \$ | \$ (1,619,140) |
| 310,374 | | (6,337,072) | | (6,337,072) |
| 688,199 | 462,394 | (2,839,984) | | (2,839,984) |
| | | 518,141 | | 518,141 |
| | | (2,033,644) | | (2,033,644) |
| | | (2,049) | | (2,049) |
| | | (241,996) | | (241,996) |
| 998,573 | 462,394 | (12,555,744) | | (12,555,744) |
| 68,883 | | | 111,045 | 111,045 |
| 68,883 | | | 111,045 | 111,045 |
| \$ 1,067,456 | \$ 462,394 | \$ (12,555,744) | \$ 111,045 | \$ (12,444,699) |

General Revenues:

| | | | | |
|---|--|----------------------|---------------------|----------------------|
| Taxes: | | | | |
| Property taxes | | \$ 10,881,501 | | \$ 10,881,501 |
| Local option gas taxes | | 307,043 | | 307,043 |
| Utility service taxes | | 2,001,164 | | 2,001,164 |
| Franchise taxes | | 1,150,974 | | 1,150,974 |
| Sales and use taxes | | 1,415,917 | | 1,415,917 |
| Investment income | | 477,420 | 112,841 | 590,261 |
| Miscellaneous | | 53,263 | | 53,263 |
| Loss on disposal of capital assets | | (7,228) | | (7,228) |
| Transfers | | 36,445 | (36,445) | |
| Total general revenues | | <u>16,316,499</u> | <u>76,396</u> | <u>16,392,895</u> |
| Change in net assets | | 3,760,755 | 187,441 | 3,948,196 |
| Net assets, beginning of year, as restated | | <u>11,661,638</u> | <u>2,227,547</u> | <u>13,889,185</u> |
| Net assets, end of year | | <u>\$ 15,422,393</u> | <u>\$ 2,414,988</u> | <u>\$ 17,837,381</u> |

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2006

| | General | Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|---------------------------------------|----------------|-----------------------------|--|---|
| Assets | | | | |
| Cash and cash equivalents | \$ 7,443,859 | \$ 402,020 | \$ 400,000 | \$ 8,245,879 |
| Accounts receivable | 523,159 | | | 523,159 |
| Inventories | 12,152 | | | 12,152 |
| Prepaids | 3,479 | | | 3,479 |
| Restricted cash and cash equivalents | 160,168 | | | 160,168 |
| Total assets | \$ 8,142,817 | \$ 402,020 | \$ 400,000 | \$ 8,944,837 |
| Liabilities and fund balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 326,673 | \$ 4,787 | | \$ 331,460 |
| Accrued liabilities | 347,917 | | | 347,917 |
| Deferred revenue | 136,785 | | | 136,785 |
| Total liabilities | 811,375 | 4,787 | | 816,162 |
| Fund balances | | | | |
| Reserved for: | | | | |
| Reserved for inventories and prepaids | 15,631 | | | 15,631 |
| Reserved for encumbrances | 133,037 | | | 133,037 |
| Reserved for restricted assets | 160,168 | | | 160,168 |
| Unreserved | | | | |
| Special revenue funds | | | 400,000 | 400,000 |
| Undesignated | 7,022,606 | 397,233 | | 7,419,839 |
| Total fund balances | 7,331,442 | 397,233 | 400,000 | 8,128,675 |
| Total liabilities and fund balances | \$ 8,142,817 | \$ 402,020 | \$ 400,000 | \$ 8,944,837 |

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Reconciliation of the Balance Sheet – Governmental Funds
to the Statement of Net Assets
Governmental Funds
September 30, 2006

| | | |
|---|--------------------|-----------------------------|
| Fund balances - total governmental funds | | \$ 8,128,675 |
| 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 governmental funds: | | |
| Governmental capital assets | \$ 22,162,446 | |
| Less accumulated depreciation | <u>(8,892,684)</u> | 13,269,762 |
| | | |
| Net pension assets related to defined benefit pension plans are not available to pay for current-period expenditures and, therefore, are not reported as assets in the governmental funds. | | 193,274 |
| | | |
| Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. Long term liabilities at year-end consist of: | | |
| Accrued interest payable | (42,623) | |
| Notes payable | (4,941,765) | |
| Capital leases payable | (209,224) | |
| Accrued compensated absences | <u>(975,706)</u> | <u>(6,169,318)</u> |
| Net assets of governmental activities | | <u><u>\$ 15,422,393</u></u> |

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2006

| | <u>General</u> | <u>Capital Projects</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-----------------------------|--|---|
| Revenues | | | | |
| Taxes | \$ 14,340,682 | \$ | \$ | \$ 14,340,682 |
| Licenses and permits | 1,128,658 | | | 1,128,658 |
| Intergovernmental | 2,161,412 | | 752,645 | 2,914,057 |
| Charges for services | 1,003,660 | | | 1,003,660 |
| Fines and forfeitures | 165,496 | | | 165,496 |
| Interest | 477,421 | | | 477,421 |
| Miscellaneous | 130,514 | | | 130,514 |
| Total revenues | <u>19,407,843</u> | <u></u> | <u>752,645</u> | <u>20,160,488</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 1,648,131 | | | 1,648,131 |
| Public safety | 6,204,327 | | 290,251 | 6,494,578 |
| Public service | 4,180,575 | | | 4,180,575 |
| Community development & planning | 651,331 | | | 651,331 |
| Leisure services - recreation | 2,209,650 | | | 2,209,650 |
| Other government | 2,049 | | | 2,049 |
| Capital outlay | 760,859 | 694,124 | 462,394 | 1,917,377 |
| Debt service | | | | |
| Principal payments | 879,527 | | | 879,527 |
| Interest paid on debt | 199,373 | | | 199,373 |
| Total expenditures | <u>16,735,822</u> | <u>694,124</u> | <u>752,645</u> | <u>18,182,591</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>2,672,021</u> | <u>(694,124)</u> | | <u>1,977,897</u> |
| Other financing sources (uses) | | | | |
| Transfers in | | 1,071,529 | 400,000 | 1,471,529 |
| Transfer out | (1,471,529) | | | (1,471,529) |
| Total other financing sources (uses) | <u>(1,471,529)</u> | <u>1,071,529</u> | <u>400,000</u> | |
| Net change in fund balances | 1,200,492 | 377,405 | 400,000 | 1,977,897 |
| Fund balances | | | | |
| Beginning of year, as restated | 6,130,950 | 19,828 | | 6,150,778 |
| End of year | <u>\$ 7,331,442</u> | <u>\$ 397,233</u> | <u>\$ 400,000</u> | <u>\$ 8,128,675</u> |

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of the Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2006

Net change in fund balances - total governmental funds \$ 1,977,897

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense:

| | | |
|--------------------------------------|------------------|-----------|
| Expenditures for capital assets | 2,301,895 | |
| Transfer of assets from country club | 36,445 | |
| Less: asset dispositions | (27,478) | |
| Less: current year depreciation | <u>(976,741)</u> | 1,334,121 |

Repayment of long-term debt is reported as an expenditure on the governmental funds, but a reduction of long-term liabilities in the statement of net assets. 879,527

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.

| | | |
|--|-----------------|-----------|
| Accrued interest expense | (42,623) | |
| Change in long-term compensated absences | <u>(74,691)</u> | (117,314) |

Expenses that do not use current financial resources are not reported on the governmental funds but are included in the statement of activities.

| | | |
|--|--|------------------|
| Change in net pension asset of defined benefit pension plans | | <u>(313,476)</u> |
|--|--|------------------|

Change in net assets \$ 3,760,755

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Net Assets
Proprietary Fund
September 30, 2006

| | Enterprise |
|---|-------------------|
| Assets | |
| Current assets | |
| Cash and cash equivalents | \$ 1,190,974 |
| Accounts receivable | 69,950 |
| Inventories | 20,267 |
| Restricted assets | |
| Cash and cash equivalents | 1,376,495 |
| Total current assets | 2,657,686 |
| Non-current assets | |
| Land, buildings, and equipment, net | 6,689,939 |
| Total assets | 9,347,625 |
| Liabilities | |
| Current liabilities | |
| Accounts payable and other liabilities | 89,383 |
| Accrued interest | 96,411 |
| Deposits | 17,500 |
| Deferred income | 600,171 |
| Compensated absences - current portion | 31,091 |
| Capital leases - current portion | 19,625 |
| Loans payable - current portion | 160,199 |
| Payable from restricted assets | |
| Contracts payable | 809,511 |
| Total current liabilities | 1,823,891 |
| Non-current liabilities | |
| Compensated absences | 30,770 |
| Capital leases | 52,197 |
| Loans payable | 5,025,779 |
| Total non-current liabilities | 5,108,746 |
| Total liabilities | 6,932,637 |
| Net Assets | |
| Invested in capital assets, net of related debt | 1,999,123 |
| Unrestricted | 415,865 |
| Total net assets | \$ 2,414,988 |

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended September 30, 2006

| | Enterprise |
|---|-------------------|
| Operating revenue | |
| Greens fee/cart rentals/membership fees | \$ 1,632,232 |
| Tennis revenues | 93,957 |
| Golf shop revenues | 115,685 |
| Driving range revenues | 168,389 |
| Restaurant revenues | 110,000 |
| Operating grants | 68,883 |
| Miscellaneous | 46,826 |
| Total operating revenues | 2,235,972 |
| Operating expenses | |
| Golf course maintenance expenses | 888,221 |
| Clubhouse grounds expenses | 175,290 |
| Tennis expenses | 115,744 |
| Golf shop expenses | 425,259 |
| Food & beverage expenses | 28,386 |
| Administrative and general | 253,791 |
| Insurance | 23,949 |
| Depreciation | 174,719 |
| Total operating expenses | 2,085,359 |
| Operating income (loss) | 150,613 |
| Nonoperating revenues (expenses) | |
| Interest revenue | 112,841 |
| Interest expense | (39,568) |
| Transfers out | (36,445) |
| Total nonoperating revenues (expenses) | 36,828 |
| Change in net assets | 187,441 |
| Net assets - beginning, as restated | 2,227,547 |
| Net assets - ending | \$ 2,414,988 |

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2006

| | Enterprise |
|---|-------------------|
| Cash flows from operating activities: | |
| Receipts from customers | \$ 2,812,141 |
| Payments to suppliers for goods or services | (1,682,855) |
| Payments to employees for services | (252,454) |
| Net cash provided (used) by operating activities | 876,832 |
| Cash flows from capital and related financing activities: | |
| Proceeds from debt issuance | 4,893,673 |
| Principal paid on long term debt | (90,004) |
| Interest paid on debt | (16,932) |
| Acquisition of capital assets | (3,606,513) |
| Net cash provided (used) by capital and related financing activities | 1,180,224 |
| Cash flows from investing activities: | |
| Interest and dividends on investments | 112,841 |
| Net increase (decrease) in cash and cash equivalents | 2,169,897 |
| Cash and cash equivalents at beginning of year | 397,572 |
| Cash and cash equivalents at end of year | \$ 2,567,469 |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | |
| Operating income | \$ 150,613 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | |
| Depreciation | 174,719 |
| Change in assets and liabilities | |
| Increase in accounts receivable | (34,502) |
| Increase in accounts payable and other current liabilities | 584,665 |
| Increase in compensated absences | 1,337 |
| Total adjustments | 726,219 |
| Net cash provided by operating activities | \$ 876,832 |
| Non cash capital and financing activities: | |
| Construction contracts payable | \$ 809,511 |
| Assets transferred to governmental funds | \$ 36,445 |
| Book value of assets disposed | \$ 1,190,974 |

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2006

| | Employee Retirement Funds | Agency Funds |
|--|---------------------------------|-----------------|
| Assets | | |
| Cash and cash equivalents | \$ 749,372 | \$ 304,770 |
| Investments: | | |
| Corporate stock | 5,303,557 | |
| U.S. Government and agency securities | 1,390,902 | |
| Corporate bonds | 822,376 | |
| Asset backed securities | 980,896 | |
| Equity mutual funds | 430,589 | |
| Common trust funds | 4,554,573 | |
| Fixed annuity funds | 62,393 | |
| Equity annuity funds | 7,755 | |
| Interest receivable | 47,464 | |
| Accounts receivable | 288,667 | |
| Total assets | 14,638,544 | 304,770 |
| Liabilities | | |
| Accounts payable and other liabilities | | |
| Due to others | | 304,770 |
| Total liabilities | | 304,770 |
| Net Assets | | |
| Held in trust for pension benefits | \$ 14,638,544 | \$ |

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended September 30, 2006

| | <u>Employee Retirement Funds</u> |
|---|--|
| Additions | |
| Contributions | |
| Employer | \$ 1,390,705 |
| Plan members | 233,641 |
| State on-behalf payments | 269,970 |
| Total contributions | <u>1,894,316</u> |
| Investment income | |
| Interest | 304,499 |
| Net increase in fair value of investments | 649,283 |
| Total investment income | 953,782 |
| Investment expenses | <u>(79,385)</u> |
| Total net investment income | <u>874,397</u> |
| Total additions | <u>2,768,713</u> |
| Deductions | |
| Benefits | 61,444 |
| Administrative expense | 477,977 |
| Total deductions | <u>539,421</u> |
| Net increase | 2,229,292 |
| Net assets held in trust for pension benefits | |
| Net assets - beginning, as restated | <u>12,409,252</u> |
| Net assets - ending | <u><u>\$ 14,638,544</u></u> |

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Village of North Palm Beach, Florida (“the Village”) was incorporated in 1956 pursuant to Chapter 31481, Laws of Florida, Extraordinary Session 1956. The Village is located in the northeast portion of Palm Beach County, Florida. Its municipal area comprises approximately 1,900 acres of land and 1,200 acres of lakes, canals and lagoons. The Village’s nonseasonal population consists of approximately 13,000 residents, which increases during the winter months to approximately 18,000 people. The Village operates under the Council-Manager form of government and provides the following services to its residents: public safety, planning and zoning, sanitation, library, parks, marinas, and a country club. The Village Council (the “Council”) is responsible for legislative and fiscal control of the Village.

In accordance with Statement 14 of the Government Accounting Standards Board, the underlying concept of the governmental financial reporting entity is that governmental organizations are responsible to elected governing officials; therefore, financial reporting should report the elected officials' accountability for those organizations. Furthermore, the financial statements of the reporting entity should allow users to distinguish between the primary government and its component units, if any, by communicating information about the component units and their relationships with the primary government. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Determining factors of financial accountability includes appointment of a voting majority, imposition of will, financial benefit or burden on a primary government, or fiscal dependency. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the application of these criteria, management has determined that no component units exist which would require inclusion in this report. Further, the Village is not aware of any entity that would consider the Village to be a component unit.

B. 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 Village. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

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 or applicants 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 the major individual enterprise fund are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements and proprietary fund financial statements are reported using the accrual basis of accounting and the economic resources measurement focus. Fiduciary funds use the accrual basis of accounting and, except for agency funds, the economic resources measurement focus. Agency funds do not have a measurement focus. 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 Village considers revenues 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 Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally 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.

Property taxes, sales taxes, franchise taxes, licenses, interest associated with the current fiscal period and all other revenue items are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Village reports the following major governmental funds:

General Fund

The general fund is the primary operating fund and is used to account for all financial resources applicable to the general operations of the Village except those required to be accounted for in another fund.

Capital Projects Fund

The capital projects fund is used to account for the cost acquiring, constructing, and placing into service those capital improvements which are associated with activities in the General Fund and are financed by long-term debt issues which are repaid by the recurring operating revenues in the General Fund.

The Village reports the following major (and only) proprietary fund:

Country Club Enterprise Fund

The fund accounts for the activities related to the Country Club.

Additionally, the Village reports the following fund types:

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources (for major capital projects) that are legally restricted to expenditures for specified purposes. The Village has four special revenue funds, Public Safety Fund, Northlake Boulevard Fund, Recreation Fund, and On-Behalf Pension Contributions.

Employee Retirement Funds

The pension trust fund account for the activities of the General Employees Retirement Fund, the Fire and Police Officers Retirement Fund and the Volunteer Firemen's Length of Service Award Pension Fund, which accumulate resources for pension benefits to qualified employees.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Agency Funds

The agency funds account for assets that are held for other parties and cannot be used to finance the Village's own programs. The two agency funds are the Northlake Boulevard Task Force, which is for the streetscape improvement of Northlake Boulevard, and the Manatee Protection Fund, in which the assets are held in trust for the protection of manatees through the enforcement of boat speed zones on the intracoastal and inland waterways.

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 GASB. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village 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. Exceptions to this general rule are charges between the government's country club and various other functions of the Village. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary fund 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 Village's country club enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include that cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to a known amount of cash, and at the day of purchase, have a maturity date no longer than three months.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Accounts Receivable

Accounts receivable of the General Fund, Water and Sewer Fund, and Garbage and Solid Waste Fund consists of billed and unbilled receivables.

Concentration of Credit Risk

The Village performs ongoing credit evaluations of its customers and does not require collateral. The Village maintains an allowance for uncollectible accounts at a level which management believes is sufficient to cover potential credit losses.

Investments

Investments are reported at fair value, which is determined by using various third party pricing sources. The Local Government Surplus Funds Trust is a “2a-7 like” pool and, thus, these investments are valued using the pooled share price. Investments in the Local Government Surplus Funds Trust are reported as cash and cash equivalents.

Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balance outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Transfers and interfund balances totally within governmental activities and those that are totally within business-type activities are eliminated and not presented in the government wide financial statements. Transfers and balances between governmental and business-type activities are presented in the government-wide financial statements.

Inventories

Inventories are valued at cost determined on a first-in, first-out basis. Inventories in the general fund consist of expendable supplies held for consumption. The initial cost is recorded as an asset at the time the individual inventory items are purchased and are charged against operations in the period when used.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Capital Assets and Depreciation

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The Village defines capital assets as assets with an initial individual cost of \$1,000 or more and an estimated life in excess of one year. The Village has elected to retroactively apply the capitalization requirements of GASB Statement No. 34 to major general infrastructure assets acquired in fiscal years ending after June 30, 1980, or that were significantly reconstructed or improved during that multi-year period.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are assets of the Village as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized as assets in the government-wide statement of net assets. General capital assets are carried at historical cost. Where cost cannot be determined from the available records, estimated historical cost has been used to record the estimated value of the assets. Assets acquired by gifts or bequests are recorded at their fair value at the date of acquisition.

Capital assets of the enterprise fund are capitalized in the fund. The valuation basis for enterprise fund capital assets is the same as those used for general capital assets. Additionally, net interest cost is capitalized on enterprise fund projects during the construction period.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The estimated lives for each major class of depreciable fixed assets are as follows:

| | |
|----------------------------|------------|
| Buildings and improvements | 5-30 years |
| Golf course improvements | 5-30 years |
| Machinery & Equipment | 3-15 years |
| Vehicles | 3-20 years |

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Deferred Revenue

The government reports deferred revenue on its government wide statement of net assets, proprietary statement of net assets, and governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Compensated Absences

The Village's employees are granted compensated absence pay for vacation and sick leave in varying amounts based on length of service. Unused compensated absences are payable upon separation from service. Vacation is accrued as a liability when the employee earns benefits. This means that the employee has rendered services that give rise to a vacation liability and it is probable that the Village will compensate the employee in some manner, e.g., in cash or paid time-off, now or upon termination or retirement. The Village uses the vesting method in accruing sick leave liability. Under the vesting method, the liability for sick leave is accrued for employees who are eligible to receive termination payments upon separation.

Compensated absences are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements. For the governmental funds, compensated absences are liquidated by the general fund.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in 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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets

Equity in the government-wide statement of net assets and the proprietary fund is displayed in three categories: 1) invested in capital assets net of related debt, 2) net pension asset, 3) restricted, and 4) unrestricted. Net assets invested in capital assets net of related debt consists of capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets. Net pension asset represent pension contributions above the actuarially required amount. Net assets are reported as restricted when there are legal limitations imposed on their use by Village legislation or external restrictions by other governments, creditors, or grantors. Unrestricted net assets consist of all net assets that do not meet the definition of either of the other three components.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Unreserved fund balance amounts that are reported as designations of fund balances represent tentative plans for financial resource utilization in a future period. The following is a description of the reserves and designations used by the Village.

Reserved for capital outlay – Restricted for expenditures related to capital projects.

Reserved for inventories, prepaid items and deposits – Indicates that a portion of fund balance is segregated since these items do not represent “available spendable resources.”

Reserved for restricted assets – Restricted for expenditures related solely to law enforcement, library, recreation facilities, and a memorial fund.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. 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 the collectibility of accounts receivable, the use and recoverability of inventory, the useful lives and impairment of tangible assets, and the realization of net pension assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

Formal budgetary integration is employed as a management control device during the year for the General Fund and the Enterprise Fund. All budgets are legally enacted. The annual appropriated budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles. Except for budgeting capital expenditures and not budgeting for depreciation, the annual appropriated budgets for the enterprise funds are adopted on a basis consistent with generally accepted accounting principles. For budgeting purposes, current year encumbrances are not treated as expenditures.

The procedures for establishing budgetary data are as follows:

- In July of each year, the Village Manager submits a proposed operating budget to the Council for the next fiscal year commencing the following October 1st. The proposed budget includes expenditures and the means of financing them.
- During the third week of July, the Council holds public meetings to obtain taxpayer comments.
- Upon completion of the public hearings and prior to October 1, a final operating budget is legally enacted through the passage of an ordinance. Estimated beginning fund balances are considered in the budgetary process.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Data (Continued)

- The Village Manager is authorized to transfer budgeted amounts up to \$5,000 within a department. Any change to capital outlay or to the total departmental expenses, excluding capital outlay, must be approved by the Village Council.
- Appropriations along with encumbrances lapse on September 30th.

Budgeted amounts are as originally adopted, or as amended by appropriate action. During the year several supplementary appropriations were necessary.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

The department entitled Other was over budget by \$223,116, which was due to unbudgeted expenditures relating to Hurricane costs.

B. Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and the County Tax Collector. All property is reassessed according to its fair market value on January 1 of each year and each assessment roll is submitted to the State Department of Revenue for review to determine if the assessment rolls meet all of the appropriate requirements of State law. The laws of the State regulating tax assessment 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.

The tax levy of the Village is established by the Council prior to October 1 of each year during the budget process. The Palm Beach County Property Appraiser incorporates the Village's millage into the total tax levy, which includes the County, County School Board, and special district tax requirements. The millage rate assessed by the Village for the year ended September 30, 2006, was 6.8000 (\$6.80 for each \$1,000 of assessed valuation).

Taxes may be paid less a 4% discount in November or at declining discounts each month through the month of February. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Delinquent taxes on real property bear interest at 18% per year. On or prior to June 1 following the tax year, certificates are offered for sale for all delinquent taxes on real property.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

B. Property Taxes (Continued)

After sale, tax certificates bear interest at 18% per year or at any lower rate bid by the buyer. The certificate holder may make application for a tax deed on any unredeemed tax certificate after a period of two years. The County holds unsold certificates. Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations. At September 30, 2006, unpaid delinquent taxes are not material and have not been recorded by the Village.

C. Pension Contributions

The actuarial required contributions for the General Employees and Fire and Police Pensions Plans for the fiscal year ended September 30, 2006, were \$1,007,695 and \$690,186, respectively. The actual contributions made were \$894,109 and \$633,796 resulting in an underfunding of \$113,586 in the General Employees Pension and \$56,390 in the Fire and Police Pension. The underfunding was caused by a calculation error in arriving at the employer portion of the cost. The Village subtracted the estimated employee contribution from the amount calculated in the actuarial report, however, the amount calculated was already net of the estimated employee contribution.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2006, the carrying amount of deposits (including fiduciary funds) were \$(122,543) and the bank balances were \$50,542. The carrying amount is negative due to \$864,000 that is included as an investment as it is an overnight sweep account used to maximize investment earnings, the account was not overdrawn. The Village also had \$2,455 of petty cash. 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 other banking institution eligible collateral. In the event of failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The Village's deposits at year end are considered insured for custodial credit risk purposes.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments

As of September 30, 2006, the Village held the following investments:

| | <u>Credit Rating</u> | <u>Fair Value</u> | <u>Weighted Average Maturity</u> |
|--|--------------------------|-----------------------|--|
| State Board of Administration Investment Pool | N/R | \$10,554,114 | 32 days |
| Repurchase agreements | N/R | 864,000 | 3 days |
| Money market funds | Aaa | 607,540 | N/A |
| Money market funds | N/R | 122,092 | N/A |
| U.S. Government and agency securities | Aaa | 1,390,902 | 9.11 yrs. |
| Corporate debt securities | Aa1 to A3 | 822,376 | 10.17 yrs. |
| Asset backed securities | N/R | 980,896 | 12.94 yrs. |
| Domestic corporate stocks | N/R | 5,303,557 | N/A |
| Equity mutual funds | N/R | 430,589 | N/A |
| Common trust funds | N/R | 4,554,573 | N/A |
| Fixed annuity funds | N/R | 62,393 | N/A |
| Equity funds | N/R | 7,755 | N/A |
| Total investments | | <u>\$25,700,787</u> | |

All the investments other than the State Board of Administration and the repurchase agreements are held in the fiduciary funds. The credit ratings are Moody's.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the time to maturity, the greater the exposure to interest rate risks. The Village limits its exposure to fair value losses resulting from rising interest rates by structuring the investment portfolio so that the securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity; and investing operating funds primarily in short-term securities, money market mutual funds, or similar investment pools unless it is anticipated that long-term securities can be held to maturity without jeopardizing the liquidity requirements. The Retirement Funds does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The Village's investment in asset backed securities consist of mortgage pass-through securities based on pools of residential home mortgage loans which are subject to prepayments and therefore highly sensitive to changes in interest rates.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Custodial credit risk – For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. At September 30, 2006 all investments were insured or collateralized, except the Village's three pension funds, in which the underlying securities are held by counterparty, or by its trust department or agent but not in the City's name and is uninsured and unregistered. However, all securities are registered in the funds' names.

Concentrations of credit risk – Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single user. The Village places no limit on the amount they may invest in any one issuer, except those in the Fire and Police Retirement Fund. Not more than ten (10) percent of the Fund's assets shall be invested in the common stock or capital stock of any one issuing company, nor shall more than five (5) percent of the Fund's assets shall be invested in preferred stock.

The U.S. government and agency securities, money market mutual funds, bonds, stocks, asset backed securities and mutual and common trust funds are owned by the Pension Trust Funds.

The Village the General Employees' Retirement Fund is authorized to invest its funds as follows:

1. Interest-bearing checking or savings accounts in qualified public depositories, as defined in Chapter 280, Florida Statutes;
2. Interest-bearing time deposits in qualified public depositories, as defined in Chapter 280, Florida Statutes;
3. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Chapter 163, Florida Statutes;
4. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
5. Direct obligations of the United States Treasury;
6. Federal agencies and instrumentalities;

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

7. Securities of, or interest in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. sections 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian;
8. Other investments authorized by law or by ordinance by the Village.

Investments of the Fire and Police Retirement Fund can consist of the following:

1. Time, savings, and money market deposits accounts of a national bank, a state bank insured by the Federal Deposit Insurance Corporation or its successor, or a Savings and Loan institution insured by the Federal Savings and Loan Insurance Corporation or its successor, provided the amount deposited does not exceed the insured amount.
2. Obligations of the United States Government or obligations guaranteed as to principal and interest by the United States Government or any agency thereof.
3. Stocks, bonds or other evidence of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or any state of the United States or the District of Columbia and domiciled therein, provided:
 - a. Equities will be traded on one or more of the recognized national exchanges
 - b. The security meets any one of the following rating criteria:
 - i. Fixed income: Standard & Poor's AAA, AA or Moody's Aaa, Aa, A.
 - ii. Equities: Value Line Investment Survey Rank for Safety, 1, 2, 3, or Standard & Poor's A+, A, A-.
 - iii. Money Market Instruments: Standard & Poor's AI or Moody's P1.
 - c. Not more than then (10) percent of the Fund's assets shall be invested in the common stock or capital stock of any one issuing company
 - d. Not more than five (5) percent of the Fund's assets shall be invested in preferred stock.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

4. Commingled stock, bond, money market or mutual funds are permitted, provided their investments are restricted to securities meeting the above criteria.

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

By Category:

| | |
|--------------------------------|--------------|
| Deposits | \$ (122,543) |
| Petty cash | 2,455 |
| Investments | 25,700,787 |
| Total deposits and investments | \$25,580,699 |

Presented in the statement of net assets

| | |
|--------------------------------------|--------------|
| Governmental activities | |
| Cash and cash equivalents | \$ 8,245,879 |
| Restricted cash and cash equivalents | 160,168 |
| Business-type activities | |
| Cash and cash equivalents | 1,190,974 |
| Restricted cash and cash equivalents | 1,376,495 |
| Total statements of net assets | 10,973,516 |

Presented in the statement of fiduciary net assets

| | |
|--------------------------------|--------------|
| Pension trust funds | |
| Cash and cash equivalents | 749,372 |
| Investments | 13,553,041 |
| Agency funds | |
| Cash and cash equivalents | 304,770 |
| Total fiduciary funds | 14,607,183 |
| Total deposits and investments | \$25,580,699 |

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 4 – RECEIVABLES

Receivables at September 30, 2006, were as follows:

| | <u>General Fund</u> | <u>Country Club</u> | <u>Total</u> |
|---------------------------|-------------------------|-------------------------|------------------|
| Fines | \$ 4,133 | \$ | \$ 4,133 |
| State shared revenues | 145,941 | | 145,941 |
| Utility Taxes | 307,524 | | 307,524 |
| Other accounts receivable | 12,014 | 69,950 | 81,964 |
| Total accounts receivable | 469,612 | 69,950 | 539,562 |
| Wabash Drive assessment | 400 | | 400 |
| Conroy Drive assessment | 53,147 | | 53,147 |
| Total accounts receivable | <u>\$523,159</u> | <u>\$69,950</u> | <u>\$593,109</u> |

NOTE 5 – CAPITAL ASSETS

Capital Assets activity for the year ended September 30, 2006, was as follows:

Primary Government

| Governmental Activities: | <u>Beginning Balance (1)</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--|----------------------------------|---------------------|--------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,055,889 | \$ 95,200 | \$ | \$ 2,151,089 |
| Construction in progress | 1,468,513 | 1,061,318 | | 2,529,831 |
| Capital assets being depreciated: | | | | |
| Buildings | 9,011,271 | 15,116 | (15,000) | 9,011,387 |
| Improvements | 1,429,759 | 665,160 | | 2,094,919 |
| Machinery and equipment | 2,667,109 | 319,852 | (136,116) | 2,850,845 |
| Vehicles | 3,276,266 | 396,787 | (148,678) | 3,524,375 |
| Total at historical cost: | 19,908,807 | 2,553,433 | (299,794) | 22,162,446 |
| Less accumulated depreciation for: | | | | |
| Buildings | (2,859,744) | (313,305) | 15,000 | (3,158,049) |
| Improvements | (1,014,867) | (310,033) | | (1,324,900) |
| Machinery and equipment | (2,115,226) | (244,173) | 123,327 | (2,236,072) |
| Vehicles | (1,983,329) | (324,323) | 133,987 | (2,173,665) |
| Total accumulated depreciation | <u>(7,973,166)</u> | <u>(1,191,834)</u> | <u>272,314</u> | <u>(8,892,686)</u> |
| Governmental activities capital assets, net | <u>\$ 11,935,641</u> | <u>\$ 1,361,599</u> | <u>(\$ 27,480)</u> | <u>\$ 13,269,760</u> |

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 5 – CAPITAL ASSETS (Continued)
Primary Government (Continued)

| Business-type activities: | Beginning Balance (1) | Additions | Deletions | Ending Balance |
|---|--------------------------|---------------------|--------------------|---------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,051,311 | \$ | \$ | \$ 1,051,311 |
| Construction in progress | | 4,381,814 | | 4,381,814 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 2,051,030 | 26,353 | (\$170,832) | 1,906,551 |
| Improvements – golf course | 1,603,940 | | | 1,603,940 |
| Machinery and equipment | 632,660 | 68,482 | (81,997) | 619,145 |
| Vehicles | 123,568 | 13,150 | (14,757) | 121,961 |
| Total at historical cost: | <u>5,462,509</u> | <u>4,489,799</u> | <u>(267,586)</u> | <u>9,684,722</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (1,218,319) | (92,059) | 165,403 | (1,144,975) |
| Improvements – golf course | (1,280,172) | (21,325) | | (1,301,497) |
| Machinery and equipment | (469,465) | (51,801) | 50,981 | (470,285) |
| Vehicles | (83,249) | (9,534) | 14,757 | (78,026) |
| Total accumulated depreciation | <u>(3,051,205)</u> | <u>(174,719)</u> | <u>231,141</u> | <u>(2,994,783)</u> |
| Business-type activities capital assets, net | <u>\$2,411,304</u> | <u>\$ 4,315,080</u> | <u>(\$ 36,445)</u> | <u>\$ 6,689,939</u> |

(1) As restated, see Note 15.

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

| | |
|---|------------------|
| Governmental activities: | |
| General government | \$ 81,244 |
| Public safety | 445,618 |
| Public services | 142,034 |
| Community development | 2,793 |
| Leisure services | 305,052 |
| Total depreciation expense governmental activities | <u>\$976,741</u> |

For the year ended September 30, 2006, the Village had \$73,775 of capitalized interest cost in the Country Club fund. The total interest expense incurred for the Country Club fund for the year ended September 30, 2006, was \$113,343.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 5 – CAPITAL ASSETS (Continued)

Construction Commitments

Contracts awarded but not yet completed were as follows:

| <u>Project Description</u> | <u>Estimated Costs</u> |
|------------------------------|------------------------|
| Golf Course Renovation | \$ 402,570 |
| Northlake Blvd., Streetscape | <u>51,377</u> |
| | <u>\$ 453,947</u> |

NOTE 6 – LONG TERM DEBT

Change in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2006, was as follows:

| | Balance October 1, 2005 | Additions | Reductions | Balance September 30, 2006 | Amount Due Within One Year |
|------------------------------|-------------------------------|--------------------|----------------------|----------------------------------|----------------------------------|
| Governmental activities | | | | | |
| Loans payable | \$5,630,680 | \$ | \$ (688,915) | \$4,941,765 | \$ 661,978 |
| Capital leases | 399,837 | | (190,613) | 209,224 | 93,326 |
| Compensated absences payable | <u>901,015</u> | <u>411,258</u> | <u>(336,567)</u> | <u>975,706</u> | <u>656,845</u> |
| Total | <u>\$6,931,532</u> | <u>\$411,258</u> | <u>\$(1,216,095)</u> | <u>\$6,126,695</u> | <u>\$1,412,149</u> |
| Business-type activities: | | | | | |
| Loans payable | 354,131 | \$4,893,673 | \$ (61,826) | \$5,185,978 | \$ 160,199 |
| Capital leases | 100,000 | | (28,178) | 71,822 | 19,625 |
| Compensated absences payable | <u>60,523</u> | <u>56,964</u> | <u>(55,626)</u> | <u>61,861</u> | <u>31,091</u> |
| Total | <u>\$ 514,654</u> | <u>\$4,950,637</u> | <u>\$ (145,630)</u> | <u>\$5,319,661</u> | <u>\$ 210,915</u> |

Loans Payable

\$860,000 Promissory Note

The Village Council adopted Resolution No. 71-2000 authorizing the execution of a loan agreement in the amount of \$860,000 for the purpose of refinancing an existing loan incurred for the renovation of the Village's Country Club restaurant and for capital expenditures in the general fund. The general fund portion has been repaid. Franchise fees and public service taxes

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 6 – LONG TERM DEBT (Continued)

\$860,000 Promissory Note (Continued)

of the Village secure the loan. Principal and interest payments are due quarterly, with a final maturity date of November 15, 2010. The interest rate on the loan is 5.22%. The interest rate will be adjusted by either of the following events: a change in the maximum corporate tax rate, or the event of taxability of the interest on this note. As of September 30, 2006, the principal amount outstanding was \$292,305 and was for the purpose of business-type activities.

Annual debt service requirements to maturity are as follows:

Business-type activities:

| <u>Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|------------------|-------------------|
| 2007 | \$ 63,314 | \$ 14,230 | \$ 77,544 |
| 2008 | 66,684 | 10,842 | 77,526 |
| 2009 | 70,234 | 7,215 | 77,449 |
| 2010 | 73,972 | 3,425 | 77,397 |
| 2011 | 18,101 | 241 | 18,342 |
| | <u>\$ 292,305</u> | <u>\$ 35,953</u> | <u>\$ 328,258</u> |

\$2,800,000 Promissory Note

The Village Council adopted Resolution No. 46-2001 authorizing the execution of a note in the principal amount of \$2,800,000 to finance the construction of various capital projects. Franchise fees and public service taxes secure the promissory note. Principal and interest payments are due semi-annually, with a final maturity date of May 31, 2011. The note bears interest at a variable rate, adjusted semi-annually, equal to the London InterBank Offered Rate (“LIBOR”) plus .585%. The interest rate will be adjusted by either of the following events: a change in the maximum corporate tax rate, or the event of taxability of the interest on this note. The effective rate at September 30, 2006 was 3.695% and this approximates the rate that was used to calculate the debt service requirements to maturity.

Annual debt service requirements to maturity, which are payable by the general fund, are as follows:

| <u>Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|-------------------|---------------------|
| 2007 | \$ 283,404 | \$ 53,430 | \$ 336,834 |
| 2008 | 293,007 | 42,871 | 335,878 |
| 2009 | 302,934 | 31,954 | 334,888 |
| 2010 | 313,198 | 20,667 | 333,866 |
| 2011 | 323,810 | 8,998 | 332,808 |
| | <u>\$ 1,516,354</u> | <u>\$ 157,920</u> | <u>\$ 1,674,273</u> |

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 6 – LONG TERM DEBT (Continued)

\$6,560,000 Promissory Note

The Village Council adopted Resolution No. 8-97 authorizing the issuance of a note in the principal amount of \$6,560,000 to finance the acquisition, construction, equipping, and improving of a public safety building, a community center, and a recreation building. A portion of the proceeds was also used to refinance an existing loan incurred to make improvements to the Country Club.

Franchise fees and public service taxes of the Village secure the promissory note. Principal payments of \$190,000 are due semi-annually on January 1 and August 1, with a final maturity date of February 1, 2017. The interest rate is at the London InterBank Offered Rate (“LIBOR”), and adjusted as of the first day of each month. The interest rate will be adjusted by either of the following events: a change in the maximum corporate tax rate, or the event of taxability of the interest on this note. The effective rate at September 30, 2006 was 4.01% and this approximates the rate that was used to calculate the debt service requirements to maturity. As of September 30, 2006, the principal amount outstanding was \$3,150,000 and was for the purpose of government activities.

Annual debt service requirements to maturity are as follows:

| <u>Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|-------------------|---------------------|
| 2007 | \$ 300,000 | \$ 127,228 | \$ 427,228 |
| 2008 | 300,000 | 114,818 | 414,818 |
| 2009 | 300,000 | 102,408 | 402,408 |
| 2010 | 300,000 | 89,998 | 389,998 |
| 2011 | 300,000 | 77,588 | 377,588 |
| 2012-2016 | 1,500,000 | 201,790 | 1,701,790 |
| 2017-2021 | 150,000 | 3,128 | 153,128 |
| | <u>\$ 3,150,000</u> | <u>\$ 716,958</u> | <u>\$ 3,866,958</u> |

\$271,000 and \$132,000 Promissory Notes

In January 2003, the Village Council adopted Resolution No. 8-2003 authorizing the issuance of promissory notes of \$271,000 and \$132,000 to finance various capital expenditures. The notes are payable from the Village’s non-ad valorem tax revenues.

The \$132,000 note had a final maturity in January 2006 and was paid off by the Country Club. The \$271,000 note bears interest at 3.82% and is payable in 14 semi-annual payments of \$22,286, beginning July 2003 and with final maturity in January 2010. Annual debt service requirements to maturity for this note, which are payable from the general fund, are as follows:

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 6 – LONG TERM DEBT (Continued)

\$271,000 and \$132,000 Promissory Notes (Continued)

| <u>Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|------------------|-------------------|
| 2007 | \$ 39,422 | \$ 5,150 | \$ 44,572 |
| 2008 | 40,943 | 3,630 | 44,573 |
| 2009 | 42,521 | 2,051 | 44,572 |
| 2010 | 21,689 | 413 | 22,102 |
| | <u>\$ 144,575</u> | <u>\$ 11,244</u> | <u>\$ 155,819</u> |

\$230,000 Promissory Note

In January 2005, the Village Council adopted Resolution No. 7-2004 authorizing the issuance of a promissory note to finance various capital expenditures. The note is payable from the Village's non-ad valorem tax revenues and franchise fees. The note bears interest at a fluctuating rate at all times equal to the London InterBank Offered Rate ("LIBOR") that is defined as 75% of the rate of interest published as one-month LIBOR on the first day of each month, plus 73 basis points and is payable in five semi-annual payments of \$22,787, beginning August 2004 and with final maturity in January 2009. The effective rate at September 30, 2006 was 5.3% and this approximates the rate that was used to calculate the debt service requirements to maturity. Annual debt service requirements to maturity for this note, which are payable by the general fund, are as follows:

| <u>Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|------------------|-------------------|
| 2007 | \$ 39,152 | \$ 6,422 | \$ 45,574 |
| 2008 | 41,254 | 4,320 | 45,574 |
| 2009 | 43,470 | 2,104 | 45,574 |
| 2010 | 6,960 | 154 | 7,114 |
| | <u>\$ 130,836</u> | <u>\$ 13,000</u> | <u>\$ 143,836</u> |

\$4,893,673 Promissory Note

The Village Council adopted Resolution No. 23-2006 authorizing the issuance of a note in the amount of \$4,893,673 to finance certain capital expenditures relating to the municipal golf course and country club. Pledged revenues secure the loan. Principal and interest payments are due semi-annually in the amount of \$197,450, with a final maturity date of April 1, 2024. The interest rate on the loan is 4.11% and is subject to adjustment in the event of taxability of the interest on this note. As of September 30, 2006, the principal amount outstanding was \$4,893,673 and was for the purpose of business-type activities.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 6 – LONG TERM DEBT (Continued)

\$4,893,673 Promissory Notes (Continued)

Annual debt service requirements to maturity are as follows:

Business-type activities:

| <u>Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|---------------------|---------------------|
| 2007 | \$ 96,885 | \$ 100,565 | \$ 197,450 |
| 2008 | 199,784 | 195,116 | 394,900 |
| 2009 | 208,080 | 186,821 | 394,900 |
| 2010 | 216,720 | 178,181 | 394,900 |
| 2011 | 225,718 | 169,182 | 394,900 |
| 2012-2016 | 1,277,207 | 697,295 | 1,974,502 |
| 2017-2021 | 1,565,324 | 409,178 | 1,974,502 |
| 2022-2026 | 1,103,955 | 80,748 | 1,184,703 |
| | <u>\$ 4,893,673</u> | <u>\$ 2,017,086</u> | <u>\$ 6,910,759</u> |

\$588,000 Capital Leases

The Village entered into a seven year \$588,000 capital lease agreement as lessee for financing the acquisition of machinery and equipment for governmental activities with a purchase price of \$640,332 in 2002. There are fourteen semi-annual payments required of principal and interest beginning September 22, 2002. Interest will be a fluctuating rate at all times equal to 111% of the London InterBank Offered Rate (“LIBOR”) that is defined as 75% of the rate of interest published as one-month LIBOR on the first day of each month. The lease contains a purchase option. At September 30, 2006, the net book value of machinery and equipment was \$334,024. Lease payments will be made from the general fund. The rate used to impute interest was 5.32%.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2006, were as follows:

| <u>Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|-----------------|-------------------|
| 2007 | \$ 69,086 | \$ 1,945 | \$ 71,031 |
| 2008 | 34,286 | 904 | 35,190 |
| 2009 | 17,142 | 182 | 17,324 |
| | <u>\$ 120,514</u> | <u>\$ 3,031</u> | <u>\$ 123,545</u> |

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 6 – LONG TERM DEBT (Continued)

\$223,500 Capital Leases

The Village Council adopted Resolution No. 03-2005 authorizing the execution of a five year capital lease agreement for the purpose of financing the lease-purchase of \$123,500 of equipment for the General Fund and \$100,000 of equipment for the Country Club. Principal and interest payments are due semi-annually, with a final maturity date of February 15, 2010. At September 30, 2006, the net book value of the equipment was \$113,724. The rate used to impute interest was 3.55%.

Amounts currently outstanding on the note are as follows:

| <u>Purpose</u> | <u>Amount</u> |
|--------------------------|------------------|
| Governmental activities | \$ 88,710 |
| Business-type activities | <u>71,822</u> |
| | <u>\$160,532</u> |

Annual debt service requirements to maturity are as follows:

Governmental activities:

| <u>Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|------------------|-----------------|------------------|
| 2007 | \$ 24,240 | \$ 2,939 | \$ 27,179 |
| 2008 | 25,109 | 2,070 | 27,179 |
| 2009 | 26,009 | 1,170 | 27,179 |
| 2010 | <u>13,352</u> | <u>237</u> | <u>13,589</u> |
| | <u>\$ 88,710</u> | <u>\$ 6,416</u> | <u>\$ 95,126</u> |

Business-type activities:

| <u>Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|------------------|-----------------|------------------|
| 2007 | \$ 19,625 | \$ 2,379 | \$ 22,005 |
| 2008 | 20,329 | 1,676 | 22,005 |
| 2009 | 21,058 | 947 | 22,005 |
| 2010 | <u>10,810</u> | <u>192</u> | <u>11,002</u> |
| | <u>\$ 71,822</u> | <u>\$ 5,194</u> | <u>\$ 77,016</u> |

NOTE 7 – RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 7 – RISK MANAGEMENT (Continued)

The Village currently reports all of its risk management activities in the general fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

Employee Benefits Group

The Village was self-insured to provide group medical coverage through June 30, 2005. A third party administered the group medical coverage for the Village. The Village funds its losses based on actual claims.

The liability for unpaid claims, if any, is estimated using an industry average that is based on actual claims paid. The following is a reconciliation of changes in the aggregate liability for the current and prior fiscal years.

| <u>Year Ended</u> <u>September 30</u> | <u>Claims Liability</u> <u>Beginning of Year</u> | <u>Claims and</u> <u>Changes in</u> <u>Estimates</u> | <u>Claim</u> <u>Payments</u> | <u>Claims</u> <u>Liability</u> <u>End of Year</u> |
|--|---|--|---------------------------------|---|
| 2005 | \$342,000 | \$ | \$(261,805) | \$80,195 |
| 2006 | 80,195 | | (34,643) | 45,552 |

Property and Casualty Group

The Village also participates in Southeast Risk Management Association (SERMA), a quasi-governmental agency created by an interlocal agreement, as authorized by Chapter 163, Florida Statutes. SERMA administers the property and casualty coverage for the Village. The Village and other participating members pool their resources so as to provide a comprehensive risk management program, including insurance coverage, whose cost is less than the cost of each municipality obtaining insurance separately. The members are subject to supplemental assessments in the event of deficiencies, except that to the extent that deficiencies result from a specific claim against a member in excess of the reinsurance available, such deficiency is solely the responsibility of that member. SERMA reinsures for workers compensation and property claims in excess of \$250,000. The Village is also covered by Florida Statutes under the Doctrine of Sovereign Immunity which effectively limits the amount of liability of municipalities to individual claims of \$100,000/\$200,000 for all claims relating to the same incident. There were no changes in insurance coverage from the prior year and the amount of settlements did not exceed insurance coverage for the last three years. At September 30, 2006, there were no liabilities recorded for property and casualty, based on a recent actuarial valuation, which indicated that the reserve for incurred but not yet reported losses was adequately funded, and no additional contributions are required.

NOTE 8 – EMPLOYEE RETIREMENT PLANS

The Village maintains the following two separate single employer defined benefit plans: Village of North Palm Beach Fire and Police Retirement Fund, covering firefighters and police officers, and Village of North Palm Beach General Employees Retirement Fund, covering substantially

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

all other full-time Village employees. Both plans are reported as pension trust funds and included as part of the Village's reporting entity. The Police and Fire Fund will issue separate financial statements for the year ended September 30, 2006; the General Employees Plan will not issue separate financial statements. Additional information on these plans can be found beginning on page 58.

Each plan has its own board that acts as plan administrator and trustee: Board of Trustees (for the Fire and Police Retirement Fund) and General Employees Retirement Board. Each plan's assets may only be used for the payment of benefits to the members and beneficiaries of the plan in accordance with the terms of each plan document. The costs of administering each plan are financed in the appropriate pension trust fund.

The Florida Constitution requires local governments to make the actuarially determined contribution. The Florida Division of Retirement reviews and approves each local government's actuarial report prior to its being appropriated for use for funding purposes. Additionally, the State collects two locally authorized insurance premium surcharges (one for the Police Pension on casualty insurance policies and one for the Fire Pension Plan on certain real and personal property insurance policies within the corporate limits) which can only be distributed after the State has ascertained that the local government has met its actuarial funding requirement for the then most recently completed fiscal year.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Retirement Plans

Basis of Accounting. The retirement plans are reported on the accrual basis of accounting. Plan member and state contributions are recognized as revenues in the period that the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments. Investments are reported at fair value and are managed by third party money managers. The Village's independent custodians and individual money managers price each instrument using various third party pricing sources.

Investments Concentrations The following investments represent concentrations of 5% or more of net plan assets in investments that are not issued or guaranteed by the U.S. government.

General Employees Retirement Fund

No nongovernmental investments exceed 5% of net plan assets.

Fire and Police Retirement Fund

No nongovernmental investments exceed 5% of net plan assets.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

The following schedule is provided for general information purposes only and is derived from the respective actual reports and Village information for the two retirement plans as of October 1, 2005, the date of the latest actuarial valuation. Plan participants should refer to the appropriate source documents for more complete information on the plans.

| | <u>General Employees</u> | <u>Fire and Police</u> |
|----------------------------|--------------------------|-------------------------|
| Plan Description: | | |
| Authority | Village Ordinance | Village Ordinance/State |
| Asset Valuation: | | |
| Reporting | Fair Value | Fair Value |
| Legal Reserves | None | None |
| Long-Term Receivable | None | None |
| Internal/Participant Loans | None | None |

Membership of each plan consisted of the following at October 1, 2005, the date of the latest actuarial valuation:

| | <u>GERF</u> | <u>F&P</u> |
|---|-------------|----------------|
| Active Participants: | | |
| Vested | 59 | 25 |
| Non-vested | 25 | 15 |
| Retirees and Beneficiaries receiving benefits | 13 | 3 |
| Terminated vested members receiving benefits | <u>42</u> | <u>13</u> |
| Total | <u>139</u> | <u>56</u> |

General Employees' Retirement System

Plan Description. The plan provides retirement benefits as well as death benefits. All full time general employees who are not sworn police officers or firefighters shall become members of the system on October 1st following completion of 12 months of employment as a condition of employment. Three percent cost of living adjustments (COLA) are provided for employees who retired before February 1, 1982. Employees hired before October 1, 2000, may choose to contribute an extra 2% in order to receive a 3% COLA. Employees hired after September 30, 2000, are required to contribute the extra 2% for the 3% COLA. Authority to establish and amend the benefit provisions of the plan rests with the Village Commission. All benefits vest based on the following years of credited service.

| <u>Years of Credited Service</u> | <u>Vested %</u> |
|--------------------------------------|-----------------|
| Under 5 | 0% |
| 5 or 6 | 50% |
| 7 or 8 | 75% |
| 9 or more | 100% |

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

Employees become eligible for normal retirement benefits after attaining the age of 60 and completing nine years of credited service, or attaining the age of 65 (depending on employee contribution rate). The normal retirement benefit consists of a life annuity, options available, (subject to cost of living adjustments not to exceed 3% a year), of either 2%, 2.25%, or 2.5% (depending on employee contribution rate) of AME times credited service up to 20 years plus 1% of AME times credited service over 20 years. Early retirement benefits can be received at age 55. The benefit is determined as for normal retirement and payable at normal retirement date or payable immediately after reduction by 5% for each year by which the benefit commencement date precedes the normal retirement date. If an active member dies, his beneficiary receives a refund of member contributions without interest. For a member who is age 55 and has at least five years of service but who dies before commencement of retirement benefits, a monthly is payable to the designated beneficiary; the benefit is calculated as though the member had retired on his date of death and payable according to option elected by the employee. For an active member who has at least five years of service credited service and dies prior to reaching normal retirement date, a benefit equal to his vested accrued benefit will be paid to his beneficiary for ten years. If an employee terminates his employment, he is entitled to the following:

- With less than five years of credited service, a refund of member contributions without interest and no other benefit.
- With five or more years of credited service, a refund of member contributions, the vested accrued benefit payable at normal retirement date or at any time after age 55 is attained, with the benefit being subject to the same reduction as for early retirement benefits. The vesting schedule is listed above.

"Average monthly earnings" is the average during the five years within the last ten years of employment which produces the highest average.

"Credited service" consists of the total number of years and fractional parts of years of actual service with the Village and shall apply to an employee whose employment is terminated with the Village and who recommences fulltime employment within two years from the date of termination.

Contributions. General employees may contribute 6%, 4%, 2% or 0% of earnings as elected by the employee, with the retirement benefit received being based on the amount contributed. The Village is required to contribute the amount necessary to fund the Plan properly according to the Plans actuary. Contribution requirements of plan members and the Village are established and may be amended by the Village Commission.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS (Continued)

Fire and Police Retirement System

Plan Description. The plan provides retirement benefits as well as death and disability benefits. All benefits vest after ten years of credited service. All fulltime police officers or firefighters shall become members of the system on October 1st following completion of 12 months of employment as a condition of employment. Cost of living adjustments (COLA) are provided annually each October 1, to reflect changes in CPI (subject to maximum increases or decreases of 3% per year). Authority to establish and amend the benefit provisions of the plan rests with the Village Commission. Employees become eligible for normal retirement benefits after attaining the age of 55. The normal retirement benefit consists of ten years certain and life thereafter, with other options available, (subject to cost of living adjustments not to exceed 3% a year), of 2.5% of AME times the years of credited services, with a maximum benefit of 60% of AME. Members are eligible for non-service connected disability, after ten years of credited service and a total and permanent disability. For service connected disability, a total and permanent disability with no service requirement. The disability benefit consists of a ten year certain and life annuity that can be provided by the single-sum value of the member's accrued pension benefit, but is at least 42% of AME for service connected disability and at least 25% of AME for non-service connected disability. See the description of the general employees' retirement system for the remainder of the benefits, except that early retirement and termination benefits for vested member can be received at age 50.

Contributions. Members are required to contribute 5% of their basic compensation to the plan. The state makes a contribution from the Casualty Insurance Premium Tax. The City is required to contribute the remaining amount to fund the plan using the Frozen Entry Age Actuarial Cost Method. Contribution requirements of plan members and the City are established and may be amended by the City Commission.

All Retirement Plans

Annual Pension Cost and Net Pension Obligation. The Village's 2006 annual pension cost and actual contributions for each plan are shown below. The required contributions were determined as part of the October 1, 2004 actuarial valuation for each plan. State law allows the Village to use a portion of the State contribution to offset the Village's pension cost.

| | <u>Annual Pension Cost</u> | <u>Required Village Contribution</u> | <u>Eligible State Contribution</u> |
|-----------------------------------|------------------------------------|--|--|
| General Employees Retirement Fund | \$1,014,112 | \$1,007,695 | N/A |
| Fire and Police Retirement Fund | 699,092 | 551,986 | 138,200 |

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

Components of Annual Pension Cost and Net Pension Obligation

The following schedule was determined as part of the October 1, 2005, actuarial valuation for the General and Fire and Police Retirement Plans.

| | General <u>Employees</u> | <u>Fire and Police</u> |
|--|-----------------------------|------------------------|
| Annual required contribution (ARC) | \$1,007,695 | \$ 690,186 |
| Interest on net pension obligation (NPO) | (14,882) | (16,279) |
| Adjustment to ARC | <u>21,299</u> | <u>25,185</u> |
| Annual pension cost | 1,014,112 | 699,092 |
| Actual contributions | <u>894,109</u> | <u>633,796</u> |
| Increase in NPO | 120,003 | 65,296 |
| NPO at beginning of year | <u>(175,080)</u> | <u>(203,493)</u> |
| NPO at end of year | <u>\$ (55,077)</u> | <u>\$ (138,197)</u> |

Three-Year Trend Information

| | <u>Year Ended</u> | <u>Annual Pension Cost (APC)</u> | <u>Annual Contribution</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation (Asset)</u> |
|-----------|-----------------------|--|--------------------------------|--|---|
| General | | | | | |
| Employees | 9/30/03 | \$ 509,594 | \$ 503,220 | 98.7% | \$ (187,499) |
| | 9/30/04 | 529,645 | 524,000 | 98.9% | (181,854) |
| | 9/30/05 | 669,011 | 662,237 | 99.0% | (175,080) |
| Fire and | | | | | |
| Police | 9/30/03 | \$ 372,967 | \$ 369,642 | 99.1% | \$ (106,668) |
| | 9/30/04 | 387,647 | 388,200 | 100.1% | (107,221) |
| | 9/30/05 | 513,792 | 610,064 | 118.7% | (203,493) |

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

The following are the actuarial methods and significant actuarial assumptions:

| | <u>General Employees</u> | <u>Fire and Police</u> |
|-------------------------------|---|---|
| Valuation date | 10/1/2005 | 10/1/2005 |
| Actuarial Cost Method | Frozen Entry Age | Aggregate |
| Amortized Method | Level percent closed | N/A (1) |
| Remaining Amortization Period | 30 years | N/A (1) |
| Asset Valuation Method | Difference between actual and expected return recognized over five years. | Five year smooth market. |
| Administrative Costs | Expenses paid out of the fund other than investment related expenses are assumed to be equal to the average of actual expenses over the previous two years. | Expenses paid out of the fund other than investment related expenses are assumed to be equal to the average of actual expenses over the previous two years. |
| Investment rate of return* | 8% up to retirement, 5.25% thereafter. | 8% |
| Projected salary increase* | 5.5% | 6% |
| *Includes inflation at | 4% | 4% |
| Cost of living adjustments | 3% for those retired before 2/1/82 or who contribute an extra 2%. | 3% |

(1) The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 9 – PENSION PLAN FINANCIAL INFORMATION

Generally accepted accounting principles (GAAP) requires that financial statements for individual pension plans be presented in the notes to the financial statements of the primary government if separate GAAP financial reports have not been issued. The Volunteer Fire and General Employees pension funds do not have separate GAAP reports issued and the financial information for these is presented below.

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
SEPTEMBER 30, 2006

| | Volunteer Fire Pension | General Employees Pension | Total Employee Retirement Funds |
|------------------------------------|-----------------------------------|--|--|
| ASSETS | | | |
| Cash and cash equivalents | \$ | \$ 122,092 | \$ 122,092 |
| Investments: | | | |
| Equity mutual funds | | 430,589 | 430,589 |
| Common trust funds | | 4,554,573 | 4,554,573 |
| Fixed annuity funds | 62,393 | | 62,393 |
| Equity annuity funds | 7,755 | | 7,755 |
| Accrued interest and dividends | | 1,038 | 1,038 |
| Accounts receivable | | 51,823 | 51,823 |
| | 70,148 | 5,160,115 | 5,230,263 |
| Total assets | | | |
| Net Assets | | | |
| Held in trust for pension benefits | \$ 70,148 | \$5,160,115 | \$ 5,230,263 |

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 9 – PENSION PLAN FINANCIAL INFORMATION (Continued)

COMBINING STATEMENT OF CHANGES IN NET ASSETS
EMPLOYEE RETIREMENT FUNDS
For the Fiscal Year Ended September 30, 2006

| | Volunteer Fire Pension | General Employees Pension | Total Employee Retirement Funds |
|--|-----------------------------------|--|--|
| Additions: | | | |
| Contributions: | | | |
| Employer | \$ 1,000 | \$ 894,109 | \$ 895,109 |
| Plan members | | 185,394 | 185,394 |
| Total contributions | 1,000 | 1,079,503 | 1,080,503 |
| Investment income: | | | |
| Interest and dividends | 2,854 | 14,406 | 17,260 |
| Net appreciation in fair value of investments | 240 | 326,856 | 327,096 |
| Investment expense | | (38,536) | (38,536) |
| Total investment income | 3,094 | 302,726 | 305,820 |
| Total additions | 4,094 | 1,382,229 | 1,386,323 |
| Deductions: | | | |
| Administration | | 17,763 | 17,763 |
| Benefits | | 62,088 | 62,088 |
| Total deductions | | 79,851 | 79,851 |
| Net increase (decrease) | 4,094 | 1,302,378 | 1,306,472 |
| Net assets held in trust for pension benefits, beginning of year, as restated | 66,054 | 3,857,737 | 3,923,791 |
| Net assets held in trust for pension benefits, end of year | \$ 70,148 | \$ 5,160,115 | \$ 5,230,263 |

NOTE 10 – ON-BEHALF PAYMENTS

The state makes a contribution to the Fire and Police Officers' Retirement System from the firefighters' and police officers' Insurance Premium Tax. For the fiscal year ended September 30, 2006, \$233,641 was recorded as revenues and expenditures in the On-Behalf Pension Contribution Special Revenue Fund relating to on-behalf payments received from the state.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 11 – CONTRACTS AND COMMITMENTS

Operating Leases

The Village is committed under a lease agreement as lessor of the food and beverage operators at the North Palm Beach Country Club. The lease is considered for accounting purposes to be an operating lease. As part of the lease agreement, the Village receives a percentage of sales of the lessee and reimbursements for utilities and financed assets. The Village received \$140,524 for the year ended September 30, 2006 under the terms of this lease agreement. Future minimum lease payments for the year ending September 30, 2007 are contingent upon sales and expenses of the operations of the lessee. At September 30, 2006, the cost of the leased assets was \$102,716, net book value was \$15,344 and depreciation expense was \$4,559.

NOTE 12 – JOINTLY GOVERNED ORGANIZATION

The Village, through an interlocal agreement with certain other municipalities and Palm Beach County, created the Seacoast Utility Authority (“Seacoast”) which provides water and sewer service to the citizens of each of the participating municipalities and a portion of Palm Beach County. Seacoast’s governing board is comprised of one member from each participating entity. Seacoast is an Independent Authority organized under the laws of the State of Florida, and the Village has no participating equity ownership in Seacoast. The Village paid \$ 96,687 to Seacoast during the fiscal year for water and sewer service.

NOTE 13 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note 8, the Village provides post-retirement health care and life insurance benefits, in accordance with State Statutes, to all employees who retire from the Village. The normal retirement age for police and firefighters is 55; the normal retirement age for all other Village employees is either age 60 or age 65, depending on the option selected by the employee. The employee’s required contribution is the full amount of the annual premium. Expenditures for post- retirement health care and life insurance benefits are recognized as expenditures as claims are paid.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 14 – VOLUNTEER FIREFIGHTERS PENSION

The Village maintains a Length of Service Award Pension Plan that covers substantially all volunteer firefighters in the Village of North Palm Beach. The plan is reported as a pension trust fund and is included as part of the Village's reporting entity. The plan does not issue a stand-alone financial report. The plan's financial statements are prepared using the accrual basis of accounting. The plan is noncontributory for members. Employer contributions to the plan are recognized when due and yearly contributions are required based on the most recent actuarial valuation. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Members are eligible to participate in the plan after attaining the age of 18, one year of completed service, completed the sponsor's required probationary period and are entitled to receive benefits at age 60. One hundred percent vesting is achieved after ten years of service, with 40 percent vesting after four years, and additional 10 percent increments for years five through nine. The monthly retirement benefit is \$10 times each year of completed service, with a maximum monthly benefit of \$300 and a minimum of \$50. The plan contains a death benefit that is the greater of \$30,000 or the accrued benefit due at date of death. Plan assets are held by Hartford Life.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Contingencies

The Village is involved in various litigations and claims arising in the course of operations. It is the opinion of legal counsel that the likelihood of unfavorable outcome and the amounts of potential losses cannot be reasonably determined at this time. Accordingly, no provision for any liability that may result has been made in the accompanying financial statements

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

In the prior period financial statements, errors were made in accounting for construction work in progress, accounts receivable, and net pension assets in the governmental-wide financial statements, accounts receivable in the general fund, fixed assets in the country club and contributions in the Employee Retirement Funds. The errors had no effect on the current year change in net assets, the error in construction in progress caused the change in net assets to be understated by \$490,045 in the government-wide financial statements in the prior year, and the accounts receivable and net pension assets had no effect in the prior year change in net assets. The understatement of accounts receivable in the general fund had no effect in the prior year change in net assets. The understatement of fixed assets in the country club fund caused the change in net asset to be understated by \$37,979 in the prior year. The contributions in the Employee Retirement Funds were overstated by \$128,620 in the prior year, which overstated the net increase in net assets held in trust for pension benefits by the same amount.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2006

NOTE 16 – PRIOR PERIOD ADJUSTMENTS (Continued)

| | <u>Government-wide</u> |
|--|------------------------|
| Beginning fund balance, as previously reported | \$10,210,413 |
| Adjustment of construction work in progress | 1,468,513 |
| Adjustment in accounts receivable | 162,103 |
| Adjustment in net pension assets | <u>(179,391)</u> |
| Beginning fund balance, as corrected | <u>\$11,661,638</u> |

| | <u>General Fund</u> |
|--|---------------------|
| Beginning fund balance, as previously reported | \$ 5,968,847 |
| Adjustment in accounts receivable | <u>162,103</u> |
| Beginning fund balance, as corrected | <u>\$ 6,130,950</u> |

| | <u>Country Club</u> |
|--|---------------------|
| Beginning fund balance, as previously reported | \$ 2,189,568 |
| Adjustment in fixed assets | <u>37,979</u> |
| Beginning fund balance, as corrected | <u>\$ 2,227,547</u> |

NOTE 17– SUBSEQUENT EVENT

The Village Council adopted Resolution No. 73-2006 authorizing the execution of a three year capital lease agreement for the purpose of financing the lease-purchase of eighty golf and two utility carts for the Country Club for \$274,800.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

FIDUCIARY FUNDS

Pension Trust Funds

General Employees Pension Trust Fund
Fire and Police Officers Pension Trust Fund

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Required Supplemental Information
September 30, 2006

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Liability (AAL)- Entry Age (b) | Unfunded AAL (UAAL) (b -a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--|--|--|-------------------------------------|--------------------------|---------------------------|---|
| <u>General Employees Retirement Fund</u> | | | | | | |
| 10/1/2000 | \$ 5,732,329 | \$ 7,508,961 | \$ 1,776,632 | 76.34% | \$ 2,761,773 | 64.33% |
| 10/1/2001 | 6,312,447 | 8,150,125 | 1,837,678 | 77.45% | 3,127,313 | 58.76% |
| 10/1/2002 | 6,193,676 | 8,594,442 | 2,400,766 | 72.07% | 3,076,493 | 78.04% |
| 10/1/2003 | 6,759,012 | 10,404,349 | 3,645,337 | 64.96% | 3,443,843 | 105.85% |
| 10/1/2004 | 6,578,832 | 12,084,785 | 5,505,953 | 54.44% | 4,275,981 | 128.76% |
| 10/1/2005 | 3,817,605 | 9,116,599 | 5,298,994 | 41.88% | 3,220,258 | 164.55% |

Fire and Police Retirement Fund (1)

| | | | | | | |
|-----------|--------------|--------------|--------------|---------|--------------|---------|
| 10/1/2000 | \$ 5,285,938 | \$ 4,496,853 | \$ (789,085) | 117.55% | \$ 1,493,357 | -52.84% |
| 10/1/2001 | 5,718,291 | 5,304,774 | (413,517) | 107.80% | 1,517,524 | -27.25% |
| 10/1/2002 | 5,963,256 | 6,565,654 | 602,398 | 90.83% | 1,921,532 | 31.35% |
| 10/1/2003 | 6,635,342 | 7,616,168 | 980,826 | 87.12% | 2,312,228 | 42.42% |
| 10/1/2004 | 6,771,959 | 8,546,754 | 1,774,795 | 79.23% | 2,627,239 | 67.55% |
| 10/1/2005 | 7,600,134 | 8,692,747 | 1,092,613 | 87.43% | 2,405,634 | 45.42% |

Fire and Police Retirement Fund (1)

- (1) Because this plan uses the Aggregate Actuarial Cost Method for funding, the Schedule of Funding Process is not required per GASB No. 25. The Schedule is included in this report because the Plan and/or Employer believe the information would be useful to the users of their financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Required Supplemental Information
September 30, 2006

Schedule of Employer and State Contributions

| <u>Fiscal Year</u> <u>Ended</u> <u>September 30</u> | <u>Annual</u> <u>Required</u> <u>Contribution</u> | <u>Actual</u> <u>Contribution</u> | <u>State</u> <u>Contribution</u> | <u>Percentage</u> <u>Contributed</u> |
|---|---|--------------------------------------|-------------------------------------|---|
| <u>General Employees Retirement Fund</u> | | | | |
| 2001 | \$ 415,152 | \$ 447,128 | N/A | 107.7% |
| 2002 | 430,411 | 467,750 | N/A | 108.7% |
| 2003 | 502,855 | 503,220 | N/A | 100.1% |
| 2004 | 523,127 | 524,000 | N/A | 100.2% |
| 2005 | 662,237 | 662,237 | N/A | 100.0% |
| 2006 | 1,007,695 | 894,109 | N/A | 88.7% |
| <u>Fire and Police Retirement Fund</u> | | | | |
| 2001 | \$ 85,866 | \$ 25,067 | \$ 77,227 | 119.1% |
| 2002 | 130,305 | 57,825 | 88,452 | 112.3% |
| 2003 | 369,089 | 235,339 | 134,303 | 100.1% |
| 2004 | 383,891 | 250,000 | 138,200 | 101.1% |
| 2005 | 509,800 | 471,864 | 138,200 | 119.7% |
| 2006 | 690,186 | 495,596 | 138,200 | 91.8% |

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Trend Data
September 30, 2006

| | General Employees Retirement Fund | Police and Retirement Fund |
|-------------------------------------|--|--|
| Contribution rates as of 9/30/05: | | |
| City | 25.90% | 21.60% |
| Plan Members | 6% (1) | 2.0% |
| Actuarially Determined Contribution | 662,237 | 371,600 |
| Contributions Made | 662,237 | 471,864 |
| Valuation date | 10/1/2005 | 10/1/2005 |
| Actuarial Cost Method | Frozen Entry Age | Aggregate |
| Amortized Method | Level percent closed | N/A (1) |
| Remaining Amortization Period | 30 years | N/A (1) |
| Asset Valuation Method | Difference between actual and expected return recognized over five years. | Five year smooth market |
| Administrative Costs | Expenses paid out of the fund other than investment related expenses are assumed to be equal to the average of actual expenses over the previous two years. | Expenses paid out of the fund other than investment related expenses are assumed to be equal to the average of actual expenses over the previous two years. |
| Actuarial Assumption: | | |
| Investment rate of return * | 8% up to retirement 5.25% thereafter. | 8% |
| Projected salary increase * | 5.5% | 6% |
| *Includes inflation at | 4% | 4% |
| Cost of living adjustments | 3% for those retired before 2/1/82 or who contribute an extra 2%. | 3% |

(1) The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

GENERAL FUND

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For the Year Ended September 30, 2006

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget Positive (Negative) |
|--|-------------------------|-----------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | <u>(Negative)</u> |
| Revenues | | | | |
| Taxes | \$ 13,845,051 | \$ 13,845,051 | \$ 14,340,682 | \$ 495,631 |
| Licenses and permits | 1,050,000 | 1,050,000 | 1,128,658 | 78,658 |
| Intergovernmental | 1,210,600 | 1,210,600 | 2,161,412 | 950,812 |
| Charges for services | 1,348,857 | 1,348,857 | 1,003,660 | (345,197) |
| Fines and forfeitures | 99,323 | 99,323 | 165,496 | 66,173 |
| Interest | 115,000 | 115,000 | 477,421 | 362,421 |
| Miscellaneous | 19,569 | 19,569 | 130,514 | 110,945 |
| Total revenues | <u>17,688,400</u> | <u>17,688,400</u> | <u>19,407,843</u> | <u>1,719,443</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 1,830,726 | 1,884,798 | 1,648,131 | 236,667 |
| Public safety | 6,593,485 | 6,597,325 | 6,204,327 | 392,998 |
| Public service | 3,804,364 | 4,002,816 | 4,180,575 | (177,759) |
| Community development & planning | 761,877 | 762,806 | 651,331 | 111,475 |
| Leisure services - recreation | 2,330,844 | 2,337,389 | 2,209,650 | 127,739 |
| Other government | 252,074 | 227,074 | 2,049 | 225,025 |
| Capital outlay | 1,391,142 | 1,524,932 | 760,859 | 764,073 |
| Debt service | | | | |
| Principal payments | 879,527 | 879,527 | 879,527 | |
| Interest paid on debt | 194,361 | 194,361 | 199,373 | (5,012) |
| Total expenditures | <u>18,038,400</u> | <u>18,411,028</u> | <u>16,735,822</u> | <u>1,675,206</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(350,000)</u> | <u>(722,628)</u> | <u>2,672,021</u> | <u>3,394,649</u> |
| Other financing sources (uses) | | | | |
| Bank loan proceeds | 350,000 | 350,000 | | (350,000) |
| Transfer out | | (1,290,000) | (1,471,529) | (181,529) |
| Total other financing sources (uses) | <u>350,000</u> | <u>(940,000)</u> | <u>(1,471,529)</u> | <u>(531,529)</u> |
| Net change in fund balances | <u>\$</u> | <u>\$ (1,662,628)</u> | 1,200,492 | <u>\$ 2,863,120</u> |
| Fund Balances | | | | |
| Beginning of year, as restated | | | <u>6,130,950</u> | |
| End of year | | | <u>\$ 7,331,442</u> | |

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Budgetary
Required Supplementary Information (RSI)
General Fund
September 30, 2006

Note 1 - Basis of Accounting

Generally accepted accounting principles (GAAP) serve as the budgetary basis of accounting.

Note 2 - Excess of expenditures over appropriations

| | | <u>% of Department Variations</u> |
|----------------------------------|-----------|---------------------------------------|
| Public Works/Streets and Grounds | \$ 19,339 | 1.5% |
| Vehicle Maintenance | 8,141 | 4.1% |
| Debt Service | 5,012 | 0.5% |
| Other | 223,116 | 45.6% |
| Capital Outlay | | |
| Facility Services | 952 | 2.8% |
| Library | 1,916 | 2.0% |

OTHER SUPPLEMENTARY INFORMATION

GENERAL FUND

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Schedule of Departmental Expenditures - Budget and Actual
General Fund
For the Year Ended September 30, 2006

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> | <u>Percent Variance</u> |
|------------------------------------|----------------------------|-------------------------|------------------|---|-----------------------------|
| Village Council | | | | | |
| Personal services | \$ 35,521 | \$ 35,521 | \$ 34,709 | \$ 812 | 2.29% |
| Operating expenses | 84,920 | 84,920 | 49,465 | 35,455 | 41.75 |
| Total Village Council | <u>120,441</u> | <u>120,441</u> | <u>84,174</u> | <u>36,267</u> | <u>30.11</u> |
| Village Manager | | | | | |
| Personal services | 397,767 | 397,767 | 371,061 | 26,706 | 6.71 |
| Operating expenses | 82,403 | 107,809 | 51,816 | 55,993 | 51.94 |
| Total Village Manager | <u>480,170</u> | <u>505,576</u> | <u>422,877</u> | <u>82,699</u> | <u>16.36</u> |
| Village Finance | | | | | |
| Personal services | 565,102 | 565,102 | 521,779 | 43,323 | 7.67 |
| Operating expenses | 53,799 | 57,965 | 47,566 | 10,399 | 17.94 |
| Total Village Finance | <u>618,901</u> | <u>623,067</u> | <u>569,345</u> | <u>53,722</u> | <u>8.62</u> |
| Village Attorney | | | | | |
| Operating expenses | <u>137,500</u> | <u>162,000</u> | <u>161,560</u> | <u>440</u> | <u>0.27</u> |
| Village Clerk | | | | | |
| Personal services | 204,798 | 204,798 | 189,350 | 15,448 | 7.54 |
| Operating expenses | 34,825 | 34,825 | 20,762 | 14,063 | 40.38 |
| Total Village Clerk | <u>239,623</u> | <u>239,623</u> | <u>210,112</u> | <u>29,511</u> | <u>12.32</u> |
| Police | | | | | |
| Personal services | 3,655,844 | 3,655,844 | 3,462,341 | 193,503 | 5.29 |
| Operating expenses | 414,343 | 416,796 | 403,697 | 13,099 | 3.14 |
| Total Police | <u>4,070,187</u> | <u>4,072,640</u> | <u>3,866,038</u> | <u>206,602</u> | <u>5.07</u> |
| Fire Rescue | | | | | |
| Personal services | 2,313,368 | 2,313,368 | 2,196,838 | 116,530 | 5.04 |
| Operating expenses | 209,930 | 211,317 | 141,451 | 69,866 | 33.06 |
| Total Fire Rescue | <u>2,523,298</u> | <u>2,524,685</u> | <u>2,338,289</u> | <u>186,396</u> | <u>7.38</u> |
| Public Works / Streets and Grounds | | | | | |
| Personal services | 786,999 | 786,999 | 786,560 | 439 | 0.06 |
| Operating expenses | 488,350 | 488,350 | 508,128 | (19,778) | (4.05) |
| Total Public Works | <u>1,275,349</u> | <u>1,275,349</u> | <u>1,294,688</u> | <u>(19,339)</u> | <u>(1.52)</u> |
| Sanitation | | | | | |
| Personal services | 1,271,218 | 1,256,218 | 1,112,663 | 143,555 | 11.43 |
| Operating expenses | 286,100 | 286,100 | 338,006 | (51,906) | (18.14) |
| Total Sanitation | <u>1,557,318</u> | <u>1,542,318</u> | <u>1,450,669</u> | <u>91,649</u> | <u>5.94</u> |
| Facility Services | | | | | |
| Personal services | 402,263 | 402,263 | 347,265 | 54,998 | 13.67 |
| Operating expenses | 201,258 | 191,758 | 131,418 | 60,340 | 31.47 |
| Total Facility Services | <u>603,521</u> | <u>594,021</u> | <u>478,683</u> | <u>115,338</u> | <u>19.42</u> |

(Continued)

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Schedule of Departmental Expenditures - Budget and Actual
General Fund
For the Year Ended September 30, 2006

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> | <u>Percent Variance</u> |
|---------------------------------------|----------------------------|-------------------------|----------------------|---|-----------------------------|
| (Continued) | | | | | |
| Development, Licensing & Code Admin. | | | | | |
| Personal services | \$ 801,838 | \$ 801,838 | \$ 560,032 | \$ 241,806 | 30.16% |
| Operating expenses | 89,450 | 89,450 | 128,906 | (39,456) | (44.11) |
| Total Development, Licensing & Code | <u>891,288</u> | <u>891,288</u> | <u>688,938</u> | <u>202,350</u> | <u>22.70</u> |
| Vehicle Maintenance | | | | | |
| Personal services | 178,835 | 178,835 | 182,900 | (4,065) | (2.27) |
| Operating expenses | 21,430 | 21,430 | 25,506 | (4,076) | (19.02) |
| Total Vehicle Maintenance | <u>200,265</u> | <u>200,265</u> | <u>208,406</u> | <u>(8,141)</u> | <u>(4.07)</u> |
| Leisure Services-Recreation | | | | | |
| Personal services | 1,160,714 | 1,160,714 | 1,112,396 | 48,318 | 4.16 |
| Operating expenses | 585,328 | 591,873 | 562,440 | 29,433 | 4.97 |
| Total Leisure Services-Recreation | <u>1,746,042</u> | <u>1,752,587</u> | <u>1,674,836</u> | <u>77,751</u> | <u>4.44</u> |
| Library | | | | | |
| Personal services | 534,162 | 534,162 | 470,799 | 63,363 | 11.86 |
| Operating expenses | 50,640 | 50,640 | 64,015 | (13,375) | (26.41) |
| Total Library | <u>584,802</u> | <u>584,802</u> | <u>534,814</u> | <u>49,988</u> | <u>8.55</u> |
| Debt Service | <u>1,073,888</u> | <u>1,073,888</u> | <u>1,078,900</u> | <u>(5,012)</u> | <u>(0.47)</u> |
| Other | | | | | |
| Operating expenses | <u>290,574</u> | <u>489,455</u> | <u>712,571</u> | <u>(223,116)</u> | <u>(45.58)</u> |
| Non-Departmental | | | | | |
| Operating expenses | <u>234,091</u> | <u>234,091</u> | <u>200,063</u> | <u>34,028</u> | <u>14.54</u> |
| Capital Outlay | | | | | |
| Village Manager | 3,500 | 3,500 | 610 | 2,890 | 82.57 |
| Finance | 68,458 | 68,458 | 7,091 | 61,367 | 89.64 |
| Village Clerk | 25,945 | 27,245 | 3,365 | 23,880 | 87.65 |
| Public Safety | 201,169 | 213,169 | 199,036 | 14,133 | 6.63 |
| Fire Rescue | 41,470 | 41,470 | 39,182 | 2,288 | 5.52 |
| Public Works (Streets) | 245,500 | 245,500 | 34,839 | 210,661 | 85.81 |
| Sanitation | 154,100 | 273,601 | 241,713 | 31,888 | 11.65 |
| Facility Services | 34,100 | 34,100 | 35,052 | (952) | (2.79) |
| Development, Licensing, & Code Admin. | 47,500 | 47,500 | 40,677 | 6,823 | 14.36 |
| Vehicle Maintenance | 121,600 | 121,600 | 15,944 | 105,656 | 86.89 |
| Leisure Services | 314,500 | 314,500 | 38,121 | 276,379 | 87.88 |
| Library | 97,000 | 97,000 | 98,916 | (1,916) | (1.98) |
| Non-Departmental | 36,300 | 37,289 | 6,313 | 30,976 | 83.07 |
| Total Capital outlay | <u>1,391,142</u> | <u>1,524,932</u> | <u>760,859</u> | <u>764,073</u> | <u>50.11</u> |
| Total expenditures | <u>\$ 18,038,400</u> | <u>\$ 18,411,028</u> | <u>\$ 16,735,822</u> | <u>\$ 1,675,206</u> | <u>9.10%</u> |

COMBINING FINANCIAL STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds
Public Safety Fund
Northlake Boulevard Fund
Recreation Fund
On-Behalf Pension Contributions

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2006

| | Special Revenue Fund Recreation Fund | Total Nonmajor Governmental Funds |
|---------------------------|---|---|
| Assets | | |
| Cash and cash equivalents | \$ 400,000 | \$ 400,000 |
| Total assets | \$ 400,000 | \$ 400,000 |
| Fund balances | | |
| Unreserved | | |
| Undesignated | 400,000 | 400,000 |
| Total fund balances | \$ 400,000 | \$ 400,000 |

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2006

| | Special Revenue Funds | | | | Total Nonmajor Governmental Funds |
|---|--------------------------|--------------------------------|--------------------|---------------------------------------|---|
| | Public Safety Fund | Northlake Boulevard Fund | Recreation Fund | On-Behalf Pension Contributions | |
| Revenues | | | | | |
| Intergovernmental revenues | \$ 56,610 | \$ 462,394 | \$ | \$ 233,641 | \$ 752,645 |
| Total revenues | <u>56,610</u> | <u>462,394</u> | <u>\$</u> | <u>233,641</u> | <u>752,645</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Public safety | 56,610 | | | 233,641 | 290,251 |
| Capital outlay | | 462,394 | | | 462,394 |
| Total expenditures | <u>56,610</u> | <u>462,394</u> | <u>\$</u> | <u>233,641</u> | <u>752,645</u> |
| Excess of revenues over (under) expenditures | | | | | |
| Other financing sources (uses) | | | | | |
| Transfers in | | | 400,000 | | 400,000 |
| Total other financing sources (uses) | | | <u>400,000</u> | | <u>400,000</u> |
| Net changes in fund balances | | | 400,000 | | 400,000 |
| Fund balances - Beginning | | | | | |
| Fund balances - Ending | <u>\$</u> | <u>\$</u> | <u>\$ 400,000</u> | <u>\$</u> | <u>\$ 400,000</u> |

FIDUCIARY FUNDS

Pension Trust Funds

Volunteer Fire Pension Trust Fund

General Employees Pension Trust Fund

Fire and Police Officers Pension Trust Fund

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Combining Statement of Fiduciary Net Assets
September 30, 2006

| | Volunteer Fire Pension | General Employees Pension | Fire and Police Officers Pension | Total Employee Retirement Funds |
|---------------------------------------|---------------------------------------|--|---|--|
| ASSETS | | | | |
| Cash and cash equivalents | \$ | \$ 122,092 | \$ 627,280 | \$ 749,372 |
| Investments: | | | | |
| Corporate stock | | | 5,303,557 | 5,303,557 |
| U.S. Government and agency securities | | | 1,390,902 | 1,390,902 |
| Corporate bonds | | | 822,376 | 822,376 |
| Asset backed securities | | | 980,896 | 980,896 |
| Equity mutual funds | | 430,589 | | 430,589 |
| Common trust funds | | 4,554,573 | | 4,554,573 |
| Fixed annuity funds | 62,393 | | | 62,393 |
| Equity annuity funds | 7,755 | | | 7,755 |
| Accrued interest and dividends | | 1,038 | 46,426 | 47,464 |
| Accounts Receivable | | 51,823 | 236,844 | 288,667 |
| Total assets | <u>70,148</u> | <u>5,160,115</u> | <u>9,408,281</u> | <u>14,638,544</u> |
| Net Assets | | | | |
| Held in trust for pension benefits | <u>\$ 70,148</u> | <u>\$ 5,160,115</u> | <u>\$ 9,408,281</u> | <u>\$ 14,638,544</u> |

(1) A schedule of funding progress for the General Employees and Fire and Police Officers plans is presented on page 58.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Combining Statement of Changes in Net Assets
Employee Retirement Funds
For the Year Ended September 30, 2006

| | <u>Volunteer Fire Pension</u> | <u>General Employees Pension</u> | <u>Fire and Police Officers Pension</u> | <u>Total Employee Retirement Funds</u> |
|--|---------------------------------------|--|---|--|
| Additions: | | | | |
| Contributions: | | | | |
| Employer | \$ 1,000 | \$ 894,109 | \$ 495,596 | \$ 1,390,705 |
| State of Florida | | | 233,641 | 233,641 |
| Plan members | | 185,394 | 84,576 | 269,970 |
| Total contributions | <u>1,000</u> | <u>1,079,503</u> | <u>813,813</u> | <u>1,894,316</u> |
| Investment income: | | | | |
| Interest and dividends | 2,854 | 14,406 | 287,239 | 304,499 |
| Net appreciation in fair value of investments | 240 | 326,856 | 322,187 | 649,283 |
| Investment expense | | (38,536) | (40,849) | (79,385) |
| Total investment income | <u>3,094</u> | <u>302,726</u> | <u>568,577</u> | <u>874,397</u> |
| Total additions | <u>4,094</u> | <u>1,382,229</u> | <u>1,382,390</u> | <u>2,768,713</u> |
| Deductions: | | | | |
| Administration | | 17,763 | 43,681 | 61,444 |
| Benefits | | 62,088 | 415,889 | 477,977 |
| Total deductions | | <u>79,851</u> | <u>459,570</u> | <u>539,421</u> |
| Net increase (decrease) | 4,094 | 1,302,378 | 922,820 | 2,229,292 |
| Net assets held in trust for pension benefits, beginning of year, as restated | <u>66,054</u> | <u>3,857,737</u> | <u>8,485,461</u> | <u>12,409,252</u> |
| Net assets held in trust for pension benefits, end of year | <u>\$ 70,148</u> | <u>\$ 5,160,115</u> | <u>\$ 9,408,281</u> | <u>\$ 14,638,544</u> |

AGENCY FUNDS

*Manatee Protection Agency
Northlake Boulevard Task Force*

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Combining Statement of Agency Net Assets
September 30, 2006

| | Agency Funds | | |
|---------------------------|--|---|-----------------------------------|
| | Manatee Protection Agency | Northlake Boulevard Task Force | Total Agency Funds |
| ASSETS | | | |
| Cash and cash equivalents | \$ 249,863 | \$ 54,907 | \$ 304,770 |
| LIABILITIES | | | |
| Due to others | \$ 249,863 | \$ 54,907 | \$ 304,770 |

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Combining Schedule of Changes in Agency Net Assets and Liabilities
For the Year Ended September 30, 2006

| | <u>October 1, 2005</u> | <u>Additions</u> | <u>Deductions</u> | <u>September 30, 2006</u> |
|--|------------------------|------------------|-------------------|---------------------------|
| <u>Manatee Protection Agency</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 238,341 | \$ 11,522 | \$ | \$ 249,863 |
| Liabilities | | | | |
| Due to others | \$ 238,341 | \$ 11,522 | \$ | \$ 249,863 |
| <u>Northlake Boulevard Task Force</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 27,135 | \$ 27,772 | \$ | \$ 54,907 |
| Accounts receivable | 638 | | 638 | |
| Total assets | \$ 27,773 | \$ 27,772 | \$ 638 | \$ 54,907 |
| Liabilities | | | | |
| Due to others | \$ 27,773 | \$ 27,134 | \$ | \$ 54,907 |
| <u>Total All Agency Funds</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 265,476 | \$ 39,294 | \$ | \$ 304,770 |
| Accounts receivable | 638 | | 638 | |
| Total assets | \$ 266,114 | \$ 39,294 | \$ 638 | \$ 304,770 |
| Liabilities | | | | |
| Due to others | \$ 266,114 | \$ 38,656 | \$ | \$ 304,770 |

PROPRIETARY FUND
(ENTERPRISE FUND)

Country Club Fund

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Schedule of Departmental Expenses - Budget and Actual
Country Club Fund - Budgetary Basis
For the Year Ended September 30, 2006

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) | Percent Variance |
|--|---------------------|---------------------|---------------------|---|---------------------|
| Golf Maintenance | | | | | |
| Personal services | \$ 608,062 | \$ 605,062 | \$ 583,671 | \$ 21,391 | 3.54% |
| Operating expenses | 316,345 | 316,345 | 293,695 | 22,650 | 7.16 |
| Total Golf Maintenance | <u>924,407</u> | <u>921,407</u> | <u>877,366</u> | <u>44,041</u> | <u>4.78</u> |
| Golf Pro Shop and Range | | | | | |
| Personal services | 361,869 | 361,869 | 252,366 | 109,503 | 30.26 |
| Operating expenses | 242,145 | 198,145 | 172,893 | 25,252 | 12.74 |
| Total Golf Pro Shop and Range | <u>604,014</u> | <u>560,014</u> | <u>425,259</u> | <u>134,755</u> | <u>24.06</u> |
| Tennis | | | | | |
| Personal services | 86,116 | 86,116 | 86,766 | (650) | (0.75) |
| Operating expenses | 28,359 | 28,359 | 28,978 | (619) | (2.18) |
| Total Tennis | <u>114,475</u> | <u>114,475</u> | <u>115,744</u> | <u>(1,269)</u> | <u>(1.11)</u> |
| Food and Beverage | | | | | |
| Operating expenses | <u>30,835</u> | <u>30,835</u> | <u>28,385</u> | <u>2,450</u> | <u>7.95</u> |
| Administration | | | | | |
| Personal services | 165,879 | 165,879 | 159,006 | 6,873 | 4.14 |
| Operating expenses | 60,920 | 110,920 | 83,078 | 27,842 | 25.10 |
| Total Administration | <u>226,799</u> | <u>276,799</u> | <u>242,084</u> | <u>34,715</u> | <u>12.54</u> |
| Clubhouse and Grounds | | | | | |
| Personal services | 85,498 | 85,498 | 84,303 | 1,195 | 1.40 |
| Operating expenses | 61,993 | 61,993 | 101,145 | (39,152) | (63.16) |
| Total Clubhouse and Grounds | <u>147,491</u> | <u>147,491</u> | <u>185,448</u> | <u>(37,957)</u> | <u>(25.74)</u> |
| Insurance and General Liability | | | | | |
| Operating expenses | <u>38,279</u> | <u>38,279</u> | <u>23,949</u> | <u>14,330</u> | <u>37.44</u> |
| Reserves | | | | | |
| Operating | 5,000 | 5,000 | 9,179 | (4,179) | (83.58) |
| Contingency | 386,051 | 57,846 | | 57,846 | 100.00 |
| Total Reserves | <u>391,051</u> | <u>62,846</u> | <u>9,179</u> | <u>53,667</u> | <u>85.39</u> |
| Capital Outlay | | | | | |
| Golf Maintenance | 60,000 | 60,000 | 35,554 | 24,446 | 40.74 |
| Golf Pro Shop and Range | 1,000 | 1,000 | | 1,000 | 100.00 |
| Administration | 38,600 | 38,600 | 59,461 | (20,861) | (54.04) |
| Clubhouse and Grounds | 149,000 | 149,000 | 16,198 | 132,802 | 89.13 |
| Total Capital Outlay | <u>248,600</u> | <u>248,600</u> | <u>111,213</u> | <u>137,387</u> | <u>55.26</u> |
| Total expenses on the budgetary basis | <u>\$ 2,725,951</u> | <u>\$ 2,400,746</u> | 2,018,627 | <u>\$ 382,119</u> | <u>15.92%</u> |
| Adjustments to reconcile to the GAAP Basis | | | | | |
| Less capital outlay costs capitalized | | | (107,987) | | |
| Add depreciation expense | | | 174,719 | | |
| Total operating expenses | | | <u>\$ 2,085,359</u> | | |

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Village of North Palm Beach's comprehensive annual financial report presents detailed unaudited information as a context for understanding what the information in the financial statement, note disclosures, and required supplementary information says about the Village's overall financial health.

| <u>Contents</u> | <u>Page</u> |
|--|-------------|
| Financial Trends | |
| <i>These schedules contain trend information to help the reader understand how the Village's financial performance and well-being have changed over time. These schedules include:</i> | |
| Net Assets by Component | 72 |
| Changes in Net Assets | 73 |
| Fund Balances, Governmental Funds | 75 |
| Changes in Fund Balances, Governmental Fund | 76 |
| Revenue Capacity | |
| <i>These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax.</i> | |
| Net Assessed Value and Estimated Actual Value of Taxable Property | 77 |
| Property Tax Rates Direct and Overlapping Property Tax Rates | 78 |
| Principal Property Tax Payers | 79 |
| Property Tax Levies and Collections | 80 |
| Debt Capacity | |
| <i>These schedules present information to help the reader assess the affordability of the Village's current levels of outstanding debt and the Village's ability to issue additional debt in the future.</i> | |
| Ratios of Outstanding Debt by Type | 81 |
| Direct and Overlapping Governmental Activities Debt | 82 |
| Demographic and Economic Information | |
| <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village's financial activities take place.</i> | |
| Demographic and Economic Statistics | 83 |
| Principal Employers | 84 |
| Operating Information | |
| <i>These schedules contain service and infrastructure data to help understand how the information in the Village's financial report relates to the services the Village provides and the activities it performs.</i> | |
| Full-Time Equivalent Village Government Employees by Function/Program | 85 |
| Operating Indicators by Function/Program | 86 |
| Capital Asset Statistics by Function/Program | 87 |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

VILLAGE OF NORTH PALM BEACH
NET ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING) Unaudited

| | Fiscal Year | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Governmental Activities: | | | | | |
| Invested in capital assets, net of related debt | \$ 2,247,206 | \$ 3,563,142 | \$ 3,762,961 | \$ 3,535,596 | \$ 8,118,771 |
| Restricted | 2,058,096 | 613,459 | 470,155 | 19,828 | 160,168 |
| Unrestricted | <u>2,792,893</u> | <u>2,350,342</u> | <u>3,527,865</u> | <u>6,654,989</u> | <u>7,137,359</u> |
| Total governmental activities net assets | <u>7,098,195</u> | <u>6,526,943</u> | <u>7,760,981</u> | <u>10,210,413</u> | <u>15,416,298</u> |
| Business-Type Activities: | | | | | |
| Invested in capital assets, net of related debt | 2,151,510 | 2,165,529 | 2,131,367 | 1,919,194 | 1,999,124 |
| Restricted | | | | | |
| Unrestricted | 568 | (65,937) | (5,195) | 270,374 | 415,864 |
| Total business-type activities net assets | <u>2,152,078</u> | <u>2,099,592</u> | <u>2,126,172</u> | <u>2,189,568</u> | <u>2,414,988</u> |
| Primary government: | | | | | |
| Invested in capital assets, net of related debt | 4,398,716 | 5,728,671 | 5,894,328 | 5,454,790 | 10,117,895 |
| Restricted | 2,058,096 | 613,459 | 470,155 | 19,828 | 160,168 |
| Unrestricted | <u>2,793,461</u> | <u>2,284,405</u> | <u>3,522,670</u> | <u>6,925,363</u> | <u>7,553,223</u> |
| Total primary government net assets | <u>\$ 9,250,273</u> | <u>\$ 8,626,535</u> | <u>\$ 9,887,153</u> | <u>\$12,399,981</u> | <u>\$17,831,286</u> |

Note: Data not available prior to fiscal 2002 implementation of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

VILLAGE OF NORTH PALM BEACH

CHANGES IN NET ASSETS

LAST FIVE FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING) Unaudited

| | Fiscal Year | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Expenses | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 1,474,645 | \$ 2,781,333 | \$ 3,174,460 | \$ 2,127,009 | \$ 1,777,300 |
| Public safety | 5,179,278 | 5,195,338 | 5,294,399 | 6,038,846 | 7,036,117 |
| Public services | 4,240,543 | 3,482,975 | 3,549,178 | 5,091,305 | 4,131,500 |
| Community development and planning | - | - | - | - | 657,112 |
| Leisure services | 1,464,072 | 1,539,771 | 1,280,483 | 1,635,784 | 2,562,627 |
| Other government | - | - | - | 842,561 | 2,049 |
| Interest on long-term debt | 173,488 | 128,507 | 40,580 | 151,233 | 241,995 |
| Total governmental activities expenses | <u>12,532,026</u> | <u>13,127,924</u> | <u>13,339,100</u> | <u>15,886,738</u> | <u>16,408,700</u> |
| Business-type activities: | | | | | |
| Country club | 2,602,160 | 2,676,883 | 2,567,690 | 2,607,712 | 2,124,927 |
| Total business-type activities | <u>2,602,160</u> | <u>2,676,883</u> | <u>2,567,690</u> | <u>2,607,712</u> | <u>2,124,927</u> |
| Total primary government expenses | <u>\$ 15,134,186</u> | <u>\$ 15,804,807</u> | <u>\$ 15,906,790</u> | <u>\$ 18,494,450</u> | <u>\$ 18,533,627</u> |
| Program Revenues | | | | | |
| Governmental activities: | | | | | |
| Charges for services: | | | | | |
| General government | \$ 4,689 | \$ 342,936 | \$ 355,118 | \$ 285,386 | \$ 158,160 |
| Public safety | 307,690 | 258,723 | 273,391 | 329,081 | 388,671 |
| Public services | 640,498 | 727,016 | 895,291 | 1,326,820 | 140,923 |
| Community development and planning | - | - | - | - | 1,175,252 |
| Leisure services | 175,382 | 174,589 | 147,773 | 78,475 | 528,983 |
| Other government | - | - | - | - | - |
| Operating grants and contributions | 94,252 | 82,134 | 89,362 | 1,392,729 | 998,573 |
| Capital grants and contributions | 92,461 | 102,560 | - | - | 462,394 |
| Total governmental activities program revenues | <u>1,314,972</u> | <u>1,687,958</u> | <u>1,760,935</u> | <u>3,412,491</u> | <u>3,852,956</u> |
| Business-type activities: | | | | | |
| Charges for services: | | | | | |
| Country club | 2,447,220 | 2,510,258 | 2,548,259 | 2,658,468 | 2,167,089 |
| Operating grants and contributions | - | - | - | - | 68,883 |
| Capital grants and contributions | - | 10,000 | - | - | - |
| Total business-type activities program revenues | <u>2,447,220</u> | <u>2,520,258</u> | <u>2,548,259</u> | <u>2,658,468</u> | <u>2,235,972</u> |
| Total primary government program revenues | <u>\$ 3,762,192</u> | <u>\$ 4,208,216</u> | <u>\$ 4,309,194</u> | <u>\$ 6,070,959</u> | <u>\$ 6,088,928</u> |

(continued)

VILLAGE OF NORTH PALM BEACH
CHANGES IN NET ASSETS (continued)
LAST FIVE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING) Unaudited

| | Fiscal Year | | | | |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 |
| Net (Expense)/Revenue | | | | | |
| Governmental activities | \$ (11,217,054) | \$ (11,439,966) | \$ (11,578,165) | \$ (12,474,247) | \$ (12,555,744) |
| Business-type activities | (154,940) | (156,625) | (19,431) | 50,756 | 111,045 |
| Total primary government net expense | <u>\$ (11,371,994)</u> | <u>\$ (11,596,591)</u> | <u>\$ (11,597,596)</u> | <u>\$ (12,423,491)</u> | <u>\$ (12,444,699)</u> |
| General revenues and other changes in net assets: | | | | | |
| Governmental activities: | | | | | |
| Taxes: | | | | | |
| Property taxes | \$ 5,369,381 | \$ 6,365,000 | \$ 8,451,783 | \$ 10,070,977 | \$ 10,881,501 |
| Local option gas taxes | - | - | - | - | 307,043 |
| Utility service taxes | 1,715,637 | 1,755,153 | 1,830,339 | 1,955,403 | 2,001,164 |
| Franchise taxes | 846,178 | 890,285 | 861,708 | 890,297 | 1,150,974 |
| Sales and use taxes | 1,123,319 | 1,148,210 | 1,230,803 | 1,277,124 | 1,415,917 |
| Occupational licenses | 245,307 | - | - | - | - |
| Unrestricted grants and contributions | - | 276,302 | 291,710 | 421,254 | - |
| Investment earnings | 396,025 | 75,023 | 53,600 | 196,699 | 477,420 |
| Miscellaneous | 139,923 | 54,875 | 92,260 | 111,927 | 53,264 |
| Gain/(Loss) on disposal of capital assets | (151,279) | - | - | - | (7,228) |
| Transfers | - | - | - | - | 36,445 |
| Total governmental activities | <u>9,684,491</u> | <u>10,564,848</u> | <u>12,812,203</u> | <u>14,923,681</u> | <u>16,316,500</u> |
| Business-type activities: | | | | | |
| Investment earnings | 123,429 | 4,586 | 3,450 | 12,640 | 112,841 |
| Miscellaneous | 5,390 | 99,553 | 42,560 | - | - |
| Transfers | (26,549) | - | - | - | (36,445) |
| Total business-type activities | <u>102,270</u> | <u>104,139</u> | <u>46,010</u> | <u>12,640</u> | <u>76,396</u> |
| Total primary government | <u>\$ 9,786,761</u> | <u>\$ 10,668,987</u> | <u>\$ 12,858,213</u> | <u>\$ 14,936,321</u> | <u>\$ 16,392,896</u> |
| Change in net assets | | | | | |
| Governmental activities | \$ (1,532,563) | \$ (875,118) | \$ 1,234,038 | \$ 2,449,434 | \$ 3,760,756 |
| Business-type activities | (52,670) | (52,486) | 26,579 | 63,396 | 187,441 |
| Total primary government | <u>\$ (1,585,233)</u> | <u>\$ (927,604)</u> | <u>\$ 1,260,617</u> | <u>\$ 2,512,830</u> | <u>\$ 3,948,197</u> |

Note: Data not available prior to fiscal 2002 implementation of Governmental Accounting Standards Board Statement No. 34,
Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

VILLAGE OF NORTH PALM BEACH
FUND BALANCES, GOVERNMENTAL FUNDS
LAST FIVE FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING) Unaudited

| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund | | | | | |
| Reserved | \$ 566,908 | \$ 354,396 | \$ 218,882 | \$ 197,163 | \$ 308,836 |
| Unreserved | 2,879,837 | 1,654,593 | 2,883,855 | 5,771,684 | 7,022,606 |
| Total general fund | <u>\$ 3,446,745</u> | <u>\$ 2,008,989</u> | <u>\$ 3,102,737</u> | <u>\$ 5,968,847</u> | <u>\$ 7,331,442</u> |
| All other Governmental Funds | | | | | |
| Reserved | \$ 2,058,096 | \$ 613,459 | \$ 470,155 | \$ 19,828 | \$ - |
| Unreserved, reported in: | | | | | |
| Special revenue funds | - | - | - | - | 400,000 |
| Capital projects funds | - | - | - | - | - |
| Capital projects funds | - | - | - | - | 397,233 |
| Total all other governmental funds | <u>\$ 2,058,096</u> | <u>\$ 613,459</u> | <u>\$ 470,155</u> | <u>\$ 19,828</u> | <u>\$ 797,233</u> |

Note: Data not available prior to fiscal 2002 implementation of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

VILLAGE OF NORTH PALM BEACH
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST FIVE FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING) Unaudited

| | Fiscal Year | | | | |
|---|-----------------------|-----------------------|-------------------|---------------------|---------------------|
| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Revenues: | | | | | |
| Taxes | \$ 8,197,886 | \$ 9,292,822 | \$ 11,439,823 | \$ 13,236,952 | \$ 14,340,682 |
| Licenses and Permits | 648,873 | 686,548 | 712,184 | 1,131,903 | 1,128,658 |
| Intergovernmental | 1,349,831 | 1,280,228 | 1,350,104 | 2,804,985 | 2,914,057 |
| Charges for services | 521,660 | 665,496 | 719,589 | 647,915 | 1,003,660 |
| Fines and forfeitures | 168,995 | 113,391 | 122,407 | 234,513 | 165,496 |
| Investment earnings | 139,923 | 75,023 | 53,600 | 196,699 | 477,421 |
| Miscellaneous | 123,574 | 139,354 | 175,431 | 83,205 | 130,515 |
| Total revenues | <u>11,150,742</u> | <u>12,252,862</u> | <u>14,573,138</u> | <u>18,336,172</u> | <u>20,160,489</u> |
| Expenditures | | | | | |
| General government | 1,344,492 | 1,360,072 | 1,532,561 | 2,061,545 | 1,648,131 |
| Public safety | 4,263,883 | 4,758,982 | 5,019,361 | 5,713,904 | 6,494,578 |
| Public services | 3,265,242 | 3,285,603 | 3,280,274 | 5,019,739 | 4,708,196 |
| Community development and planning | | | | | 651,331 |
| Leisure services | 1,081,833 | 1,216,156 | 1,256,066 | 1,376,950 | 1,682,030 |
| Other government | 434,199 | 1,298,492 | 1,186,730 | 817,293 | 2,049 |
| Capital outlay | 2,252,088 | 2,542,819 | 581,938 | - | 1,917,377 |
| Debt service | | | | | |
| Principal | 828,975 | 939,396 | 955,184 | 903,225 | 879,527 |
| Interest | 196,072 | 136,676 | 40,580 | 151,233 | 199,373 |
| Total expenditures | <u>13,666,784</u> | <u>15,538,196</u> | <u>13,852,694</u> | <u>16,043,889</u> | <u>18,182,592</u> |
| Excess of revenues over (under) expenditures | (2,516,042) | (3,285,334) | 720,444 | 2,292,283 | 1,977,897 |
| Other financing sources (uses) | | | | | |
| Transfers in | 271,340 | | | | 1,471,529 |
| Transfers out | (271,340) | | | | (1,471,529) |
| Capital lease | 588,000 | | | | |
| Proceeds from debt issuance | | 403,000 | 230,000 | 123,500 | |
| Premium on bonds issued | | | | | |
| Discount on bonds issued | | | | | |
| Sale of capital assets | 11,229 | | | | |
| Capital leases | | | | | |
| Miscellaneous | | (56) | | | |
| Total other financing sources (uses) | <u>599,229</u> | <u>402,944</u> | <u>230,000</u> | <u>123,500</u> | <u>-</u> |
| Net change in fund balances | <u>\$ (1,916,813)</u> | <u>\$ (2,882,390)</u> | <u>\$ 950,444</u> | <u>\$ 2,415,783</u> | <u>\$ 1,977,897</u> |
| Debt service as a percentage of noncapital expenditures | 9.87% | 9.03% | 8.11% | 7.03% | 7.10% |

VILLAGE OF NORTH PALM BEACH
NET ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

| Fiscal Year Ended Sept 30 | Tax Role Year | Real Property | | | Total Net Market - Assessed Value | Total Direct Tax Rate |
|---------------------------------|------------------|-------------------------|------------------------|----------------------|---|--------------------------|
| | | Residential Property | Commercial Property | Personal Property | | |
| 1997 | 1996 | 603,600,525 | 92,371,112 | 31,398,755 | 727,370,392 | 5.06 |
| 1998 | 1997 | 620,048,032 | 97,758,105 | 35,879,717 | 753,685,854 | 5.40 |
| 1999 | 1998 | 625,385,715 | 109,456,299 | 35,742,548 | 770,584,562 | 5.60 |
| 2000 | 1999 | 653,605,011 | 113,851,156 | 36,071,964 | 803,528,131 | 5.60 |
| 2001 | 2000 | 745,237,484 | 122,793,250 | 40,169,760 | 908,200,494 | 5.75 |
| 2002 | 2001 | 823,286,154 | 124,216,202 | 42,791,419 | 990,293,775 | 5.60 |
| 2003 | 2002 | 963,091,506 | 128,216,552 | 44,276,499 | 1,135,584,557 | 5.80 |
| 2004 | 2003 | 1,092,433,722 | 147,927,933 | 44,914,124 | 1,285,275,779 | 6.80 |
| 2005 | 2004 | 1,180,028,585 | 208,240,338 | 49,767,286 | 1,438,036,209 | 7.27 |
| 2006 | 2005 | 1,441,249,707 | 179,827,665 | 44,422,817 | 1,665,500,189 | 6.80 |

Note: Assessed values are established by the Palm Beach Property Appraiser's office as of January 1, each year. Assessments were increased to 100% of market value as of 1980.

Property in the Village is reassessed each year. Property is assessed at actual value, therefore the assessed values are equal to actual value. Tax rates are per \$1,000 of assessed value.

Source: Palm Beach County Property Appraiser

VILLAGE OF NORTH PALM BEACH
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
Unaudited

| Fiscal Year | Tax Roll Year | Village of N. Palm Beach General Operations | Overlapping Rates (1) | | | Total Direct and Overlapping Rates |
|-------------|---------------|---|-----------------------------------|-------------------|-------------------|------------------------------------|
| | | | Palm Beach County School District | Palm Beach County | Special Districts | |
| 1997 | 1996 | 5.06 | 9.79 | 4.52 | 2.286 | 21.653 |
| 1998 | 1997 | 5.40 | 9.56 | 4.87 | 2.360 | 22.184 |
| 1999 | 1998 | 5.60 | 9.68 | 4.86 | 2.234 | 22.374 |
| 2000 | 1999 | 5.60 | 8.92 | 4.94 | 2.262 | 21.716 |
| 2001 | 2000 | 5.75 | 8.92 | 4.94 | 2.263 | 21.867 |
| 2002 | 2001 | 5.60 | 8.95 | 4.94 | 2.456 | 21.939 |
| 2003 | 2002 | 5.80 | 8.78 | 4.81 | 2.488 | 21.875 |
| 2004 | 2003 | 6.80 | 8.57 | 4.79 | 2.556 | 22.718 |
| 2005 | 2004 | 7.27 | 8.43 | 4.77 | 2.526 | 22.996 |
| 2006 | 2005 | 6.80 | 8.11 | 4.72 | 2.504 | 22.129 |

Note: All millage rates are based on \$1 for every \$1,000 of assessed value.

Source: North Palm Beach: Notice of Ad Valorem Taxes and Non-Ad Valorem Assessments

- (1) Overlapping rates are those of local and county governments that apply to property owners within the Village of North Palm Beach. Not all overlapping rates apply to all Village of North Palm Beach property owners (i.e. The rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district.)

VILLAGE OF NORTH PALM BEACH

PRINCIPAL PROPERTY TAX PAYERS

CURRENT YEAR AND 1999

Unaudited

| <u>Taxpayers</u> | <u>2006</u> | | | <u>1999</u> | | |
|-------------------------------------|-------------------------------|-------------|---|------------------------------------|-------------|---|
| | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total Village Net Taxable Assessed Value</u> | <u>Taxable Assessed Value 1998</u> | <u>Rank</u> | <u>Percentage of Total Village Net Taxable Assessed Value</u> |
| Greater Fla Inv Co & | \$ 25,530,387 | 1 | 1.53% | \$ | | |
| Domani Development, LLC | 22,867,125 | 2 | 1.37% | | | |
| Olen Residential Realty | 16,800,000 | 3 | 1.01% | 9,148,828 | 1 | 1.18% |
| Crystal Tree NPB | 16,465,781 | 4 | 0.99% | | | |
| Sanctuary Bay Trust Corporation | 13,200,300 | 5 | 0.79% | | | |
| Wolfchase Associates, L.L.C. | 10,000,000 | 6 | 0.60% | | | |
| Old Port Cove Development | 11,242,451 | 7 | 0.68% | | | |
| Greater Florida Investment Company | | | | 5,840,000 | 3 | .76% |
| Riverside National Bank of Florida | 6,153,244 | 8 | 0.37% | | | |
| Village Shoppers at US 1 LLC | 5,500,000 | 9 | 0.33% | | | |
| Transcontinental Atrium, Inc. | | | | 4,200,000 | 5 | .54% |
| 701 US One, Inc. | 5,160,153 | 10 | 0.31% | | | |
| Pavilion Office Center | 5,130,000 | 11 | 0.31% | 2,900,000 | 9 | .38% |
| PaineWebber Equity Partners 1 | | | | 7,600,000 | 2 | .98% |
| WCI Communities Limited Partnership | | | | 4,335,950 | 4 | .56% |
| Morse, Edward J., Inc | | | | 3,702,146 | 6 | .48% |
| Roschman, M. Elaine TR | | | | 3,300,000 | 7 | .43% |
| Pulte Home Corporation | | | | 3,120,000 | 8 | .40% |
| DeSantis, Conrad J. TR | | | | 2,787,200 | 10 | .36% |
| Total | \$ 138,049,441 | | 8.29% | \$ 46,934,124 | | 6.07% |

Source: Palm Beach Country Appraiser

Note: Assessed values are established by the Palm Beach Property Appraiser's offices as of January 1, each year.

VILLAGE OF NORTH PALM BEACH
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN CALENDAR YEARS
Unaudited

| Fiscal Year Ending Sept 30, | Tax Roll Year | Total Taxes Levied for Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|-----------------------------------|------------------|--|--|--------------------|---------------------------------------|------------------------------|--------------------|
| | | | Amount | Percent of Levy | | Amount | Percent of Levy |
| 1997 | 1996 | \$ 3,701,075 | \$ 3,574,562 | 96.58% | \$ 4,379 | \$ 3,578,941 | 96.70% |
| 1998 | 1997 | 4,105,193 | 3,961,574 | 96.50% | 5,861 | 3,967,435 | 96.64% |
| 1999 | 1998 | 4,327,943 | 4,166,035 | 96.26% | 6,721 | 4,172,756 | 96.41% |
| 2000 | 1999 | 4,512,027 | 4,335,668 | 96.09% | 23,074 | 4,358,742 | 96.60% |
| 2001 | 2000 | 5,196,021 | 5,013,269 | 96.48% | 4,687 | 5,017,956 | 96.57% |
| 2002 | 2001 | 5,562,239 | 5,357,206 | 96.31% | 12,175 | 5,369,381 | 96.53% |
| 2003 | 2002 | 6,597,909 | 6,359,478 | 96.39% | 5,522 | 6,365,000 | 96.47% |
| 2004 | 2003 | 8,825,061 | 8,441,383 | 95.65% | 10,401 | 8,451,784 | 95.77% |
| 2005 | 2004 | 10,463,873 | 10,059,478 | 96.14% | 9,476 | 10,068,954 | 96.23% |
| 2006 | 2005 | 11,329,648 | 10,690,869 | 94.36% | 172,744 | 10,863,613 | 95.89% |

Source: Palm Beach Country Property Appraiser

VILLAGE OF NORTH PALM BEACH
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

| Fiscal Year Ended <u>September 30,</u> | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | Percent of Personal Income (1) | Per Capita (1) |
|--|--------------------------------|---------------------------|-------------------------------------|--------------|--------------------------------------|-------------------|
| | <u>Loans Payable</u> | <u>Capital Leases</u> | <u>Loans Payable</u> | <u>Total</u> | | |
| 1997 | \$ 5,850,000 | \$ 475,427 | \$ 520,000 | \$ 6,845,427 | N/A | N/A |
| 1998 | 5,550,000 | 419,498 | 440,000 | 6,409,498 | N/A | N/A |
| 1999 | 5,795,386 | 360,592 | 398,179 | 6,554,157 | N/A | 520.92 |
| 2000 | 5,481,150 | 298,552 | 280,000 | 6,059,702 | 11.33% | 502.30 |
| 2001 | 8,067,736 | 245,059 | 785,781 | 9,098,576 | N/A | 745.91 |
| 2002 | 7,334,853 | 736,967 | 651,058 | 8,722,878 | N/A | 715.11 |
| 2003 | 6,947,633 | 587,792 | 513,472 | 8,048,897 | N/A | 659.85 |
| 2004 | 6,376,387 | 433,855 | 411,573 | 7,221,815 | N/A | 592.05 |
| 2005 | 5,754,677 | 275,840 | 454,131 | 6,484,648 | N/A | 513.31 |
| 2006 | 4,941,765 | 209,224 | 5,185,978 | 10,336,967 | 17.20% | 786.20 |

Note: Details regarding the Village's outstanding debt may be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics on page 83 for personal income and population data.

N/A Data not available.

VILLAGE OF NORTH PALM BEACH
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2006

| <u>Government Unit</u> | <u>Net Debt Outstanding</u> | <u>Percentage Applicable to the Village of North Palm Beach (1)</u> | <u>Amount Applicable to the Village of North Palm Beach</u> |
|---|-------------------------------------|---|---|
| Debt repaid with property taxes: | | | |
| Palm Beach County | 336,020,000 | 1.28% | 4,297,648 |
| Palm Beach County School Board | 54,275,000 | 1.28% | 694,170 |
| Other Debt: | | | |
| Palm Beach County | 690,193,893 | 1.28% | 8,827,482 |
| Palm Beach County School Board | 43,715,000 | 1.28% | 559,109 |
| Subtotal, Overlapping Debt | | | 14,378,408 |
| Village of North Palm Beach Direct Debt | | 100% | <u>5,150,989</u> |
| Total Direct and Overlapping Debt | | | <u><u>\$ 19,529,397</u></u> |

Sources: Palm Beach County Tax Appraiser's Office
Palm Beach County School Board
Palm Beach County Clerk & Comptroller

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Village. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Village of North Palm Beach. This process recognizes that, when considering the Village's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Value that is within the Village's boundaries and dividing it by the County's and School Board's total taxable assessed value. This approach was also used for the other debt.

VILLAGE OF NORTH PALM BEACH
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS

| Calendar Year | Population (1) | Median Personal Income <i>(thousands of dollars) (1)</i> | Per Capita Personal Income (1) | Palm Beach County Unemployment Rate (2) |
|------------------|----------------|---|---|--|
| 1997 | - | - | - | 6.5 |
| 1998 | - | - | - | 5.8 |
| 1999 | 12,582 | - | - | 5.3 |
| 2000 | 12,064 | 53,488 | 44,869 | 4.2 |
| 2001 | 12,198 | - | - | 5.0 |
| 2002 | 12,198 | - | - | 6.0 |
| 2003 | 12,198 | - | - | 5.6 |
| 2004 | 12,198 | - | - | 5.0 |
| 2005 | 12,633 | - | - | 4.0 |
| 2006 (estimate) | 13,148 | 60,101 | 46,726 | 3.3 |

Sources: Business Development Board
US Census Bureau

Note: (1) All information available at the current time is presented
(2) North Palm Beach is not large enough to track unemployment rates.
Palm Beach County rates are presented.

VILLAGE OF NORTH PALM BEACH

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Unaudited

| <u>Employer</u> | <u>2006</u> | | | <u>1997</u> | |
|------------------------------|------------------|---------------------------------------|-----------------------------------|------------------|---------------------------------------|
| | <u>Employees</u> | <u>Percentage of Total Employment</u> | | <u>Employees</u> | <u>Percentage of Total Employment</u> |
| School Board | 21,616 | 3.40% | School Board | 16,500 | 3.27% |
| Palm Beach County | 6,594 | 1.04% | State Government | 8,700 | 1.72% |
| Columbia Healthcare Systems | 5,200 | 0.82% | Palm Beach County | 8,600 | 1.70% |
| Tenet Healthcare Corporation | 4,794 | 0.75% | Pratt & Whitney Aircraft | 5,100 | 1.01% |
| Florida Power & Light | 2,850 | 0.45% | Columbia Palm Beach Health System | 4,000 | 0.79% |
| Florida Atlantic University | 2,825 | 0.44% | Intracoastal Health Systems, Inc. | 3,200 | 0.63% |
| Boca Raton Resort & Club | 2,200 | 0.35% | Flo Sun, Inc | 2,300 | 0.46% |
| U.S. Sugar Corporation | 2,100 | 0.33% | Florida Power & Light | 2,300 | 0.46% |
| Florida Crystals | 2,000 | 0.31% | Office Depot | 2,200 | 0.44% |
| City of Boca Raton | <u>2,200</u> | <u>0.35%</u> | Boca Raton Community Hospital | <u>2,000</u> | <u>0.40%</u> |
| Total | <u>52,379</u> | <u>8.24%</u> | | <u>54,900</u> | <u>10.88%</u> |

Source: Business Development Board of Palm Beach County

* Employer: Palm Beach County
Information is not available for the Village of North Palm Beach

** Percentage of total employment is calculated using Palm Beach County's available labor force in each of the respective years presented.

VILLAGE OF NORTH PALM BEACH

VILLAGE EMPLOYEES

LAST TEN FISCAL YEARS (*)

Unaudited

| | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Number of Employees: | | | | | | | |
| General Government | | | | | | | |
| Village Manager - Full-Time | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Assistant Village Manager - Full-Time | 1 | 1 | 1 | 1 | 1 | 1 | 0 |
| Systems Specialist - Full -Time | 1 | 1 | 1 | 1 | 1 | 1 | 2 |
| Executive Secretary - Full-Time | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Human Resources | | | | | | | 2 |
| Village Clerk - Full-Time | | 0 | 0 | 0 | 0 | 3 | 3 |
| Finance | | | | | | | |
| Full-time | 4 | 4 | 5 | 5 | 5 | 5 | 5 |
| Part-Time | 1 | 1 | 0 | 0 | 0 | 0 | 0 |
| Public Works | | | | | | | |
| Full-time | 61 | 61 | 61 | 61 | 61 | 62 | 54 |
| Part-Time | 4 | 4 | 4 | 8 | 8 | 6 | 3 |
| Public Safety | | | | | | | |
| Full-time | 60 | 63 | 63 | 66 | 66 | 61 | 66 |
| Part-Time | 13 | 12 | 12 | 14 | 14 | 15 | 14 |
| Community Development and Planning | | | | | | | |
| Full-time | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Part-Time | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Leisure Services | | | | | | | |
| Library | | | | | | | |
| Full-time | 8 | 9 | 9 | 9 | 9 | 8 | 7 |
| Part-Time | 9 | 8 | 8 | 7 | 7 | 7 | 8 |
| Recreation | | | | | | | |
| Full-time | 5 | 5 | 5 | 6 | 6 | 5 | 15 |
| Part-Time | 6 | 14 | 14 | 14 | 14 | 15 | 31 |
| Other Government - Country Club | | | | | | | |
| Full-time | 24 | 22 | 24 | 25 | 25 | 24 | 18 |
| Part-Time | 28 | 34 | 36 | 27 | 27 | 27 | 24 |
| Total Number of Employees Budgeted FY Ending | 227 | 241 | 245 | 246 | 246 | 242 | 254 |

* Variance exists due to the employment of seasonal and part-time employees

** Information is not available prior to fiscal year 2000

Source: Village of North Palm Beach Budget Report

VILLAGE OF NORTH PALM BEACH
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (1)
Unaudited

| FUNCTION/PROGRAM | Fiscal Year | | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| GENERAL GOVERNMENT | | | | | | | | | | |
| Number of Residential Units | - | - | - | 7,349 | - | - | - | - | - | - |
| PUBLIC WORKS | | | | | | | | | | |
| Street Maintenance (No. of lane miles maintained) | 31,155 | 31,155 | 31,155 | 31,155 | 31,155 | 31,155 | 31,155 | 31,155 | 31,155 | 31,155 |
| Sanitation (Tons of Refuse Collected) | - | - | - | - | 11,633 | 12,996 | 13,136 | 18,842 | 14,037 | (2) |
| No. of collection units for solid waste (residential) | - | 7,072 | 7,027 | 7,019 | 7,241 | 7,328 | 7,434 | 7,470 | 7,519 | 7,558 |
| Number of vehicles maintained | 93 | 93 | 93 | 93 | 93 | 95 | 95 | 95 | 95 | 95 |
| Number of repair overlays completed | - | - | - | 0,662 | 0,662 | 2,840 | 3,787 | 5,587 | 2,462 | 2,935 |
| PUBLIC SAFETY | | | | | | | | | | |
| Number of arrests by police officers | 290 | 234 | 161 | 272 | 381 | 246 | 320 | 315 | 331 | 410 |
| Number of traffic citations issued | 3,825 | 2,055 | 3,129 | 5,506 | 6,502 | 3,936 | 2,564 | 3,110 | 5,743 | 4,272 |
| EMS average response times (minutes) | - | - | 4.00 | 3.04 | 5.43 | 3.33 | 2.94 | 4.42 | 3.98 | 4.69 |
| Number of EMS calls | - | - | 503 | 744 | 812 | 853 | 922 | 1,066 | 965 | 1,056 |
| COMMUNITY DEVELOPMENT & PLANNING | | | | | | | | | | |
| Building Department - Number of Permits | 119 | 135 | 121 | 251 | 278 | 205 | 224 | 201 | 201 | (3) |
| Number of code enforcement violations | - | - | - | - | - | - | - | - | - | 1,767 |
| Number of code violations brought to board (Calendar Yr End) | - | - | - | - | - | 101 | 120 | 145 | 165 | 144 |
| RECREATION | | | | | | | | | | |
| Number of community events presented | - | 12 | 13 | 13 | 13 | 13 | 14 | 15 | 22 | 21 |
| Number of registrants in athletic programs | 1,890 | 1,925 | 2,085 | 2,100 | 2,185 | 2,185 | 1,750 | 1,575 | 1,400 | 1,520 |
| LIBRARY | | | | | | | | | | |
| Library - Number of Volumes | 41,517 | 41,908 | 42,637 | 44,686 | 45,700 | 47,339 | 47,960 | 47,531 | 54,074 | 47,371 |
| OTHER GOVERNMENT | | | | | | | | | | |
| Country Club | | | | | | | | | | |
| Number of Golf Members | - | - | - | - | - | - | - | - | - | 365 |
| Number of Tennis Members | - | - | - | - | - | - | - | - | - | 136 |

- (1) Available information for fiscal years 1997 through 2006 is presented
(2) Tons of refuse collected for 2006 will not be available until April 1, 2007
(3) An accurate number of building permits issued for 2006 is not available - computer systems crash

Source: Village of North Palm Beach
U.S. Census Bureau

VILLAGE OF NORTH PALM BEACH
CAPITAL STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
Unaudited

| Function/Program: | Fiscal Year | | | | | | | | | |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| General Government | | | | | | | | | | |
| No. of General Government Buildings | 12 | 12 | 12 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| Public Works | | | | | | | | | | |
| Square Miles | 5.18 | 5.18 | 5.18 | 5.18 | 5.18 | 5.18 | 5.18 | 5.18 | 5.18 | 5.18 |
| Miles of Streets | 36.00 | 36.00 | 36.00 | 36.00 | 36.00 | 36.00 | 36.00 | 36.00 | 36.00 | 36.00 |
| Number of Street Lights | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 | 425 |
| Public Safety | | | | | | | | | | |
| Fire: | | | | | | | | | | |
| Number of Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of Substations | - | - | - | - | 0 | 0 | 0 | 1 | 1 | 1 |
| Number of Fireman & Officers | 5 | 5 | 5 | 5 | 5 | 8 | 8 | 8 | 8 | - |
| Number of Fireman/Paramedics | - | - | - | - | - | - | - | - | - | 23 |
| Police/EMS Protection: | | | | | | | | | | |
| Number of Stations | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Number of Substations | - | - | - | - | 0 | 0 | 1 | 1 | 1 | 1 |
| Number of Policemen & Officers | 43 | 41 | 41 | 56 | 56 | 33 | 35 | 35 | 35 | 33 |
| EMS Protection | - | 12 | 12 | 12 | 12 | 13 | 13 | 13 | 13 | - |
| Leisure Services | | | | | | | | | | |
| Recreation | | | | | | | | | | |
| Number of Parks | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Public Tennis Courts | 5 | 5 | 5 | 5 | 4 | 4 | 4 | 4 | 4 | 2 |
| Swimming Pool | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of marinas | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Library | | | | | | | | | | |
| Number of Libraries | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of Volumes | 41,517 | 41,908 | 42,637 | 44,686 | 45,700 | 47,339 | 47,960 | 47,531 | 54,074 | 47,371 |
| Other Government | | | | | | | | | | |
| Country Club | | | | | | | | | | |
| Golf Course | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Driving Range | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Tennis Courts | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |

Source: Village of North Palm Beach

OTHER REPORTS



NOWLEN, HOLT & MINER, P.A.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of North Palm Beach, Florida, as of and for the year ended September 30, 2006, which collectively comprise the Village of North Palm Beach's basic financial statements and have issued our report thereon dated February 28, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the Village of North Palm Beach, Florida in the attached management letter dated February 28, 2007.

This report is intended solely for the information and use of the Village of North Palm Beach, Florida's management, audit committee, members of the Village Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Nowlen, Holt, & Miner, P.A.

February 28, 2007



NOWLEN, HOLT & MINER, P.A.

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REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Village of North Palm Beach, Florida, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. The Village of North Palm Beach, Florida's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of the major federal programs is the responsibility of the Village of North Palm Beach, Florida's management. Our responsibility is to express an opinion on the Village of North Palm Beach, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of North Palm Beach, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village of North Palm Beach, Florida's compliance with those requirements.

In our opinion, the Village of North Palm Beach, Florida, complied, in all material respects, with the requirements referred to above that are applicable to each of the major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

The management of the Village of North Palm Beach, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village of North Palm Beach, Florida's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information and use of the Village of North Palm Beach, Florida's management, audit committee, members of the Village Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Nowlen, Holt, & Miner, P.A.

February 28, 2007

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2006

| Federal Grantor/Pass-Through Grantor/Program Title | CFDA Number | Agency or Pass-Through Number | Federal Expenditures |
|--|----------------|-------------------------------------|-------------------------|
| Major Federal Programs: | | | |
| <u>U.S. Department of Homeland Security</u> | | | |
| Passed through Florida Department of Community Affairs - Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | | \$ 645,272 |
| <u>U.S. Department of Transportation</u> | | | |
| Passed through Florida Department of Transportation Highway Planning and Construction | 20.205 | | 462,394 |
| Other Federal Programs: | | | |
| <u>U.S. Department of Justice</u> | | | |
| Local Law Enforcement Block Grant | 16.592 | | 4,993 |
| Total federal awards | | | <u>\$ 1,112,659</u> |

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

This schedule of expenditures of federal awards is a summary of the activity of the Village's federal award programs presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

THE VILLAGE OF NORTH PALM BEACH
Schedule of Findings and Questioned Costs
September 30, 2006

Section I—Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:

Unqualified

Internal control over financial reporting:

- Material weakness identified? yes no
- Reportable condition identified that is not considered to be a material weakness? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weakness identified? yes no
- Reportable condition identified that is not considered to be a material weakness? yes none reported

Type of auditors’ report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

yes no

Identification of Major Programs

CFDA Numbers

Name of Federal Program or Cluster

97.036

DEPARTMENT HOMELAND SECURITY

- Disaster Grants – Public Assistance

20.205

DEPARTMENT TRANSPORTATION

- Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

THE VILLAGE OF NORTH PALM BEACH
Schedule of Findings and Questioned Costs
September 30, 2006

SECTION II - FINANCIAL STATEMENTS FINDINGS

No material weaknesses were identified during the audit of the financial statements nor were any instances of noncompliance material to the financial statements of the Village of North Palm Beach, Florida disclosed during the audit.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

DEPARTMENT OF HOMELAND SECURITY
Disaster Grants – Public Assistance CFDA No. 97.036

DEPARTMENT OF TRANSPORTATION
Highway Planning and Construction CFDA No. 20.205

No material weaknesses in internal control were disclosed by the audit of the major federal award programs, nor were any audit findings relative to the major federal award programs identified that are required to be reported under OMB Circular A-133.

SECTION IV—SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters were reported in the prior period.



NOWLEN, HOLT & MINER, P.A.

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MANAGEMENT LETTER

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

We have audited the basic financial statements of the Village of North Palm Beach, Florida, as of and for the year ended September 30, 2006, and have issued our report thereon dated February 28, 2007.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated February 28, 2007, should be considered in assessing the results of our audit.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which require that we address certain compliance and other matters in the management letter, if not already addressed in the auditor's report on internal control over financial reporting and on compliance and other matters.

In planning and performing our audit of the basic financial statements of the Village of North Palm Beach, Florida, as of and for the year ended September 30, 2006, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control. While our purpose was not to provide an opinion on internal control, certain matters came to our attention that we want to report to you. We do not wish to imply that they cover every possible weakness or strength. Nevertheless, we do think they deserve your careful evaluation. The status of these comments will be reviewed during the next audit engagement. We have already discussed these comments with the Village's management and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

PRIOR YEAR COMMENTS

The Rules of the Auditor General require that we address in the management letter, if not already addressed in the auditor's report on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. We noted that all prior year comments in the management letter were addressed by the village and no longer apply.

CURRENT YEAR COMMENTS

Country Club Accounts Receivable – Member charges

At September 30, 2006, we noted that the country club household balance report (detailed member charge subsidiary ledger), monthly member statements and the accounts receivable for member charges posted in the general ledger do not agree with each other. There appears to be a computer program error in the Village's point of sale system (POS) system causing it to not recognize certain transactions. These transactions and reports are generated from the same computer program (POS system) and should be reconciled monthly so that an accurate recap of the accounts receivable can be easily obtained. We recommend that management continue their efforts, and take the necessary steps to ensure that all member charges, payments and adjustments processed through the POS system are reflected in the end of the month reports, statements and general ledger and develop procedures to ensure that differences are identified, researched, and resolved on a timely basis to complete the reconciliation process.

Management Response: *The difference between the Monthly POS System reports and the general ledger continues to be an issue. Staff is working with Vermont Systems on developing a report that consistently and accurately reflects the Country Club activity. The daily accounting function for the Country Club has been relocated to the Finance Department where it can be closely monitored and statements reconciled.*

Golf Shop Inventory

We noted that golf shop merchandise inventory have not been counted and reconciled to the detailed accounting records at year end. The golf shop merchandise and subsidiary accounting detail reconciliation is important in maintaining control over inventory and to discover errors and irregularities.

We recommend that a perpetual inventory system be established through the point of sale system and periodic physical counts should be made of these items, and the physical counts should be reconciled to the perpetual records and the general ledger be adjusted accordingly. This will improve the efficiency of the inventory process and will provide a test of the accuracy of both systems, determine the causes for the differences so that procedural weaknesses may be investigated and resolved.

Management Response: Country club management has implemented procedures to track inventory through the point of sale system and perform a monthly physical count of the golf shop merchandise that reconciles the POS system with the actual physical counts and adjusting the general ledger inventory to the actual balance. Monthly inventory reports to be received by Finance Department by the 5th of each month.

Employees' Pension Funds

We noted that the yearly pension activity for contributions, benefits, administrative fees, investment fees, and investment earnings was not recorded into the Employees' Pension Funds. There were no policies and procedures to address receiving the monthly statements from the custodian and recording the activity into the general ledger. We recommend that the Village implement procedures to ensure that custodial monthly and/or quarterly statements are received timely and that all activity is recorded into the Village's financial records.

Management Response: During this reporting period there was a change in Plan Administration and required monthly statements were not received. This has been since rectified and statement activity is being posted into the general ledger. This function will also be included in the Village's regulatory calendar to ensure proper recording.

Required Employer Contributions to Employees' Pension Funds

We noted that the actuarial required contributions for the General Employees and Fire and Police Pensions Plans for the fiscal year ended September 30, 2006, were \$1,007,695 and \$690,189, however the actual contributions made were \$894,109 and \$633,796 resulting in an under funding of \$113,586 in the General Employees Pension and \$56,390 in the Fire and Police Pension. The under funding was caused by a calculation error in arriving at the employer portion of the cost. The Village subtracted the estimated employee contribution from the amount calculated in the actuarial report; however, the amount calculated was already net of the estimated employee contribution. We recommend that the Village follow the annual required contribution per the latest actuarial report and confirm this amount with the Village's actuary if there are any questions.

Management Response: This was an error by previous management and will be corrected by implementing the above recommendation to prevent future occurrences, and the proper payment will be made to correct the underpayment based upon the advice of the Village actuary.

Use of Developer's Fees

We noted that Developer's Fees were collected for development of two separate properties. Resolution 2006-75 was passed authorizing the use of the funds for landscaping of the Village Hall and Prosperity Farms Road. In addition, a contractual arrangement was made to reduce the fees paid by one developer in exchange for the developer paving a driveway that was the obligation of the Village. Village ordinance Section 36-23 stipulates that such funds collected shall "*be utilized for parks and recreational purposes as determined by the village council.*" We did not see any documentation with Resolution 2006-75, showing that a determination was made that the uses of the funds approved by the Village Council were for parks and recreational purposes as required by the ordinance. We recommend that in the future, as developer's fees are spent, the resolution cite the ordinance and explain how the use of the funds complies with the ordinance.

Management Response: *An agreement between the Village Council and the developer for the acceptance of a payment of fair market value of land in lieu of land dedication had been agreed upon. The above Resolution (2006-75) was approved by Council indicating "Development Fees" being transferred to Village Hall and Prosperity Farms Landscaping. All future Development fee appropriations will be disbursed in accordance with Village Ordinance.*

Purchasing Policy Violations

We have noted below instances in which Village purchasing policies were not followed. These violations involved purchases made without prior approval, purchases made without properly requesting bids or quotes, and improper authorization of sole source purchases. Specific examples are noted below:

1. Fertilizer was purchased from a vendor for the Country Club in which the purchase order was signed after the invoice date and no vendor bids or quotes were noted. (A letter of reprimand from the Country Club Director to the employee at fault was attached to the supporting documentation for check number 055552 and referenced repeated violations of purchasing policy.)
2. A generator was rented from a vendor without a signed purchase order. (A memo was attached to the invoice from the Golf Course Superintendent to the Project Manager acknowledging he was unaware that the generator had been rented.)
3. A check was written to a vendor for \$34,800 on May 12, 2006 for Heritage Day amusement rides. No other bids or quotes were noted. The check was issued based upon the proposal received. There was no vendor invoice included in the documentation provided by the Village.

4. An invoice dated December 1, 2005 for \$12,653 was received from a vendor for hurricane debris removal services. No bids or quotes were noted. The vendor proposal supplied by the Village was dated June 21, 2005 and was valid for ninety days. The contract for services was signed by Village Council on January 12, 2006.
5. Defibrillators were purchased for \$22,694 as a sole source item and approved by the Village Manager. The purchase was in excess of the \$10,000 threshold, requiring Village Council approval.

Failure to adhere to purchasing policies compromises the ability of the Village to ensure fiscal accountability.

Management Response: All of the above purchasing policy violations and irregularities have been addressed. Violations were documented and corrective action taken. Administrative routing procedures have been revised requiring budgetary oversight and verification by the Finance Department prior to receiving final approval. These newly implemented administrative procedures will more closely monitor and ensure compliance.

OTHER MATTERS

Oversight Unit and Component Units

The Village of North Palm Beach, Florida, is a municipal corporation incorporated in 1956 pursuant to Chapter 31481, Laws of Florida, Extraordinary session 1956. Based upon the application of criteria defined in publications cited in Chapter 10.553, Rules of the Auditor General, the Village has determined that there are no component units related to the Village.

Consideration of Financial Emergency Criteria

As required by the Rules of the Auditor General, our audit included a review of whether or not the village has met one or more of the conditions described in Section 218.503(1), Florida Statutes. The results of our procedures did not indicate that the Village of North Palm Beach, Florida is in a state of financial emergency as a consequence of the conditions described in Section 218.503(1).

Financial Condition Assessment Procedures

As required by Rules of the Auditor General Section 10.554(1)(h)6.c, we applied financial condition assessment procedures for the Village of North Palm Beach, Florida. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. The results of our procedures did not disclose any matters that are required to be reported.

Annual Financial Report

In connection with our audit, we reviewed the Annual Financial Report of Units of Local Government filed by the Village of North Palm Beach, Florida with the Florida Department of Banking and Finance pursuant to Section 218.32(1)(a), Florida Statutes, for the year ended September 30, 2006. We noted that the amounts reported in the Annual Financial Report were in substantial agreement with the annual financial audit report for the year ended September 30, 2006.

Investment of Public Funds

As required by the Rules of the Auditor General, our audit included a review of the Village's compliance with Section 218.415, Florida Statutes. The results of our procedures did not disclose any instances of noncompliance with Section 218.415 Florida Statutes by the Village of North Palm Beach, Florida for the year ended September 30, 2006. However, our audit does not provide a legal determination on the City's compliance with this requirement.

Excess of Expenditures Over Appropriations

As indicated on page 62 in Note 2 to the Budgetary Required Supplementary Information for the year ended September 30, 2006, there were departments that had expenditures in excess of appropriations contrary to Section 166.241(2) Florida Statutes.

Other Current Year Comments

The rules of the Auditor General require disclosure in the management letter of the following matters if not already addressed in the auditor's report on internal control over financial reporting and on compliance and other matters: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures; (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of the auditor. Our audit as of and for the year ended September 30, 2006 did not disclose any such items that are required to be reported under Chapter 10.554(1)(h), Rules of the Auditor General and are not already addressed in our management letter.

This report is intended for the information of management, members of the Village Council, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Nowlen, Holt, & Miner, P.A.

February 28, 2007