



# The Village of North Palm Beach, FL



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2011

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



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Fiscal Year Ended September 30, 2011**

**Prepared by:  
Finance Department**

**Samia Janjua  
Director of Finance**

# THE VILLAGE OF NORTH PALM BEACH, FLORIDA

## FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

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## INTRODUCTORY SECTION



# THE VILLAGE OF NORTH PALM BEACH

*"THE BEST PLACE TO LIVE UNDER THE SUN"*

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March 22, 2012

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, 2011.

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 are accurate in all material respects, and are 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**

Nowlen, Holt & Miner, P.A., Certified Public Accountants, have issued an unqualified ("clean") opinion on the Village of North Palm Beach's financial statements for the year ended September 30, 2011. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

The CAFR's role is to assist in making economic, social and political decisions and to assist in assessing accountability to the citizenry by:

- comparing actual financial results with the legally adopted budget, where appropriate;
- assessing financial condition and results of operations;
- assisting in determining compliance with finance related laws, rules and regulations;
- assisting in evaluating the efficiency and effectiveness of Village operations.

## **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 increases 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 the 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.

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 within 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 for GAAP-based budgets. The formal budget approval for each fiscal year is accomplished in a manner compliant 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 the 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 the 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 increased substantially between the years of 2002 through 2006 but slowed significantly in 2007. In years 2008 through 2011 area property values declined in value, in many instances significantly, as a result of the economic downturn. This unprecedented decline in property values is only exacerbated by the number of properties in various stages of foreclosure. Both of these real-estate issues have had and continue to have an adverse impact upon the financial resources of the Village. The Village does not anticipate a change in the pace of planned new growth since most vacant property within the municipal limits has already been developed. There continues to be an obvious softening of the real-estate market significantly impacting both home values and sales.

The Village's property tax valuation continues to be negatively impacted since the passing of *Amendment One* (Property Tax Reform) in January 2008! Three primary factors play a role in that impact: doubling the Homestead exemptions to fifty thousand dollars; the capping of assessed property values for homes not currently homesteaded; and portability. Political discussions continue regarding alternative taxations which make future forecasts of Village property tax valuation uncertain.

The Village will continue to pursue annexation of surrounding unincorporated areas that complement and enhance the services and values of our existing community. The focus of Village annexation efforts will be providing exemplary municipal services that are revenue "neutral" to both the annexed areas and to the Village.

### **Investment Revenues:**

The economic downturn and softening of the Money Market continues to have significant consequences on the Village's investment revenues. In the short-term, the Village made a conscious decision to modify its investment strategies towards the Treasury Market to better protect and ensure the availability of the Village's investment balances. This move proved successful in safeguarding Village investments during this Market freefall but impacted the interest/dividend revenues to the Village. Four years ago, the Village adopted, with the assistance of the Village's Audit Committee, a "revised" Investment Policy designed to provide safety and liquidity while maximizing investment return(s). The newly adopted policy provides numerous investment strategies, parameters, and safeguards. The policy additionally provides for 1/12 of its annual operating budget to be deposited in a liquid interest bearing account so as not to impede operations should other funds be temporarily unavailable.

### **Personnel Costs**

The Village will continue to face challenges primarily in areas of increased 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 has also encountered significant increases in annual health insurance costs 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 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) were successfully bargained and ratified during fiscal year 2010. All Collective Bargaining Agreements will run through September 30, 2013. All wage provisions "sunset" each year and must be renegotiated pursuant to the annual re-opener provisions outlined in the respective Collective Bargaining Agreements thereby 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 the areas of staffing, public services and public projects.

## **INITIATIVES AND FUTURE PROJECTS**

The FY2011/2012 budget reflects a renewed commitment and predictable funding for community infrastructure in areas such as roadways, neighborhood sidewalks and lighting, public buildings, and park facilities.

The Community Development Department continues to meet the unending demands of our Village's business and neighborhood redevelopment. Community Development will continue to concentrate staff resources in areas of construction, permitting, licensing, and community planning while reinforcing improvements in customer service. The continuing analysis and pursuit of annexation opportunities, zoning and redevelopment enhancements and improvement of our business and development regulations is also a function of the Community Development Department. This Department will better align our Village with statutory development guidelines and help to meet steadily growing expectations of homeowners and developers.

The Parks and Recreation Department continues to enhance programs for all age groups and at each of the six facilities. The newly redeveloped Anchorage Park will host a variety of events in this upcoming year to include: movies in the park; organized volleyball leagues; the Village's annual fishing tournament; and Heritage day. The parks continue to be maintained by an outside service which has been funded under the "contractual services" line.

The Village will be looking to make grant application in FY2012 at both the state and federal levels to offset costs associated with the continuation of a walking path to the north side of Anchorage Park. The Village will also seek to expand the (recreational vehicle) "dry storage" area at Anchorage Park to accommodate those residents currently awaiting availability. Additionally, the Village will make reapplication to FRDAP seeking a \$50,000 non-matching grant to erect a "Veterans Memorial" to the rear of Village Hall and adjacent to the Public Library.

The Public Works Department is planning to continue oversight and maintenance of Village sanitation, infrastructure, streets, facilities, equipment, and roadways. This Department will focus on and play a major role in maintaining and expanding our focus on community appearance during the coming year.

Public Works improvements include funding for the replacement of A/C chiller units at Village Hall and Public Safety. These A/C units are showing severe signs of wear and tear and could pose significant disruption to the Village should there be an unanticipated failure. The replacement cost for these two units is \$111,600. Public Works also plans to take steps to improve neighborhood lighting in areas identified as having acute need throughout the Village. Roadway appearance will be emphasized with improved median and swale plantings.

**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 Boulevard streetscape improvement. This first phase provided sidewalk widening and median/swale area landscaping improvements from US1 westward to Southwind Drive. Replacement of deficient vegetation was completed in February 2007. Implementation of Phase II which extends from Southwind Drive westward to Alternate A1A got underway in FY2011 and will be completed sometime early 2012.

The Police Department has continued improvements in neighborhood outreach, crime suppression, and crime clearances. In 2008, and again in 2011, the Village's Police Department was awarded the coveted CALEA National Accreditation for law enforcement agencies. The Police budget includes funding for the purchase/replacement of needed marked patrol vehicles.

The Human Resources Department, over this past year, assisted with workforce reduction strategies, employee healthcare procurement, and risk management. Union related matters were also successfully addressed with emphasis placed on legal reporting and the providing for a consistent managerial oversight of all Village personnel matters. With the acquisition of the Restaurant at the Country Club, new staff hiring and processing continues to task this relatively small department.

The Administration continues with its implementation of an optical records storage system which will be ongoing. This system will be used by all Village operating departments (Community Development, Finance, Human Resources, and Country Club). Optical record storage systems are now widely used by governments and meet all State record storage requirements. This allows the Village to transition – over time – from “paper” records to optically stored records. Optical storage permits digital “look up” of any optical record “at will” through the convenience of a simple computer search. Optical storage systems have become commonly used by many local governments, and the cost is relatively modest when considering the time savings and customer service improvements they offer.

## 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.

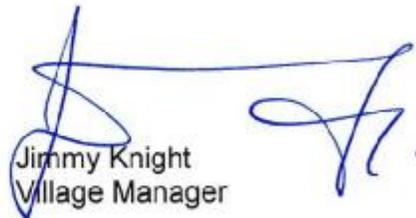
### Certificate of Achievement

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 ended September 30, 2010. 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



Jimmy Knight  
Village Manager

# THE VILLAGE OF NORTH PALM BEACH, FLORIDA

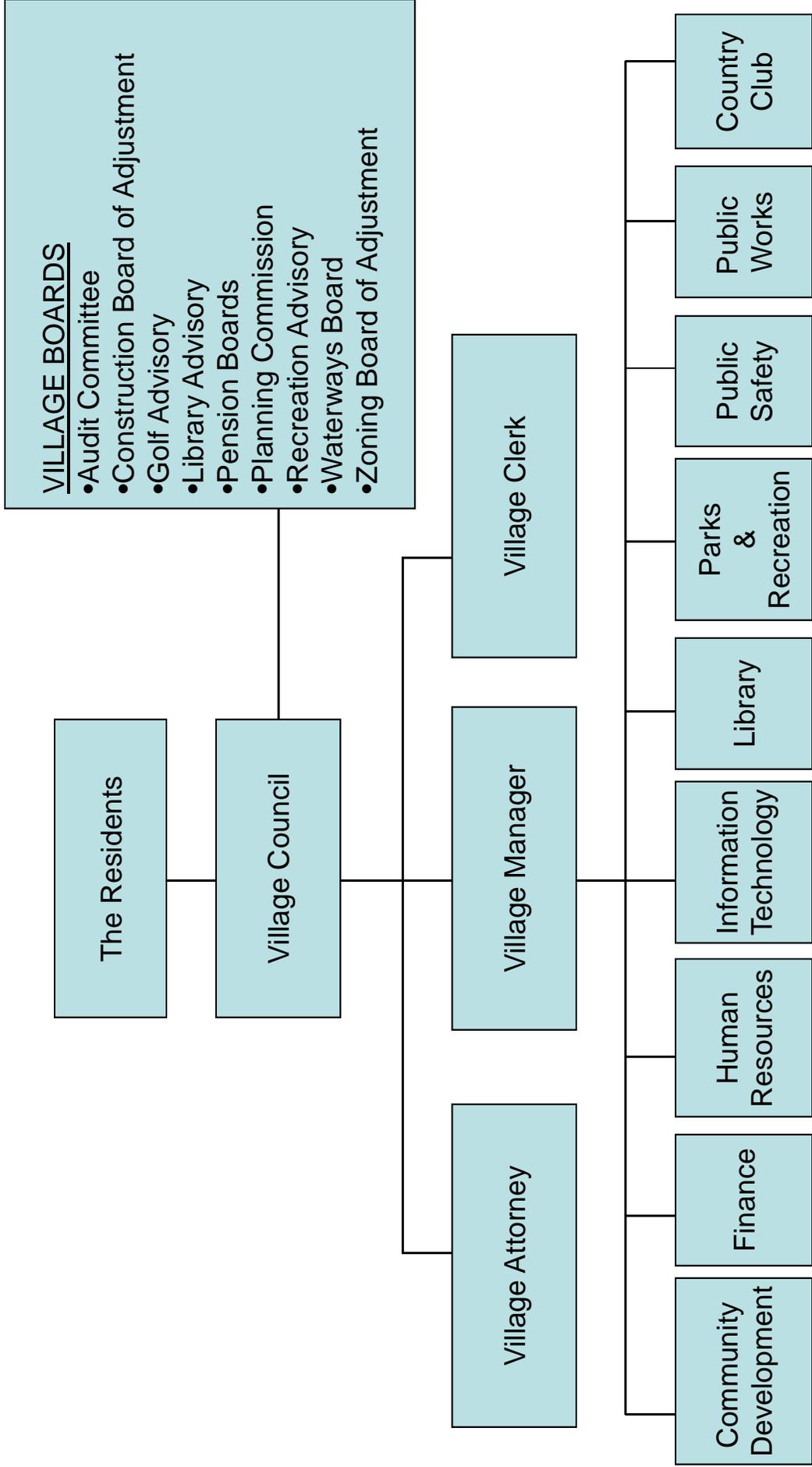
## PRINCIPAL VILLAGE OFFICIALS

SEPTEMBER 30, 2011

<u>Title</u>	<u>Name</u>
Mayor	Darryl C. Aubrey
Vice Mayor	David B. Norris
President Pro Tem	William L. Manuel
Council Member	Robert A. Gebbia
Council Member	T.R. Hernacki
Village Manager	James Titcomb
Director of Finance	Samia Janjua
Village Clerk	Melissa Teal

# THE VILLAGE OF NORTH PALM BEACH, FLORIDA

## Organizational Structure



# 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, 2010

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.



*Linda C. Danison*

President

*Jeffrey R. Emer*

Executive Director

## FINANCIAL SECTION



# NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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KARA D. PETERSON, CPA  
EDWARD T. HOLT, JR., CPA

## INDEPENDENT AUDITORS' REPORT

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

BELLE GLADE OFFICE  
333 S.E. 2nd STREET  
POST OFFICE BOX 338  
BELLE GLADE, FLORIDA 33430-0338  
TELEPHONE (561) 898-5612  
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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, 2011, 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 respective 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, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2012, on our consideration of the Village of North Palm Beach, Florida's internal control over financial reporting and on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, Pension and Other Post Employment Benefit trend information on pages 63 through 66, and budgetary comparison information on pages 67 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 financial statements as a whole. The introductory section, other supplemental information and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplemental information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on them.

*Nowlen, Holt & Mimer, P.A.*

March 13, 2012  
West Palm Beach, Florida

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Village of North Palm Beach, Florida's (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, 2011. Please read it in conjunction with the accompanying transmittal letter beginning on page i, and the accompanying basic financial statements.

**TABLE 1**  
**FINANCIAL HIGHLIGHTS**  
(in millions)

	September 30,		Increase/ (Decrease)	Statement Page #
	2011	2010		
Total net assets	\$32.14	\$31.84	\$0.30	13
Unrestricted net assets available for future use	\$12.16	\$10.97	\$1.19	13
Governmental net assets	\$29.56	\$29.14	\$0.42	13
Total revenues from all sources	\$21.92	\$22.66	(\$0.74)	14
Governmental revenues	\$18.35	\$19.37	(\$1.02)	14
Total cost of all Village programs	\$21.62	\$21.62	\$0.00	14
Governmental revenues over (under) expenses	\$0.42	\$1.15	(\$0.73)	15
General fund revenues over (under) expenses	\$1.98	\$0.60	\$1.38	18
General fund unassigned fund balance	\$10.68	\$10.44	\$0.24	16
As a percent of general fund expenditures	64.35%	55.45%	(0.11)	
Country Club revenues over (under) expenses	(\$0.11)	(\$0.10)	(\$0.01)	21
Change in total long-term debt for the Village	(\$0.31)	(\$2.40)	\$2.09	

### 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 year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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 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 Village maintains six individual governmental funds: the General Fund, one Capital Projects Fund, and four Special Revenue Funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund and the Capital Projects Fund, both of which are considered *major funds* (generally accepted accounting principles define a fund as major based on that fund's size relative to the other funds of the government, or a fund may be reported as major if the government's officials believe that fund is particularly important to financial statement users). The remaining funds are considered *non-major funds*, and data from these governmental funds are combined into a single column for an aggregated presentation. The basic governmental fund financial statements can be found on pages 16-19 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 20-22 of this report.

- **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The funds in this category are the Village's Pension Trust Funds and Agency Funds. 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 23-24 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 \$32.14 million at the close of the most recent fiscal year.

A significant portion of the Village's net assets (60.46%) 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.

**Table 2**  
**Village of North Palm Beach**  
**Net Assets**  
**(In Thousands)**

	Governmental		Business		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
<b>Assets:</b>						
Current and other assets	\$ 15,799	\$ 14,032	\$ 890	\$ 943	\$ 16,689	\$ 14,975
Capital assets	17,237	18,184	6,219	6,621	23,456	24,805
Total assets	<u>33,036</u>	<u>32,216</u>	<u>7,109</u>	<u>7,564</u>	<u>40,145</u>	<u>39,780</u>
<b>Liabilities:</b>						
Current liabilities	1,500	1,230	461	509	1,961	1,739
Long-term liabilities	1,974	1,843	4,061	4,357	6,035	6,200
Total liabilities	<u>3,474</u>	<u>3,073</u>	<u>4,522</u>	<u>4,866</u>	<u>7,996</u>	<u>7,939</u>
<b>Net assets:</b>						
Invested in capital assets, net of debt	17,237	18,184	2,201	2,295	19,438	20,479
Restricted	548	391			548	391
Unrestricted	11,776	10,568	386	403	12,162	10,971
Total net assets	<u>\$ 29,561</u>	<u>\$ 29,143</u>	<u>\$ 2,587</u>	<u>\$ 2,698</u>	<u>\$ 32,148</u>	<u>\$ 31,841</u>

### **Governmental Activities**

The cost of all governmental activities this year was \$17.93 million. As shown on Table 3, Changes in Net Assets, those who directly benefited from the programs paid for \$2.86 million of this cost and \$14.94 million was financed through general revenues. Governmental activities increased the Village's net assets by \$0.42 million, thereby accounting for 136% of the total increase in the net assets of the Village. Key elements of this increase are as follows:

- Program revenues are higher due to expanded recreational activities.
- Due to discounts for prompt payments, State law requires that only 95% of the gross ad-valorem taxes be budgeted as revenue (\$10.22 million). For the current year, the Village received \$10.44 million.

The increase in the above-mentioned revenues, while holding the line on operating costs, resulted in a positive impact on the Village's Governmental Activities. Additional detail is shown in Table 3, which follows on the subsequent page.

**Table 3**  
**Village of North Palm Beach**  
**Changes in Net Assets**  
**(In Thousands)**

	Governmental Activities		Business Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,857	\$ 2,802	\$ 3,571	\$ 3,228	\$ 6,428	\$ 6,030
Operating grants and contributions	127	97			127	97
Capital grants and contributions	5	76			5	76
General revenues:						
Property taxes	10,442	11,053			10,442	11,053
Local option gas taxes	260	266			260	266
Utility service taxes	2,198	2,261			2,198	2,261
Sales and use taxes	1,141	1,115			1,141	1,115
Franchise taxes	1,191	1,204			1,191	1,204
Investment earnings	97	280	9	14	106	294
Miscellaneous	31	186			31	186
Gain on asset disposals		28		55		83
Total revenues	18,349	19,368	3,580	3,297	21,929	22,665
<b>Expenses:</b>						
Program expenses:						
General Government	2,404	2,679			2,404	2,679
Public Safety	7,233	7,304			7,233	7,304
Public Works	4,734	4,595			4,734	4,595
Community Development & Planning	811	807			811	807
Leisure Services	2,749	2,830			2,749	2,830
Interest on long-term debt		4				4
Country Club			3,691	3,398	3,691	3,398
Total expenses	17,931	18,219	3,691	3,398	21,622	21,617
Increase (decrease) in net assets	418	1,149	(111)	(101)	307	1,048
Net assets - beginning of year	29,143	27,994	2,698	2,799	31,842	30,793
Net assets - end of year	\$ 29,561	\$ 29,143	\$ 2,587	\$ 2,698	\$ 32,149	\$ 31,841

The Village's programs include General Government, Public Safety, Public Works, Community Development & Planning, 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.

**Table 4**  
**Village of North Palm Beach**  
**Cost of services**  
**(In Thousands)**

	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 2,404	\$ (2,266)	\$ 2,679	\$ (2,547)
Public safety	7,233	(6,773)	7,304	(6,771)
Public works	4,734	(4,263)	4,595	(4,132)
Community development and planning	811	50	807	(72)
Leisure services	2,749	(1,689)	2,830	(1,718)
Interest on long-term debt			4	(4)
	<u>\$ 17,931</u>	<u>\$ (14,941)</u>	<u>\$ 18,219</u>	<u>\$ (15,244)</u>

At the end of the current year, as compared to the prior year, many of the departments realized a decrease in their overall costs (for example, General Government decreased by \$0.28 million, Public Safety decreased by \$0.07 million, and Leisure Services decreased by \$0.08 million). The decrease is a result of Department Directors reducing spending to counter the decrease in revenues. Public Works realized an increase of \$0.14 million primarily due to the Village-wide street sign project.

**Business Type Activities**

Charges for Services (revenues) in the Business Type Activities experienced an overall increase (\$0.34 million) from that of the previous year. Also, during this same time period, expenses increased by \$0.29 million. Net assets of the Proprietary Fund (Country Club) at September 30, 2011, were \$2.58 million. Net assets decreased by \$111,836.

The changes in Business Type Activities can be directly tied to the Village's acquisition of the Food & Beverage Operations (resulting in an increase in both revenues & expenses).

## **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, unrestricted (unassigned/assigned) fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the combined fund balance for all Governmental Funds was \$13.54 million, a \$1.59 increase over the 2010 fund balance of \$11.95 million. Approximately 94% of the combined ending fund balance (\$12.71 million) constitutes unrestricted (unassigned/assigned) fund balance, which is available for spending at the government's discretion. The remainder of fund balance (\$0.83 million) is restricted (non-spendable/restricted) 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, unassigned fund balance of the General Fund was \$10.68 million while the General Fund total fund balance was \$11.70 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance is 64% of total general fund expenditures, while total fund balance represents 70% of that same amount.

The general fund unassigned fund balance (\$10.68 million) represents an increase of \$0.24 million over the 2010 unassigned general fund balance of \$10.44 million. Key elements of this increase are listed below:

- Program revenues are higher due to expanded recreational activities.
- Due to discounts for prompt payments, State law requires that only 95% of the gross ad-valorem taxes be budgeted as revenue (\$10.22 million). For the current year, the Village received \$10.44 million.

The increase in the above-mentioned revenues, while holding the line on operating costs, resulted in a positive impact in the Village's General Fund.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were \$ 951,278 and can be briefly summarized as follows:

- Street Signs Project (\$270,819)
- Community Development Software (\$89,222)
- Small Business Grant Carryover (\$100,000)
- Prior Year Open Purchase Order Carryover (\$4,245)
- Southwest Neighborhood Project (\$431,992)
- Pool Equipment Room (\$55,000)

### **General Fund Budget Analysis**

As shown on pages 69-71 of this report, in the Schedule of Departmental Expenditures – Budget and Actual, there was a favorable budget to actual cost variance of \$511,411 in General Fund Departmental Expenditures. The areas of significant budget to actual variances for the General Fund expenditures are summarized below:

- The Village realized an overall budgetary savings of \$161,960 in its anticipated employee related costs: during the budgeting process, various assumptions, along with previous year costs, are used in the development of the current year budget. The actual costs came in well under the projected budgeted amount.
- To counter the decrease in revenue brought about by property tax reform and the economic downturn, the Village Manager directed Department Directors to reduce spending in a manner that would minimize the impact on our residents. This required seeking new ways to serve our customers. The Directors did an admirable job identifying areas to cut costs resulting in favorable budget variances. The Village saw overall budgetary savings in operating costs of \$256,360. The areas of significant budget to actual variances for the General Fund operating costs are summarized below:
  - The Village saw overall budgetary savings in its utility costs (\$86,465): the budgeted amount included a ten percent increase for utilities, but the actual costs were well under the budgeted amount.
  - During the previous year, the Village implemented a “*Small Business Grant Program*” and appropriated \$100,000 from Council Contingency to fund this program. The program is administered through the Community Development Department and is structured to provide matching grants of up to \$5,000 for improvements to small business properties. Businesses would be required to match each dollar of grant funds with one dollar from their own funds. Businesses must complete an application and will have to meet certain criteria to qualify. In 2011, there was only one (1) application that was approved for the Grant which resulted in a budgetary savings (\$95,000) in the Community Development Department.

## **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, 2011 and 2010 amounts to \$23.42 million and \$24.76 million, respectively (net of accumulated depreciation).

**Table 5**  
**Village of North Palm Beach**  
**Capital Assets**  
**(In Thousands)**

	Governmental Activities		Business Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 2,151	\$ 2,151	\$ 1,051	\$ 1,051	\$ 3,202	\$ 3,202
Construction in progress	212	142			212	142
Buildings and improvements	22,090	21,647	1,405	1,405	23,495	23,052
Improvements other than buildings			272	357	272	357
Improvements - golf course			5,824	5,824	5,824	5,824
Furniture, fixtures and equipment	6,959	6,999	678	780	7,637	7,779
Total assets	31,412	30,939	9,230	9,417	40,642	40,356
Less accumulated depreciation	(14,175)	(12,755)	(3,050)	(2,840)	(17,225)	(15,595)
Net assets	<u>\$ 17,237</u>	<u>\$ 18,184</u>	<u>\$ 6,180</u>	<u>\$ 6,577</u>	<u>\$ 23,417</u>	<u>\$ 24,761</u>

Additional information on the Village's capital assets can be found in Note 7 on page 43 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 long-term debt of \$4.02 million, all of which is in business-type activities. The last outstanding debt instrument in the General Fund was satisfied in 2010; therefore, there is no long-term debt outstanding in the Village's governmental activities. None of the Village's long-term debt comprises debt backed by the full faith and credit of the government.

**Table 6**  
**Village of North Palm Beach**  
**Outstanding Debt**  
**(In Thousands)**

	Governmental Activities		Business Activities		Total	
	2011	2010	2011	2010	2011	2010
Loans payable			\$ 3,845	\$ 4,090	\$ 3,845	\$ 4,090
Capital leases			173	235	173	235
Total	<u>\$</u>	<u>\$</u>	<u>\$ 4,018</u>	<u>\$ 4,325</u>	<u>\$ 4,018</u>	<u>\$ 4,325</u>

Additional information on the Village's debt can be found in Note 8 on page 45 of this report.

## **NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

The Village's Unassigned Fund Balance is viewed by the Administration as a measurement of Village financial stability. Unassigned general fund balance increased to \$10.68 million during the current 2011 fiscal year. The Village is now ready to address the economic challenges anticipated in the next few years.

The economic outlook for the primary revenue source for Florida municipalities will be challenging, as cities are facing state mandated reductions of property taxes. In an effort to provide tax relief and spur the slumping housing market, the State legislature focused on property tax reform in the 2007 session. House Bill 1B was enacted to limit the authority of local governments to levy ad valorem taxes for the FY 2008 budget year and beyond.

The economic downturn and decline in property values have significantly impacted Village revenues. To address the impact of the legislation, continuing increases in the cost of employee compensation and benefits, and the reduction of revenues, the Village will need to continue to prioritize essential services and desired levels of service to allocate sufficient funding in future budget years.

## **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, 2011**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 5,179,720	\$ 749,286	\$ 5,929,006
Investments	8,451,395		8,451,395
Accounts receivable	356,486	31,562	388,048
Developer fee receivable	175,000		175,000
Inventories	41,660	67,221	108,881
Prepays	235,264	41,461	276,725
Due from other governments	225,644		225,644
Restricted assets:			
Cash and cash equivalents	548,489		548,489
Net pension assets	584,560		584,560
Intangible assets, net of amortization		39,042	39,042
Capital assets:			
Nondepreciable	2,362,714	1,051,311	3,414,025
Depreciable (net of depreciation)	14,874,641	5,128,587	20,003,228
<b>Total assets</b>	<b>33,035,573</b>	<b>7,108,470</b>	<b>40,144,043</b>
<b>Liabilities</b>			
Accounts payable	444,016	119,990	564,006
Accrued liabilities	571,428		571,428
Deposits		5,250	5,250
Unearned revenue	483,866	334,746	818,612
Noncurrent liabilities:			
Due within one year	836,443	314,930	1,151,373
Due in more than one year	1,138,355	3,747,004	4,885,359
<b>Total liabilities</b>	<b>3,474,108</b>	<b>4,521,920</b>	<b>7,996,028</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	17,237,355	2,200,928	19,438,283
Restricted for:			
Recreation	413,500		413,500
Public safety	50,009		50,009
Streets and roads	49,329		49,329
Library	23,406		23,406
Other purposes	12,245		12,245
Unrestricted	11,775,621	385,622	12,161,243
<b>Total net assets</b>	<b>\$ 29,561,465</b>	<b>\$ 2,586,550</b>	<b>\$ 32,148,015</b>

See notes to the financial statements.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Statement of Activities**  
**For the Year Ended September 30, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Activities</u>
<b>Government:</b>		
Governmental activities		
General government	\$ 2,403,681	\$ 130,886
Public safety	7,232,748	420,653
Public works	4,733,913	400,662
Community development and planning	811,177	861,394
Leisure services	2,749,065	1,043,459
Total governmental activities	<u>17,930,584</u>	<u>2,857,054</u>
Business-type activities - country club	<u>3,691,528</u>	<u>3,571,199</u>
Total business-type activities	<u>3,691,528</u>	<u>3,571,199</u>
<b>Total government</b>	<u><u>\$ 21,622,112</u></u>	<u><u>\$ 6,428,253</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
\$ 6,466	\$	\$ (2,266,329)	\$	\$ (2,266,329)
33,570	5,169	(6,773,356)		(6,773,356)
69,938		(4,263,313)		(4,263,313)
		50,217		50,217
16,594		(1,689,012)		(1,689,012)
<u>126,568</u>	<u>5,169</u>	<u>(14,941,793)</u>		<u>(14,941,793)</u>
			(120,329)	(120,329)
			<u>(120,329)</u>	<u>(120,329)</u>
<u>\$ 126,568</u>	<u>\$ 5,169</u>	<u>(14,941,793)</u>	<u>(120,329)</u>	<u>(15,062,122)</u>

**General Revenues:**

Taxes:				
Property taxes		10,441,869		10,441,869
Local option gas taxes		259,794		259,794
Utility service taxes		2,198,148		2,198,148
Franchise taxes		1,191,155		1,191,155
Sales and use taxes		1,140,744		1,140,744
Investment income		97,743	8,493	106,236
Miscellaneous		30,622		30,622
<b>Total general revenues</b>		<u>15,360,075</u>	<u>8,493</u>	<u>15,368,568</u>
<b>Change in net assets</b>		418,282	(111,836)	306,446
<b>Net assets, beginning of year</b>		<u>29,143,183</u>	<u>2,698,386</u>	<u>31,841,569</u>
<b>Net assets, end of year</b>		<u>\$ 29,561,465</u>	<u>\$ 2,586,550</u>	<u>\$ 32,148,015</u>

See notes to the financial statements.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2011**

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 3,254,861	\$ 1,833,724	\$ 91,135	\$ 5,179,720
Investments	8,451,395			8,451,395
Accounts receivable	356,486			356,486
Developer fee receivable	175,000			175,000
Inventories	41,660			41,660
Prepays	235,264			235,264
Due from other funds		44,028		44,028
Due from other governments	172,804		52,840	225,644
Restricted cash and cash equivalents	548,489			548,489
Total assets	<u>\$ 13,235,959</u>	<u>\$ 1,877,752</u>	<u>\$ 143,975</u>	<u>\$ 15,257,686</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 304,998	\$ 86,178	\$ 52,840	\$ 444,016
Accrued liabilities	571,428			571,428
Due to other funds			44,028	44,028
Deferred revenue	658,866			658,866
Total liabilities	<u>1,535,292</u>	<u>86,178</u>	<u>96,868</u>	<u>1,718,338</u>
<b>Fund balances</b>				
<b>Nonspendable:</b>				
Inventories and prepaids	276,924			276,924
<b>Restricted for:</b>				
Recreation	413,500			413,500
Streets and roads	50,009			50,009
Public safety	49,329			49,329
Library	23,406			23,406
Other purposes	12,245			12,245
<b>Assigned for:</b>				
Small business grants	95,000			95,000
Subsequent year's expenditures	91,594			91,594
Special revenue funds			47,107	47,107
Capital project funds		1,791,574		1,791,574
Unassigned	10,688,660			10,688,660
Total fund balances	<u>11,700,667</u>	<u>1,791,574</u>	<u>47,107</u>	<u>13,539,348</u>
Total liabilities and fund balances	<u>\$ 13,235,959</u>	<u>\$ 1,877,752</u>	<u>\$ 143,975</u>	<u>\$ 15,257,686</u>

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, 2011**

Fund balances - total governmental funds		\$ 13,539,348
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	\$ 31,412,880	
Less: accumulated depreciation	<u>(14,175,525)</u>	17,237,355
Revenue is recognized when earned in the government-wide statements, regardless of activity. Governmental funds report based on modified accrual, i.e., both measurable and available:		
Developer fee		175,000
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:		
		584,560
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:		
Claims and settlements	(18,463)	
Other postemployment benefits	(761,417)	
Accrued compensated absences	<u>(1,194,918)</u>	<u>(1,974,798)</u>
Net assets of governmental activities		<u><u>\$ 29,561,465</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, 2011**

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes	\$ 14,090,966	\$	\$	\$ 14,090,966
Licenses and permits	959,098			959,098
Intergovernmental	1,287,638		269,739	1,557,377
Charges for services	1,934,424			1,934,424
Fines and forfeitures	164,366			164,366
Investment	97,743			97,743
Miscellaneous	59,462			59,462
<b>Total revenues</b>	<u>18,593,697</u>		<u>269,739</u>	<u>18,863,436</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	2,402,241			2,402,241
Public safety	6,788,712		264,570	7,053,282
Public works	4,044,642			4,044,642
Community development and planning	790,937			790,937
Leisure services - recreation	2,295,959			2,295,959
Capital outlay	288,514	388,102	5,441	682,057
<b>Total expenditures</b>	<u>16,611,005</u>	<u>388,102</u>	<u>270,011</u>	<u>17,269,118</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,982,692</u>	<u>(388,102)</u>	<u>(272)</u>	<u>1,594,318</u>
<b>Other financing sources (uses)</b>				
Transfers in		1,334,934		1,334,934
Transfers out	(1,334,934)			(1,334,934)
<b>Total other financing sources (uses)</b>	<u>(1,334,934)</u>	<u>1,334,934</u>		
<b>Net change in fund balances</b>	647,758	946,832	(272)	1,594,318
<b>Fund balances</b>				
Beginning of year	11,052,909	844,742	47,379	11,945,030
End of year	<u>\$ 11,700,667</u>	<u>\$ 1,791,574</u>	<u>\$ 47,107</u>	<u>\$ 13,539,348</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, 2011**

Net change in fund balances - total governmental funds \$ 1,594,318

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	\$ 676,616	
Less: current year depreciation	<u>(1,623,233)</u>	(946,617)

Gains and losses on disposal of capital assets are reported in the statement of activities, whereas in the governmental funds the proceeds from the sale increases financial resources. The difference is the net book value of the assets retired:

Net book value for retired assets		(536)
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Governmental funds report revenues when earned and available. However, in the Statement of Activities, revenues are recognized when earned, regardless of availability:

Developer fee		(250,000)
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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 long-term compensated absences	(12,694)	
Change in net pension asset of defined benefit pension plans	152,561	
Change in other postemployment benefits	(243,125)	
Change in insurance liability	<u>124,375</u>	
		<u>21,117</u>

Change in net assets		<u>\$ 418,282</u>
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See notes to the financial statements.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Statement of Net Assets**  
**Proprietary Fund**  
**September 30, 2011**

	<b>Enterprise</b>
Assets	
Current assets	
Cash and cash equivalents	\$ 749,286
Accounts receivable	31,562
Inventories	67,221
Prepays	41,461
Total current assets	889,530
Non-current assets	
Intangible asset, net	39,042
Land, buildings, and equipment, net	6,179,898
Total non-current assets	6,218,940
Total assets	7,108,470
Liabilities	
Current liabilities	
Accounts payable	119,990
Deposits	5,250
Deferred revenue	334,746
Compensated absences - current portion	11,539
Capital leases - current portion	66,150
Loans payable - current portion	237,241
Total current liabilities	774,916
Non-current liabilities	
Other postemployment benefits	28,434
Compensated absences	3,949
Capital leases	106,934
Loans payable	3,607,687
Total non-current liabilities	3,747,004
Total liabilities	4,521,920
Net Assets	
Invested in capital assets, net of related debt	2,200,928
Unrestricted	385,622
Total net assets	\$ 2,586,550

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, 2011**

	<b>Enterprise</b>
Operating revenue	
Greens fee/cart rentals/membership fees	\$ 2,372,337
Golf shop revenues	283,927
Driving range revenues	208,865
Restaurant revenues	700,378
Miscellaneous	5,692
Total operating revenues	3,571,199
Operating expenses	
Golf course maintenance expenses	1,232,462
Clubhouse grounds expenses	84,485
Golf shop expenses	748,336
Food and beverage expenses	838,519
Administrative and general	104,659
Insurance	40,840
Depreciation and amortization	457,747
Total operating expenses	3,507,048
Operating income	64,151
Nonoperating revenues (expenses)	
Interest revenue	8,493
Interest expense	(180,125)
Gain on disposal of capital assets	(4,355)
Total nonoperating revenues (expenses)	(175,987)
Change in net assets	(111,836)
Net assets - beginning	2,698,386
Net assets - ending	\$ 2,586,550

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, 2011**

	<b>Enterprise</b>
Cash flows from operating activities:	
Receipts from customers	\$ 3,492,556
Payments to suppliers for goods or services	(2,326,886)
Payments to employees for services	(711,171)
Net cash provided by operating activities	454,499
Cash flows from capital and related financing activities:	
Principal paid on long term debt	(307,448)
Interest paid on debt	(180,723)
Acquisition of capital assets	(60,457)
Net cash provided (used) by capital and related financing activities	(548,628)
Cash flows from investing activities:	
Interest and dividends on investments	8,493
Net increase (decrease) in cash and cash equivalents	(85,636)
Cash and cash equivalents at beginning of year	834,922
Cash and cash equivalents at end of year	\$ 749,286
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 64,151
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	457,747
Other revenues	
Change in assets and liabilities	
Decrease in accounts receivable	5,359
(Increase) in inventory	(6,947)
Decrease in prepaids	(29,700)
Increase in accounts payable	36,176
Increase in deposits	1,717
Increase in compensated absences payable	9,079
(Decrease) in deferred revenue	(85,719)
Increase in other postemployment benefits	2,636
Total adjustments	390,348
Net cash provided by operating activities	\$ 454,499

See notes to the financial statements.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**September 30, 2011**

	Employee Retirement Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 1,314,241	\$ 346,499
<b>Investments:</b>		
Common equity securities	4,980,195	
U.S. Government agencies	1,067,419	
Municipal bonds	146,431	
Corporate bonds	2,459,279	
U.S. Treasury bonds	326,235	
Equity mutual funds	4,076,260	
Fixed income mutual funds	2,589,419	
Accrued interest and dividends	49,550	
Accounts receivable	103,936	
Prepays	216,394	
Total assets	17,329,359	346,499
<b>Liabilities</b>		
Accounts payable	41,412	
Due to others		346,499
Total liabilities	41,412	346,499
<b>Net Assets</b>		
Held in trust for pension benefits and other purposes	\$ 17,287,947	\$

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, 2011**

	<u>Employee Retirement Funds</u>
Additions	
Contributions	
Employer	\$ 1,293,732
Plan members	268,604
State on-behalf payments	264,570
Total contributions	<u>1,826,906</u>
Investment earnings	
Dividends and interest	325,300
Net increase in fair value of investments	<u>(542,086)</u>
Total investment losses	(216,786)
Less: investment expenses	<u>116,377</u>
Total net investment losses	<u>(333,163)</u>
Total additions	<u>1,493,743</u>
Deductions	
Administrative expense	104,677
Benefits	1,078,699
Refund of contributions	36,256
Total deductions	<u>1,219,632</u>
Change in net assets	274,111
Net assets - beginning	<u>17,013,836</u>
Net assets - ending	<u><u>\$ 17,287,947</u></u>

See notes to the financial statements.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**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, 2011**

**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, intergovernmental revenue, investment income, and charges for services are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenues are considered to be measurable and available only when received in cash by the Village.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**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 of acquiring, constructing, and placing into service those capital improvements which are associated with activities 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 Village has four special revenue funds to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific sources. The funds are the Public Safety Fund, Northlake Boulevard Fund, Recreation, and On-Behalf Pension Contributions.

*Employee Retirement Funds*

The pension trust funds 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, 2011**

**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 funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village's Country Club Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include the 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, 2011**

**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 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 Fund, administered by the Florida State Board of Administration, is a “2a-7 like” pool and these investments are valued using the pooled share price.

*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” or “due 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 and prepaid items*

Inventories are valued at cost determined on a last-in, first-out basis (LIFO). Inventories in the General Fund consist of expendable supplies held for consumption. Inventories in the Enterprise Fund consist of goods for sale to the public. 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**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, infrastructure, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The Village capitalizes all land purchases. The capitalization policy for other assets are items with an estimated life in excess of one year and an initial individual cost of \$250,000 for infrastructure, \$25,000 for land improvements, \$50,000 for buildings and building improvements, and \$5,000 for equipment and vehicles. 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. Infrastructure is reported in buildings and improvements.

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 capital assets are as follows:

Buildings, improvements and infrastructure	5-30 years
Golf course improvements	5-30 years
Machinery and Equipment	3-15 years
Vehicles	3-20 years

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**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, 2011**

**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) restricted, and 3) 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 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*

Fund balance is the difference between assets and liabilities reported in governmental funds. There are five possible components of fund balance:

- Nonspendable fund balance represents amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted fund balance represents amounts that can be spent only for specific purposes stipulated by external providers (e.g. creditors, grantors, contributor, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance represents amounts that can be used only for the specific purposes determined by formal action of the Village Commission. The Village has no committed funds.
- Assigned fund balance includes spendable fund balance amounts that are intended to be used for specific purposes, as expressed by the Village Commission or Village Manager, that are neither considered restricted or committed. The Small Business Grants is a program the Village Council approved in the prior fiscal year to provide matching grants of up to \$5,000 for improvements to small business properties.
- Unassigned fund balance is the residual fund balance classification for the general fund.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

*Fund Equity* (Continued)

The Village will first use committed fund balance then assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

*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.

*Statement of Cash Flows*

For purposes of the statement of cash flows, the Village considers all short-term investments that are highly liquid 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.

**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. The only governmental fund with a legally adopted annual budget is the General Fund. This budget 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 1<sup>st</sup>. 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.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

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

*A. Budgetary Data* (Continued)

- 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 Manager is authorized to transfer budgeted amounts up to \$10,000 within a department. Any change to the total departmental expenses 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.

*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, 2011, was 6.9723 (\$6.9723 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, 2011**

**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, 2011, unpaid delinquent taxes are not material and have not been recorded by the Village.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**Deposits**

As of September 30, 2011, the carrying amount of the Village's deposits (including fiduciary funds) was \$5,370,647, and the bank balances totaled \$5,714,923. 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 pools idle cash from all funds for the purpose of increasing income through investment activities. Investment income from the pool is allocated back to the respective funds based on each fund's equity in the pool with the exception of the Capital Projects Fund and the special revenue funds.

**Investments**

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

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**NOTE 3 – DEPOSITS AND INVESTMENTS** (Continued)

Investments (Continued)

On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A, (Local Government Surplus Funds Trust Fund Investment Pool) consisted of all money market appropriate assets. Pool B, (Surplus Funds Trust Fund) consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B. On August 3, 2009, the SBA announced "Florida PRIME" as the highly enhanced version of the SBA's prior Local Government Investment Pool.

At September 30, 2011, Florida PRIME was assigned a "AAA(m)" principal stability fund rating by the Standard and Poor's Ratings. Florida PRIME is considered a SEC 2a7-like fund, thus, the account balance should also be considered its fair value. Fund B is not considered a SEC 2a7-like fund and is not rated by any nationally recognized rating agency.

Fund B is accounted for as a fluctuating NAV pool. The fair value factor for September 30, 2011, was 0.756839. The factor should be multiplied by the account balance in order to calculate the fair value of the investment in Fund B.

The weighted average days to maturity (WAM) of Florida PRIME at September 30, 2011, was 38 days. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of Florida PRIME to interest rate changes.

The weighted average life (WAL) of Fund B at September 30, 2011, was 4.82 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL is based on legal final maturity dates for Fund B as of September 30, 2011. However, because fund B consists of restricted or defaulted securities there is considerable uncertainty regarding the weighted average life.

As of September 30, 2011, the Village had \$532,353 invested in Florida PRIME. The cost basis of Fund B as of September 30, 2011, was \$254,145 and the fair value was \$192,347. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**NOTE 3 – DEPOSITS AND INVESTMENTS** (Continued)

Investments (Continued)

As of September 30, 2011, the Village held the following investments:

	<u>S&amp;P's Credit Rating</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
<i><u>Governmental Funds:</u></i>			
Wells Fargo municipal money market fund	N/R	\$ 1,150,824	N/A
State Board of Administration Investment Fund B	N/R	192,347	4.82 yrs. (WAL)
Florida Prime	AAA(m)	532,353	38 days
Money Market Funds	N/R	38,968	N/A
U.S. Government Supported Corporate Debt	AA+	899,754	0.58 yrs.
U.S. Government and Agency Obligations	AA+	2,560,911	1.93 yrs.
U.S. Treasury Notes	AA+	4,759,415	1.84 yrs.
<i><u>Fiduciary Funds:</u></i>			
Money Market Funds	N/R	1,078,661	N/A
GNMA, FNMA, FHLMC Pools	N/R	964,030	20.16 yrs.
U.S. Government Agencies	AA+	103,389	10.71 yrs.
Corporate Bonds	AA+ to A-	2,459,279	7.62 yrs.
U.S. Treasury Obligations	AA+	326,235	29.38 yrs.
Municipal Bonds	AAA to AA	146,431	22.72 yrs.
Common Equity Securities	N/R	4,980,195	N/A
Equity Mutual Funds	N/R	4,076,260	N/A
Fixed Income Mutual Funds	N/R	2,589,419	N/A
 Total investments		 <u>\$26,858,471</u>	

Investments are held in the governmental and fiduciary funds.

*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 OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**NOTE 3 – DEPOSITS AND INVESTMENTS** (Continued)

Investments (Continued)

*Interest rate risk* (Continued)

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 do 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.

*Custodial credit risk* – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments that are in the possession of an outside party. At September 30, 2011, 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 Village'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 five (5) percent of the Fund's assets shall be invested in the common stock or capital stock of any one issuing company.

*Authorized Investments* –The Village has adopted an investment policy that applies to all the investment activity except the Employees' Pension Funds, which are organized and administered separately, as listed below, or for funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds. The Village is authorized to invest its funds as follows:

1. Interest-bearing checking, savings and time deposits in banks from the most current top ten listed "qualified public depositories", as defined in Chapter 280, Florida Statutes; with a CAEL (Capital Adequacy, Asset Quality, Earnings, Liquidity) score of 3 or better;

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**NOTE 3 – DEPOSITS AND INVESTMENTS** (Continued)

Investments (Continued)

*Authorized Investments* (Continued)

2. Securities and Exchange Commission registered money/market mutual funds with the highest credit quality rating from S&P and Moody's rating agencies;
3. Insurance companies with a A.M. Best minimum rating of aaa;
4. Corporate interest notes with the highest credit quality rating from S&P and Moody's rating agencies;
5. 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; provided all components in each pool must satisfy the appropriate pre-qualification parameters noted for that institution;
6. Direct obligations of the United States Treasury;
7. Federal agencies and instrumentalities;

The Village 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, 2011**

**NOTE 3 – DEPOSITS AND INVESTMENTS** (Continued)

Investments (Continued)

*Authorized 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 or savings accounts of a national bank, a state bank insured by the Federal Deposit Insurance Corporation, or a savings, building and loan association insured by the Federal Deposit Insurance Corporation;
2. Obligations of the United States or obligations guaranteed as to principal and interest by Government of the United States;
3. Bonds, stocks, or any other evidence of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, provided:
  - a. The corporation is listed on any one (1) or more of the recognized national stock exchanges and holds a rating in one of the three (3) highest classifications by a major rating service; and
  - b. The Board shall not invest more than five (5) percent of its assets in the common stock, capital stock, bonds or indebtedness of any one (1) issuing company, nor shall the aggregate investment of in any one (1) issuing company exceed five (5) percent of the outstanding capital stock of that company, nor shall the aggregate of its investments in equities at cost exceed sixty (60) percent of the pension funds' assets;
4. Notwithstanding any provision of this section to the contrary, the board is specifically authorized to invest in foreign securities to the extent authorized by sections 175.071(1) and 185.06(1)(b), Florida Statutes.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**NOTE 3 – DEPOSITS AND INVESTMENTS** (Continued)

Investments (Continued)

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	\$ 5,370,647
Petty cash	5,750
Investments	<u>26,858,471</u>
Total deposits and investments	<u><u>\$32,234,868</u></u>

Presented in the statement of net assets

Governmental activities	
Cash and cash equivalents	\$5,179,720
Restricted cash and cash equivalents	548,489
Investments	8,451,395
Business-type activities	
Cash and cash equivalents	<u>749,286</u>
Total statements of net assets	<u>14,928,890</u>

Presented in the statement of fiduciary net assets

Pension trust funds	
Cash and cash equivalents	1,314,241
Investments	15,645,238
Agency funds	
Cash and cash equivalents	<u>346,499</u>
Total fiduciary funds	<u>17,305,978</u>
Total deposits and investments	<u><u>\$32,234,868</u></u>

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**NOTE 4 – RECEIVABLES**

Receivables at September 30, 2011, were as follows:

	<u>General Fund</u>	<u>Country Club</u>	<u>Total</u>
Utility franchise fees & taxes	\$ 347,467	\$	\$ 347,467
Conroy Drive assessment	6,907		6,907
Other accounts receivable	2,112	31,562	33,674
Total accounts receivable	<u>\$ 356,486</u>	<u>\$ 31,562</u>	<u>\$ 388,048</u>

**NOTE 5 – DEVELOPER FEE RECEIVABLE**

The Village entered into an agreement with a developer on February 14, 2008, in which it agreed to accept payment of \$1,175,000 in lieu of the dedication of land for public use. The developer paid \$250,000 upon execution of the agreement. The balance due is to be paid in annual installments of \$250,000 on the anniversary date of the agreement until paid, with a final payment of \$175,000 in 2012. At September 30, 2011, the remaining amount receivable was \$175,000. In accordance with Village ordinance Sec. 36-23, amounts received shall be utilized for parks and recreational purposes or the construction or expansion of any public facilities or other improvements designed to mitigate the impacts of the subdivision.

**NOTE 6 – INTANGIBLE ASSETS**

The intangible asset consists of the right to the availability and use of reclaimed water resulting from an agreement with Seacoast Utility Authority. The asset had an original value of \$50,377 and is being amortized on a straight line basis over the period of the expected benefit of ten years.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**NOTE 7 – CAPITAL ASSETS**

Capital Assets activity for the year ended September 30, 2011, was as follows:

**Primary Government**

<b>Governmental Activities:</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 2,151,089	\$	\$	\$	\$ 2,151,089
Construction in progress	141,851	81,014	(11,240)		211,625
Capital assets being depreciated:					
Buildings	9,305,950		(1,531)		9,304,419
Improvements	12,341,173	463,588	(18,933)		12,785,828
Machinery and equipment	3,362,249	52,099	(110,817)		3,303,531
Vehicles	<u>3,637,653</u>	<u>91,155</u>	<u>(72,420)</u>		<u>3,656,388</u>
<b>Total at historical cost:</b>	<u>30,939,965</u>	<u>687,856</u>	<u>(214,941)</u>		<u>31,412,880</u>
Less accumulated depreciation for:					
Buildings	(4,215,667)	(293,394)	1,531		(4,507,530)
Improvements	(3,577,830)	(828,688)	18,933		(4,387,585)
Machinery and equipment	(2,437,132)	(235,690)	110,281		(2,562,541)
Vehicles	<u>(2,524,828)</u>	<u>(265,461)</u>	<u>72,420</u>		<u>(2,717,869)</u>
<b>Total accumulated depreciation</b>	<u>(12,755,457)</u>	<u>(1,623,233)</u>	<u>203,165</u>		<u>(14,175,525)</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 18,184,508</u>	<u>\$ (935,377)</u>	<u>\$ (11,776)</u>	<u>\$</u>	<u>\$ 17,237,355</u>

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

<b>Governmental activities:</b>	
General government	\$ 112,767
Public safety	382,506
Public works	670,980
Community development	14,463
Leisure services	<u>442,517</u>
<b>Total depreciation expense, governmental activities</b>	<u>\$1,623,233</u>

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**NOTE 7 – CAPITAL ASSETS** (Continued)

<b>Business-type activities:</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 1,051,311	\$	\$	\$	\$ 1,051,311
Construction in progress					
Capital assets being depreciated:					
Buildings	1,405,035				1,405,035
Improvements	6,180,517	57,399	(141,986)		6,095,930
Machinery and equipment	471,978	3,058	(88,623)		386,413
Vehicles	307,705		(16,650)		291,055
<b>Total at historical cost:</b>	<u>9,416,546</u>	<u>60,457</u>	<u>(247,259)</u>		<u>9,229,744</u>
Less accumulated depreciation for:					
Buildings	(929,017)	(28,325)			(957,342)
Improvements	(1,443,533)	(329,475)	137,631		(1,635,377)
Machinery and equipment	(388,163)	(20,597)	88,623		(320,137)
Vehicles	(79,328)	(74,312)	16,650		(136,990)
<b>Total accumulated depreciation</b>	<u>(2,840,041)</u>	<u>(452,709)</u>	<u>242,904</u>		<u>(3,049,846)</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 6,576,505</u>	<u>\$ (392,252)</u>	<u>\$ (4,355)</u>	<u>\$</u>	<u>\$ 6,179,898</u>

**Construction Commitments**

Contracts awarded but not yet completed were as follows:

Project Description	Estimated Cost
Governmental activities:	
Village-wide Sidewalk Improvements	\$ 62,463
SW Neighborhoods Sidewalks and Streetlights,	
Engineering and Design	23,322
Building Department Software Upgrade	80,899

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**NOTE 8 – LONG TERM LIABILITIES**

**Change in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2011, was as follows:

	Balance October 1, 2010	Additions	Reductions	Balance September 30, 2011	Amount Due Within One Year
Governmental activities					
Claims and settlements	\$ 142,838	\$	\$ (124,375)	\$ 18,463	\$
OPEB (see note 15)	518,292	243,125		761,417	
Compensated absences payable	1,182,224	867,486	(854,792)	1,194,918	836,443
Total	<u>\$ 1,843,354</u>	<u>\$ 1,110,611</u>	<u>\$ (979,167)</u>	<u>\$ 1,974,798</u>	<u>\$ 836,443</u>
Business-type activities:					
Loans payable	\$ 4,090,284	\$	\$ (245,356)	\$ 3,844,928	\$ 237,241
Capital leases	235,176		(62,092)	173,084	66,150
OPEB (see note 15)	19,355	9,079		28,434	
Compensated absences payable	12,852	6,686	(4,050)	15,488	11,539
Total	<u>\$ 4,357,667</u>	<u>\$ 15,765</u>	<u>\$ (311,498)</u>	<u>\$ 4,061,934</u>	<u>\$ 314,930</u>

Governmental activities other post employment benefit obligations and compensated absences are expected to be paid out of the general fund.

**Loans Payable**

**\$4,893,673 Promissory Notes**

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. The revenues of the Country Club are pledged to 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, 2011, the principal amount outstanding was \$3,844,928 and was for the purpose of business-type activities.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**NOTE 8 – LONG TERM LIABILITIES** (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>
2012	\$ 237,241	\$ 157,659	\$ 394,900
2013	247,646	147,254	394,900
2014	258,036	136,864	394,900
2015	268,862	126,038	394,900
2016	279,810	115,090	394,900
2017 - 2021	1,586,923	387,577	1,974,500
2022 - 2024	966,410	63,590	1,030,000
	<u>\$ 3,844,928</u>	<u>\$ 1,134,072</u>	<u>\$ 4,979,000</u>

**\$284,000 Capital Lease**

The Village entered into a three year capital lease agreement for the purpose of financing the lease-purchase of \$284,000 of equipment for the Country Club in October 2009. Principal and interest payments are due monthly, with a final maturity date in December 2013. The final payment includes a balloon payment of \$96,000. As of September 30, 2011, the principal amount outstanding was \$173,084 and the net book value of the equipment was \$147,920. The rate used to impute interest was 6.3%.

Annual debt service requirements to maturity are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 66,150	\$ 9,085	\$ 75,235
2013	106,934	1,605	108,539
	<u>\$ 173,084</u>	<u>\$ 10,690</u>	<u>\$ 183,774</u>

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**NOTE 8 – LONG TERM LIABILITIES** (Continued)

**Claims and Settlements**

Effective October 1, 2006, the Village discontinued its participation in the Southeast Risk Management Association (SERMA) and joined the Florida Municipal Insurance Trust (FMIT). However, as a former participant in SERMA, the Village is liable for claims incurred through September 30, 2006. At September 30, 2011, there is a long-term governmental liability of \$28,434 for pending claims activity for SERMA (see related Note 9.) The liability is an estimated based on the 2010 valuation; the 2011 valuation is not yet available. The liability is included in governmental noncurrent liabilities in the Statement of Net Assets.

SERMA, a quasi-governmental agency, was created by an interlocal agreement, as authorized by Chapter 163, Florida Statutes. 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 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. Activity in the pool is allocated to participating members based upon the cumulative contributions to the pool. The amount of settlements in SERMA exceeded insurance coverage in the current fiscal year.

**NOTE 9 – 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 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.

**Property and Casualty Group**

Effective October 1, 2006, the Village discontinued its participation in the Southeast Risk Management Association (SERMA) and joined the Florida Municipal Insurance Trust (FMIT). However, as a former participant in SERMA, the Village is liable for claims incurred through September 30, 2006. The governmental liability of \$28,434 is for pending claims activity for SERMA (See related Note 8).

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.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**NOTE 10 – 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 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, 2011, the report may be obtained from the Village Clerk. The General Employees Plan will not issue separate financial statements. Additional information on these plans can be found beginning on page 64.

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.

**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, 2011**

**NOTE 10 – 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, 2010, 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, 2010, the date of the latest actuarial valuation:

	<u>GERF</u>	<u>F&amp;P</u>
Active Participants:		
Vested	49	14
Non-vested	15	38
Retirees and Beneficiaries receiving benefits	7	9
Terminated vested members	<u>48</u>	<u>10</u>
Total	<u>119</u>	<u>71</u>

**General Employees' Retirement System**

**Plan Description.** The plan is established under Code of Ordinances for the Village of North Palm Beach, Florida, Part II, Chapter 2, and was most recently amended under Ordinance No. 2010-07 passed and adopted on May 27, 2010. The Plan is also governed by certain provisions of Part VII, Chapter 112, Florida Statutes and the Internal Revenue Code. 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 1<sup>st</sup> following completion of 12 months of employment as a condition of employment. For those employees retired before February 1, 1982, those employees hired after September 30, 2000, or those employees hired before October 1, 2000, who elect to contribute an extra 2%, a 3% Cost of Living increase is paid annually from the Plan. Authority to establish and amend the benefit provisions of the plan rests with the Village Council.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**NOTE 10 – EMPLOYEE RETIREMENT PLANS** (Continued)

*General Employees' Retirement System* (Continued)

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%

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 increases not to exceed 3% a year), of either 2%, 2.25%, or 2.5% (depending on employee contribution rate) of Average Monthly earnings (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 benefit 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 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 5 years within the last 10 years of employment which produces the highest average.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**NOTE 10 – EMPLOYEE RETIREMENT PLANS** (Continued)

*General Employees' Retirement System (Continued)*

"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 Plan's actuary. Contribution requirements of plan members and the Village are established and may be amended by the Village Council.

*Fire and Police Retirement System*

Plan Description. The plan is established under Code of Ordinances for the Village of North Palm Beach, Florida, Part II, Chapter 2, and was most recently amended under Ordinance No. 2010-01 passed and adopted on January 14, 2010. The Plan is also governed by certain provisions of Part VII, Chapter 112, Florida Statutes and the Internal Revenue Code. 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 are eligible for membership immediately upon hire. Previously, members were not eligible until October 1<sup>st</sup> following completion of 12 months 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 Council. Employees become eligible for normal retirement benefits after attaining the age of 55, or the date on which the member attains age 52 and 25 credited years of service. Previously, employees became eligible for normal retirement benefits after attaining the age of 55, only. 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,

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**NOTE 10 – EMPLOYEE RETIREMENT PLANS** (Continued)

*Fire and Police Retirement System (Continued)*

Plan Description (Continued)

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 members can be received at age 50.

Contributions. Members are required to contribute 2% of their basic compensation to the plan. The Village is required to contribute the remaining amount to fund the plan using the Entry Age Actuarial Cost Method. Contribution requirements of plan members and the Village are established and may be amended by the Village Council.

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 locally authorized insurance premium surcharges 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. Contributions to the Plan from the State of Florida totaled \$264,570 during the fiscal year ended September 30, 2011.

*All Retirement Plans*

Annual Pension Cost and Net Pension Obligation. The Village's 2011 annual pension cost and actual contributions for each plan are shown on the next page. The required contributions were determined as part of the October 1, 2010, 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.

*Components of Annual Pension Cost and Net Pension Obligation*

	<u>Annual Pension Cost</u>	<u>Required Village Contribution</u>	<u>Eligible State Contribution</u>
General Employees’ Retirement Fund	\$509,921	\$503,477	N/A
Fire and Police Retirement Fund	\$869,409	\$638,713	\$230,696

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**NOTE 10 – EMPLOYEE RETIREMENT PLANS** (Continued)

The following schedule was determined as part of the October 1, 2010, actuarial valuation for the General Employees' and Fire and Police Retirement Plans.

	<u>General Employees'</u>	<u>Fire and Police</u>
Annual required contribution (ARC)	\$ 503,477	\$ 869,409
Interest on net pension obligation (NPO)	(13,900)	(a)
Adjustment to ARC	<u>20,344</u>	<u>(a)</u>
Annual pension cost	509,921	869,409
Actual contributions	<u>651,159</u>	<u>872,067</u>
Increase in NPO	(141,238)	(2,658)
NPO at beginning of year	<u>(185,330)</u>	<u>(255,334)</u>
NPO at end of year	<u>\$(326,568)</u>	<u>\$(257,992)</u>

(a) Information was not provided in the October 1, 2010, actuarial valuation.

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'	9/30/09	767,429	765,381	99.7%	(165,505)
	9/30/10	739,704	759,529	102.7%	(185,330)
	9/30/11	509,921	651,159	127.7%	(326,568)
Fire and					
Police	9/30/09	651,838	734,826	112.7 %	(264,986)
	9/30/10	893,728	884,076	98.9 %	(255,334)
	9/30/11	869,409	872,067	100.3 %	(257,992)

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**NOTE 10 – 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	10/1/2010	10/1/2010
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.
Actuarial assumptions:		
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.

*Schedule of Funding Progress*

As noted above, the Fire and Police Retirement System utilizes the aggregate actuarial cost method to determine contributions to the Plan. This method does not identify or separately amortize unfunded actuarial liabilities. The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The schedule of funding progress was prepared using the entry age actuarial cost method to provide information that serves as a surrogate for the funding progress of the Plan.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**NOTE 10 – EMPLOYEE RETIREMENT PLANS** (Continued)

*Fire and Police:*

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as % of Covered Payroll
10/01/10	11,240,540	14,121,958	2,881,418	79.6%	3,922,596	73.46%

*General Employees':*

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as % of Covered Payroll
10/01/10	6,863,057	10,516,549	3,653,492	65.3%	3,424,324	106.7%

**NOTE 11 – 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.

**STATEMENT OF FIDUCIARY NET ASSETS**  
**EMPLOYEE RETIREMENT FUNDS**  
**SEPTEMBER 30, 2011**

	<b><u>Volunteer Fire Pension</u></b>	<b><u>General Employee's Pension</u></b>
<b>Assets</b>		
Cash and cash equivalents	\$	\$ 233,423
Investments:		
Equity mutual funds		4,056,958
Fixed income mutual funds		2,589,419
Accounts receivable		23,941
Total assets		<u>6,903,741</u>
<b>Liabilities</b>		
Accounts payable		<u>11,959</u>
<b>Net Assets</b>		
Held in trust for pension benefits and other purposes	<u>\$</u>	<u>\$ 6,891,782</u>

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**NOTE 11 – PENSION PLAN FINANCIAL INFORMATION** (Continued)

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**EMPLOYEE RETIREMENT FUNDS**  
**For the Fiscal Year Ended September 30, 2011**

	<u>Volunteer Fire Pension</u>	<u>General Employees' Pension</u>
Additions		
Contributions		
Employer	\$ 1,202	\$ 651,159
Plan members		169,948
Total contributions	<u>1,202</u>	<u>821,107</u>
Investment earnings		
Dividends and interest	2,279	34,409
Net decrease in the fair value of investments		(76,944)
Less investment expense		<u>(62,774)</u>
Total investment earnings	<u>2,279</u>	<u>(105,309)</u>
Total additions	<u>3,481</u>	<u>715,798</u>
Deductions		
Administration		17,985
Benefits	109,707	29,679
Refund of contributions		32,479
Total deductions	<u>109,707</u>	<u>80,143</u>
Change in net assets	(106,226)	635,655
Net assets - beginning	<u>106,226</u>	<u>6,256,127</u>
Net assets - ending	<u>\$</u>	<u>\$ 6,891,782</u>

**NOTE 12 – 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, 2011, \$264,570 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, 2011**

**NOTE 13 – DEFINED CONTRIBUTION PLAN**

Effective October 1, 2006, all employees of the Village may participate in one of three Money Purchase Plans that are qualified Defined Contribution Plans adopted under the provisions of Internal Revenue Code Section 401(a). The three pension plans include Directors, General Employees, and Municipal Employees. The defined contribution plans are administered by International City/County Management Association and Retirement Corporation (ICMA-RC). The ICMA-RC is a nonprofit corporation organized and existing under the laws of the State of Delaware. Contribution requirements of employees' and the Village are established and may be amended by the Village Council.

The vesting period for each defined contribution plan is five years, with a vesting of zero percent in the first year, and a vesting of twenty-five percent for each year thereafter. While the plans will not provide for retroactive funding, the vesting period shall run from each employee's original date of hire. No loans are permitted by the plan. The normal retirement age for the plan shall be age sixty. There is no waiting period for participation in the plan. The minimum age for participation is eighteen.

The Village contributes 15% of participant earnings for the plan year. Earnings include regular and bonus compensation, but do not include overtime or commissions. Employee contributions are voluntary, after-tax contributions that are not matched by the Village. Employees may contribute 3%, 5%, 10%, or 15% of earnings to the plan. Contributions are remitted to the trusts every payroll period.

Because the Village has little administrative involvement and does not perform the investing function for funds in the plans, the Village's activities do not meet the criteria for inclusion in the fiduciary funds of a government. Consequently, the plans are not included in the Village's financial statements.

Plan detail for participating employees at September 30, 2011, is listed below:

	<u>Director's</u>	<u>General Employees</u>	<u>Municipal Employees</u>	<u>Total</u>
Village contributions	\$70,439	\$61,357	\$58,341	\$190,137
Employee contributions	\$30,854	\$13,807	\$16,275	\$60,936

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**NOTE 14 – DEFERRED COMPENSATION PLAN ASSETS**

Employees of the Village may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the Village. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. A third party administers the deferred compensation plan.

In 1998, the Village Adopted GASB-32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The Village modified its Deferred Compensation Plan to conform with the changes in the Internal Revenue Code brought about by the Small Business Job Protection Act of 1996 (the “Act”). The Act requires that eligible deferred compensation plans established and maintained by governmental employers be amended to provide that all assets of the plan be held in trust, or under one or more appropriate annuity contracts or custodial accounts, for the exclusive benefit of plan participants and their beneficiaries. As a result of this change, these plan assets are not property of the Village and are not subject to the claims of the Village’s general creditors.

Because the Village has little administrative involvement and does not perform the investing function for funds in the Plan, the Village’s activities do not meet the criteria for inclusion in the fiduciary funds of a government.

**NOTE 15 – OTHER POST EMPLOYMENT BENEFITS**

The Village implemented Governmental Accounting Standards Board Statement 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective October 1, 2008. The Village elected to implement prospectively, and the change in accounting principle had no effect on changes in net assets/fund equity for prior periods. Retirees of the Village pay an amount equal to the actual premium for health insurance charged by the carrier, but there is an implied subsidy in the healthcare insurance premium for retirees because the premium charged for these retirees is the same as the premium charged for active employees, who are younger than retirees on average. This implied subsidy constitutes other postemployment benefits (OPEB) under GASB 45.

**Plan Description**

The Village provides a single employer defined benefit health care plan to all of its employees. The plan allows its employees and their beneficiaries, to continue to obtain health and dental benefits upon retirement. The normal retirement age for police and firefighters is 55; the normal retirement age for all other Village employees is either age 60 or 65, depending on the option selected by the employee.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**NOTE 15 – OTHER POST EMPLOYMENT BENEFITS** (Continued)

*Plan Description* (Continued)

The benefits of the plan are in accordance with Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

*Funding Policy*

The Village does not directly make a contribution to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group rates as are charged to the Village for active employees by its healthcare provider. However, the Village’s actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits as an Employer Contribution, based upon an implicit rate subsidy. This offset equals the total age-adjusted costs paid by the Village or its active employees for coverage of the retirees and their dependents for the year net of the retiree’s own payments for the year.

*Annual OPEB Cost and Net OPEB Obligation*

The annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The annual OPEB cost and the net OPEB obligation for the Village for the current year and the related information is as follows:

Required contribution rates:	
Employer	Pay-as-you-go
Plan members	N/A
Normal cost	\$ 245,351
Interest on normal cost	9,814
Amortization	152,437
Interest on amortization	6,097
Interest on net unfunded OPEB obligation	<u>21,506</u>
Annual OPEB cost	435,205
Contributions made	<u>(183,000)</u>
Increase in net OPEB obligation	252,205
Net OPEB obligation October 1, 2010	<u>537,647</u>
Net OPEB obligation September 30, 2011	<u>\$ 789,852</u>

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**NOTE 15 – OTHER POST EMPLOYMENT BENEFITS** (Continued)

*Trend Information*

End	<u>Three-Year Trend Information</u>			
	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
	09/30/09	\$413,699	28.7%	\$295,142
	09/30/10	\$425,505	43.0%	\$537,647
	09/30/11	\$435,205	42.0%	\$789,852

*Funded Status*

The funded status of the plan as of most recent actuarial valuation date was as follows:

Actuarial valuation date	10/01/2008
Actuarial accrued liability	\$2,741,387
Actuarial value of plan assets	\$
Unfunded actuarial accrued liability (UAAL)	\$2,741,387
Funded ratio	0.0%
Covered payroll	\$6,231,104
UAAL as a percentage of covered payroll	44.0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are comparable with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The Village has not contributed assets to the plan at this time.

*Actuarial Methods and Assumptions*

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and includes the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Village and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (Continued)**

designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial valuation date	10/01/2008
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar, 30 Years, closed
Remaining amortization period	28 years
Asset valuation method	Unfunded
Actual assumptions:	
Investment rate of return	4%
Healthcare cost trend	6.6% for 2011 decreasing to 4% in 2083

**NOTE 16 – 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 consists 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 \$153,968 to Seacoast during the fiscal year for water and sewer service.

**NOTE 17 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances at September 30, 2011, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects Fund	Recreation Special Revenue Fund	\$44,028

The outstanding balance between funds results mainly from the time lag between the dates that payments between funds are made. Interfund transfers during the year ended September 30, 2011, are as follows:

	<i>Transfer Out:</i>
	General Fund
<i>Transfer in:</i>	<hr/>
Capital Projects Fund	\$1,334,934

The transfers from the General Fund to the other governmental funds were to move restricted and unrestricted General Fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2011**

**NOTE 18 – CONTRACTS, 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 for all claims at this time.

**NOTE 19 – ACCOUNTING CHANGE**

GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Village implemented this standard in fiscal year 2011. Changes to the government fund type fund balance reporting are reflected in the financial statements and schedules. Related disclosures are included in Note 1.

**NOTE 20 – SUBSEQUENT EVENT**

On January 5, 2012, the Village Council terminated the City Manager without cause. Under the terms of his employment contract he is due six months base salary as severance pay. This amounts to \$67,500 and was subsequently paid.

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, 2011**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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Other Post Employment Benefits (OPEB)

10/01/08*	\$	\$ 2,741,387	\$ 2,741,387	0.0%	\$ 6,231,104	44.0%
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\* This was the only actuarial valuation performed to date.

(1) Projected unit credit

The schedule of funding progress presented above will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Because the fiscal year ended September 30, 2009, was the year of implementation of GASB 45, and the Villiage elected to apply the statement prospectively, only one year is presented in the schedule at this time. In future years, required trend data will be presented. The Villiage has not contributed assets to the plan at this time.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Required Supplemental Information**  
**September 30, 2011**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age(1) (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 (1)</u>						
10/1/2005	\$ 3,817,605	\$ 9,116,599	\$ 5,298,994	41.88%	\$ 3,220,258	164.55%
10/1/2006	5,283,023	10,490,332	5,207,309	50.36%	3,680,960	141.47%
10/1/2007	6,481,382	10,997,783	4,516,401	58.93%	3,238,894	139.44%
10/1/2008	5,824,447	10,138,981	4,314,534	57.45%	2,977,995	144.88%
10/1/2009	6,048,808	8,328,331	2,279,523	72.63%	3,046,421	74.83%
10/1/2010	6,863,057	10,516,549	3,653,492	65.26%	3,424,324	106.69%
<u>Fire and Police Retirement Fund (2)</u>						
10/1/2005	\$ 7,600,134	\$ 8,692,747	\$ 1,092,613	87.43%	\$ 2,405,634	45.42%
10/1/2006	8,312,363	10,294,848	1,982,485	80.74%	2,798,919	70.83%
10/1/2007	9,228,537	10,836,562	1,608,025	85.16%	3,110,081	51.70%
10/1/2008	10,376,733	11,719,336	1,342,603	88.54%	3,253,109	41.27%
10/1/2009	10,650,648	12,656,293	2,005,645	84.15%	3,488,338	57.50%
10/1/2010	11,240,540	14,121,958	2,881,418	79.60%	3,922,596	73.46%

General Employees Retirement Fund (1)

The General Employees Retirement Fund uses the frozen entry age actuarial cost method.

Fire and Police Retirement Fund (2)

The Fire and Police Retirement Fund uses the aggregate actuarial cost method to determine contributions to the Plan. This method does not identify or separately amortize unfunded actuarial liabilities. The schedule of funding progress presented above was prepared using the entry age actuarial cost method to provide information that serves as a surrogate for the funding progress of the Plan.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Required Supplemental Information**  
**September 30, 2011**

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>				
2006	\$ 1,007,695	\$ 1,007,695	N/A	100.0%
2007	866,069	873,872	N/A	100.9%
2008	875,126	876,712	N/A	100.2%
2009	761,943	765,381	N/A	100.5%
2010	739,767	741,392	N/A	100.2%
2011	509,921	651,159	N/A	127.7%
<u>Fire and Police Retirement Fund</u>				
2006	\$ 690,186	\$ 551,986	\$ 138,200	100.0%
2007	539,651	401,451	138,200	100.0%
2008	715,784	580,463	138,200	100.4%
2009	728,729	596,626	138,200	100.8%
2010	884,415	653,719	230,696	100.0%
2011	869,409	641,371	230,696	100.3%

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**

**Notes to the Trend Data**

**September 30, 2011**

	General Employees Retirement Fund	Police and Fire Retirement Fund
Contribution rates as of 9/30/11:		
Village	15.78%	24.21%
Plan Members	6.00% (1)	2.00%
Actuarially Determined Contribution	\$509,921	\$869,409
Contributions Made	\$651,159	\$872,627
Valuation date	10/1/2009	10/1/2009
Actuarial Cost Method	Frozen Entry Age	Aggregate
Amortized Method	Level percent closed	N/A (2)
Remaining Amortization Period	30 years	N/A (2)
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) Except for certain members who have elected not to contribute and for other members who have elected to contribute only 2% or 4%.

(2) 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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Taxes	\$ 13,550,692	\$ 13,550,692	\$ 14,090,966	\$ 540,274
Licenses and permits	658,800	658,800	959,098	300,298
Intergovernmental	1,228,726	1,228,726	1,287,638	58,912
Charges for services	1,845,027	1,845,027	1,934,424	89,397
Fines and forfeitures	130,000	130,000	164,366	34,366
Investment	84,027	84,027	97,743	13,716
Miscellaneous	8,800	8,800	59,462	50,662
Total revenues	<u>17,506,072</u>	<u>17,506,072</u>	<u>18,593,697</u>	<u>1,087,625</u>
Expenditures				
Current				
General government	2,455,316	2,444,898	2,388,151	56,747
Public safety	7,155,987	6,870,987	6,788,712	82,275
Public works	4,126,912	4,142,131	4,044,642	97,489
Community development and planning	819,557	894,602	790,937	103,665
Leisure services - recreation	2,411,375	2,374,099	2,295,959	78,140
Other government	218,827	22,250	14,090	8,160
Capital outlay	318,098	373,449	288,514	84,935
Total expenditures	<u>17,506,072</u>	<u>17,122,416</u>	<u>16,611,005</u>	<u>511,411</u>
Excess of revenues over expenditures		<u>383,656</u>	<u>1,982,692</u>	<u>1,599,036</u>
Other financing uses				
Transfer out		<u>(1,334,934)</u>	<u>(1,334,934)</u>	
Total other financing uses		<u>(1,334,934)</u>	<u>(1,334,934)</u>	
Net change in fund balances	<u>\$</u>	<u>\$ (951,278)</u>	647,758	<u>\$ 1,599,036</u>
Fund Balances				
Beginning of year			<u>11,052,909</u>	
End of year			<u>\$ 11,700,667</u>	

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Budgetary**  
**Required Supplementary Information (RSI)**  
**General Fund**  
**September 30, 2011**

**Note 1 - Basis of Accounting**

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

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, 2011**

	<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	\$ 50,513	\$ 50,513	\$ 50,455	\$ 58	0.11
Operating expenses	77,983	81,183	81,183		0.00
Total Village Council	<u>128,496</u>	<u>131,696</u>	<u>131,638</u>	<u>58</u>	<u>0.04</u>
Village Manager					
Personal services	296,405	324,782	324,782		0.00
Operating expenses	11,866	11,866	8,068	3,798	32.01
Total Village Manager	<u>308,271</u>	<u>336,648</u>	<u>332,850</u>	<u>3,798</u>	<u>1.13</u>
Village Finance					
Personal services	472,169	459,669	455,364	4,305	0.94
Operating expenses	54,728	44,728	44,093	635	1.42
Total Village Finance	<u>526,897</u>	<u>504,397</u>	<u>499,457</u>	<u>4,940</u>	<u>0.98</u>
Village Attorney					
Operating expenses	170,000	170,000	159,693	10,307	6.06
Village Clerk					
Personal services	251,242	251,242	248,595	2,647	1.05
Operating expenses	29,095	19,600	9,950	9,650	49.23
Total Village Clerk	<u>280,337</u>	<u>270,842</u>	<u>258,545</u>	<u>12,297</u>	<u>4.54</u>
Information Technology					
Personal services	267,807	265,496	256,456	9,040	3.40
Operating expenses	20,825	23,136	23,136		0.00
Total Information Technology	<u>288,632</u>	<u>288,632</u>	<u>279,592</u>	<u>9,040</u>	<u>3.13</u>
Human Resources					
Personal services	209,226	209,226	205,821	3,405	1.63
Operating expenses	27,401	27,401	21,049	6,352	23.18
Total Human Resources	<u>236,627</u>	<u>236,627</u>	<u>226,870</u>	<u>9,757</u>	<u>4.12</u>
Police					
Personal services	4,099,061	3,951,061	3,913,060	38,001	0.96
Operating expenses	244,086	225,086	215,132	9,954	4.42
Total Police	<u>4,343,147</u>	<u>4,176,147</u>	<u>4,128,192</u>	<u>47,955</u>	<u>1.15</u>
Fire Rescue					
Personal services	2,482,374	2,405,374	2,399,085	6,289	0.26
Operating expenses	179,832	167,832	146,369	21,463	12.79
Total Fire Rescue	<u>2,662,206</u>	<u>2,573,206</u>	<u>2,545,454</u>	<u>27,752</u>	<u>1.08</u>
Public Works/Streets and Grounds					
Personal services	323,825	323,825	318,170	5,655	1.75
Operating expenses	39,501	39,501	35,080	4,421	11.19
Total Public Works	<u>363,326</u>	<u>363,326</u>	<u>353,250</u>	<u>10,076</u>	<u>2.77</u>

(Continued)

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Schedule of Departmental Expenditures - Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Percent Variance</u>
(Continued)					
Sanitation					
Personal services	\$ 1,316,296	\$ 1,266,296	\$ 1,244,632	\$ 21,664	1.71
Operating expenses	176,200	131,200	128,030	3,170	2.42
Total Sanitation	<u>1,492,496</u>	<u>1,397,496</u>	<u>1,372,662</u>	<u>24,834</u>	<u>1.78</u>
Facility Services					
Personal services	289,852	289,852	285,560	4,292	1.48
Operating expenses	344,700	279,700	263,007	16,693	5.97
Total Facility Services	<u>634,552</u>	<u>569,552</u>	<u>548,567</u>	<u>20,985</u>	<u>3.68</u>
Street Maintenance					
Personal services	539,707	528,707	519,861	8,846	1.67
Operating expenses	727,638	913,857	893,569	20,288	2.22
Total Street Maintenance	<u>1,267,345</u>	<u>1,442,564</u>	<u>1,413,430</u>	<u>29,134</u>	<u>2.02</u>
Vehicle Maintenance					
Personal services	186,433	186,433	183,067	3,366	1.81
Operating expenses	182,760	182,760	173,666	9,094	4.98
Total Vehicle Maintenance	<u>369,193</u>	<u>369,193</u>	<u>356,733</u>	<u>12,460</u>	<u>3.37</u>
Planning and Engineering					
Personal services	205,175	205,175	199,166	6,009	2.93
Operating expenses	17,064	118,909	34,139	84,770	71.29
Total Planning and Engineering	<u>222,239</u>	<u>324,084</u>	<u>233,305</u>	<u>90,779</u>	<u>28.01</u>
Building					
Personal services	466,774	456,974	451,873	5,101	1.12
Operating expenses	14,411	14,411	10,299	4,112	28.53
Total Building	<u>481,185</u>	<u>471,385</u>	<u>462,172</u>	<u>9,213</u>	<u>1.95</u>
Code Enforcement					
Personal services	111,731	89,428	85,759	3,669	4.10
Operating expenses	4,402	9,705	9,701	4	0.04
Total Code Enforcement	<u>116,133</u>	<u>99,133</u>	<u>95,460</u>	<u>3,673</u>	<u>3.71</u>
Leisure Services-Recreation					
Personal services	577,195	577,195	577,195		0.00
Operating expenses	374,085	352,824	334,355	18,469	5.23
Total Leisure Services-Recreation	<u>951,280</u>	<u>930,019</u>	<u>911,550</u>	<u>18,469</u>	<u>1.99</u>
Library					
Personal services	538,942	508,942	481,359	27,583	5.42
Operating expenses	173,647	163,647	154,503	9,144	5.59
Total Library	<u>712,589</u>	<u>672,589</u>	<u>635,862</u>	<u>36,727</u>	<u>5.46</u>

(Continued)

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Schedule of Departmental Expenditures - Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Percent Variance</u>
(Continued)					
Tennis					
Personal services	\$ 102,129	\$ 102,129	\$ 90,511	\$ 11,618	11.38
Operating expenses	274,776	288,537	288,541	(4)	0.00
Total Tennis	<u>376,905</u>	<u>390,666</u>	<u>379,052</u>	<u>11,614</u>	<u>2.97</u>
Pool					
Personal services	89,977	89,977	89,581	396	0.44
Operating expenses	193,624	203,848	203,847	1	0.00
Total Pool	<u>283,601</u>	<u>293,825</u>	<u>293,428</u>	<u>397</u>	<u>0.14</u>
Special Events					
Operating expenses	87,000	87,000	76,067	10,933	12.57
Total Special Events	<u>87,000</u>	<u>87,000</u>	<u>76,067</u>	<u>10,933</u>	<u>12.57</u>
Other					
Operating expenses	218,827	22,250	14,090	8,160	36.67
	<u>218,827</u>	<u>22,250</u>	<u>14,090</u>	<u>8,160</u>	<u>36.67</u>
Non-Departmental					
Operating expenses	666,690	627,690	614,572	13,118	2.09
	<u>666,690</u>	<u>627,690</u>	<u>614,572</u>	<u>13,118</u>	<u>2.09</u>
Capital Outlay					
Information Technology	9,707	9,707	9,706	1	0.01
Village Clerk		9,495	9,495		
Police	73,449	73,449	72,187	1,262	1.72
Facility Services	85,000				
Planning and Engineering		89,222	8,323	80,899	90.67
Leisure Services-Recreation	26,500	26,500	24,031	2,469	9.32
Pool	101,000	147,135	146,831	304	0.21
Tennis	11,800	17,941	17,941		
Library	10,642				
Total Capital Outlay	<u>318,098</u>	<u>373,449</u>	<u>288,514</u>	<u>84,935</u>	<u>22.74</u>
Total expenditures	<u>\$ 17,506,072</u>	<u>\$ 17,122,416</u>	<u>\$ 16,611,005</u>	<u>\$ 511,411</u>	<u>2.99%</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, 2011**

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Public Safety Fund	Northlake Boulevard Fund	Recreation	On-Behalf Pension Contributions	
<b>Assets</b>					
Cash and cash equivalents	\$ 975	\$ 1,986	\$ 88,174	\$	\$ 91,135
Due from other governments				52,840	52,840
Total assets	<u>\$ 975</u>	<u>\$ 1,986</u>	<u>\$ 88,174</u>	<u>\$ 52,840</u>	<u>\$ 143,975</u>
<b>Liabilities</b>					
Accounts payable	\$	\$	\$	\$ 52,840	\$ 52,840
Due to other funds			44,028		44,028
Total liabilities			<u>44,028</u>	<u>52,840</u>	<u>96,868</u>
<b>Fund balances</b>					
Assigned	<u>975</u>	<u>1,986</u>	<u>44,146</u>		<u>47,107</u>
Total fund balances	<u>975</u>	<u>1,986</u>	<u>44,146</u>		<u>47,107</u>
Total liabilities and fund balances	<u>\$ 975</u>	<u>\$ 1,986</u>	<u>\$ 88,174</u>	<u>\$ 52,840</u>	<u>\$ 143,975</u>

**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, 2011**

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Public Safety Fund	Northlake Boulevard Fund	Recreation	On-Behalf Pension Contributions	
Revenues					
Intergovernmental	\$ 5,169	\$	\$	\$ 264,570	\$ 269,739
Total revenues	5,169			264,570	269,739
Expenditures					
Current					
Public safety				264,570	264,570
Capital outlay	5,441				5,441
Total expenditures	5,441			264,570	270,011
Net changes in fund balances	(272)				(272)
Fund balances - Beginning of year	1,247	1,986	44,146		47,379
Fund balances - End of year	\$ 975	\$ 1,986	\$ 44,146	\$	\$ 47,107

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 Net Assets - Fiduciary Funds**  
**September 30, 2011**

	<b>Volunteer Fire Pension</b>	<b>General Employees Pension</b>	<b>Fire and Police Officers Pension</b>	<b>Total Employee Retirement Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$	\$ 233,423	\$ 1,080,818	\$ 1,314,241
Investments:				
Common equity securities			4,980,195	4,980,195
U.S. Government agencies			1,067,419	1,067,419
Municipal bonds			146,431	146,431
Corporate bonds			2,459,279	2,459,279
U.S. Treasury bonds			326,235	326,235
Equity mutual funds		4,056,958	19,302	4,076,260
Fixed income mutual funds		2,589,419		2,589,419
Accrued interest and dividends			49,550	49,550
Accounts Receivable		23,941	79,995	103,936
Prepays			216,394	216,394
Total assets		<u>6,903,741</u>	<u>10,425,618</u>	<u>17,329,359</u>
<b>LIABILITIES</b>				
Accounts payable		11,959	29,453	41,412
Total liabilities		<u>11,959</u>	<u>29,453</u>	<u>41,412</u>
<b>Net Assets</b>				
Held in trust for pension benefits and other purposes	\$	\$ 6,891,782	\$ 10,396,165	\$ 17,287,947

(1) A schedule of funding progress for the General Employees and Fire and Police Officers plans is presented on page 64.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Employee Retirement Funds**  
**For the Year Ended September 30, 2011**

	<b>Volunteer Fire Pension</b>	<b>General Employees Pension</b>	<b>Fire and Police Officers Pension</b>	<b>Total Employee Retirement Funds</b>
<b>Additions</b>				
Contributions				
Employer	\$ 1,202	\$ 651,159	\$ 641,371	\$ 1,293,732
Plan members		169,948	98,656	268,604
State on-behalf payments			264,570	264,570
Total contributions	<u>1,202</u>	<u>821,107</u>	<u>1,004,597</u>	<u>1,826,906</u>
Investment earnings				
Dividends and interest	2,279	34,409	288,612	325,300
Net (decrease) in fair value of investments		(76,944)	(465,142)	(542,086)
Investment expense		(62,774)	(53,603)	(116,377)
Total investment earnings (losses)	<u>2,279</u>	<u>(105,309)</u>	<u>(230,133)</u>	<u>(333,163)</u>
Total additions	<u>3,481</u>	<u>715,798</u>	<u>774,464</u>	<u>1,493,743</u>
<b>Deductions</b>				
Administration		17,985	86,692	104,677
Benefits	109,707	29,679	939,313	1,078,699
Refund of contributions		32,479	3,777	36,256
Total deductions	<u>109,707</u>	<u>80,143</u>	<u>1,029,782</u>	<u>1,219,632</u>
Change in net assets	(106,226)	635,655	(255,318)	274,111
Net assets - beginning	<u>106,226</u>	<u>6,256,127</u>	<u>10,651,483</u>	<u>17,013,836</u>
Net assets - ending	<u>\$ <u>106,226</u></u>	<u>\$ <u>6,891,782</u></u>	<u>\$ <u>10,396,165</u></u>	<u>\$ <u>17,287,947</u></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, 2011**

	<b>Agency Funds</b>		
	<b>Manatee Protection Agency</b>	<b>Northlake Boulevard Task Force</b>	<b>Total Agency Funds</b>
Assets			
Cash and cash equivalents	\$ 285,748	\$ 60,751	\$ 346,499
Liabilities			
Due to others	\$ 285,748	\$ 60,751	\$ 346,499

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Combining Schedule of Changes in Agency Net Assets and Liabilities**  
**For the Year Ended September 30, 2011**

	<u>October 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>September 30, 2011</u>
<b><u>Manatee Protection Agency</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 282,750	\$ 2,998	\$	\$ 285,748
<b>Liabilities</b>				
Due to others	\$ 282,750	\$ 2,998	\$	\$ 285,748
<b><u>Northlake Boulevard Task Force</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 61,604	\$ 647	\$ 1,500	\$ 60,751
<b>Liabilities</b>				
Due to others	\$ 61,604	\$ 647	\$ 1,500	\$ 60,751
<b><u>Total All Agency Funds</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 344,354	\$ 3,645	\$ 1,500	\$ 346,499
<b>Liabilities</b>				
Due to others	\$ 344,354	\$ 3,645	\$ 1,500	\$ 346,499

PROPRIETARY FUND  
(ENTERPRISE FUND)

*Country Club Fund*

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Schedule of Revenues and Departmental Expenses - Budget and Actual**  
**Country Club Fund - Budgetary Basis**  
**For the Year Ended September 30, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Percent Variance
Revenue					
Greens fee/cart rentals/membership fees	\$ 2,637,170	\$ 2,637,170	\$ 2,372,337	\$ (264,833)	-10.04
Golf shop revenues	218,750	218,750	283,927	65,177	29.80
Driving range revenues	200,227	200,227	208,865	8,638	4.31
Restaurant revenues	1,000,000	1,000,000	700,378	(299,622)	-29.96
Interest revenues	3,500	3,500	8,493	4,993	142.66
Miscellaneous	2,325	2,325	5,692	3,367	144.82
<b>Total revenues</b>	<b>4,061,972</b>	<b>4,061,972</b>	<b>3,579,692</b>	<b>(482,280)</b>	<b>-11.87</b>
Golf Maintenance					
Operating expenses	1,264,727	1,264,727	1,232,462	32,265	2.55
Capital outlay	8,000	8,000	8,000	8,000	100.00
Total Golf Maintenance	<u>1,272,727</u>	<u>1,272,727</u>	<u>1,232,462</u>	<u>40,265</u>	<u>3.16</u>
Golf Pro Shop and Range					
Personal services	424,501	460,142	470,552	(10,410)	-2.26
Operating expenses	332,493	296,852	277,784	19,068	6.42
Total Golf Pro Shop and Range	<u>756,994</u>	<u>756,994</u>	<u>748,336</u>	<u>8,658</u>	<u>1.14</u>
Food and Beverage					
Personal services	388,219	388,219	354,651	33,568	8.65
Operating expenses	536,829	536,829	483,868	52,961	9.87
Capital outlay	7,500	7,500	3,056	4,444	59.25
Total Food and Beverage	<u>932,548</u>	<u>932,548</u>	<u>841,575</u>	<u>90,973</u>	<u>9.76</u>
Administration					
Personal services	112,479	112,479	66,860	45,619	40.56
Operating expenses	51,835	51,835	34,404	17,431	33.63
Total Administration	<u>164,314</u>	<u>164,314</u>	<u>101,264</u>	<u>63,050</u>	<u>38.37</u>
Clubhouse and Grounds					
Operating expenses	105,180	105,180	84,485	20,695	19.68
Capital outlay	60,309	60,309	57,399	2,910	4.83
Total Clubhouse and Grounds	<u>165,489</u>	<u>165,489</u>	<u>141,884</u>	<u>23,605</u>	<u>14.26</u>
Insurance and General Liability					
Operating expenses	79,000	79,000	40,840	38,160	48.30
Reserves					
Operating	10,000	10,000	3,395	6,605	66.05
Contingency	180,699	180,699	180,699	180,699	100.00
Total Reserves	<u>190,699</u>	<u>190,699</u>	<u>3,395</u>	<u>187,304</u>	<u>98.22</u>
Debt service					
Debt service	500,201	500,201	487,573	12,628	2.52
<b>Total expenses on the budgetary basis</b>	<b>4,061,972</b>	<b>4,061,972</b>	<b>3,597,329</b>	<b>464,643</b>	<b>11.44</b>
Revenues under expenses	<u>\$</u>	<u>\$</u>	<u>\$ (17,637)</u>	<u>\$ (17,637)</u>	
Adjustments to reconcile to the GAAP Basis					
Total expenses on the budgetary basis			3,597,329		
Less capital outlay costs capitalized			(60,455)		
Less debt service			(487,573)		
Add depreciation expense			<u>457,747</u>		
<b>Total operating expenses</b>			<u>\$ 3,507,048</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.*

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*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 TEN FISCAL YEARS**  
*(ACCRUAL BASIS OF ACCOUNTING) Unaudited*

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Governmental Activities:</b>					
Invested in capital assets, net of related debt	\$ 3,563,142	\$ 3,762,961	\$ 3,535,596	\$ 8,118,773	\$ 10,543,788
Restricted	613,459	470,155	19,828	154,073	113,269
Unrestricted	<u>2,350,342</u>	<u>3,527,865</u>	<u>6,654,989</u>	<u>7,143,452</u>	<u>9,281,170</u>
Total governmental activities net assets	<u>6,526,943</u>	<u>7,760,981</u>	<u>10,210,413</u>	<u>15,416,298</u>	<u>19,938,227</u>
<b>Business-Type Activities:</b>					
Invested in capital assets, net of related debt	2,165,529	2,131,367	1,919,194	1,999,123	2,195,630
Unrestricted	<u>(65,937)</u>	<u>(5,195)</u>	<u>270,374</u>	<u>415,865</u>	<u>151,005</u>
Total business-type activities net assets	<u>2,099,592</u>	<u>2,126,172</u>	<u>2,189,568</u>	<u>2,414,988</u>	<u>2,346,635</u>
<b>Primary government:</b>					
Invested in capital assets, net of related debt	5,728,671	5,894,328	5,454,790	10,117,896	12,739,418
Restricted	613,459	470,155	19,828	154,073	113,269
Unrestricted	<u>2,284,405</u>	<u>3,522,670</u>	<u>6,925,363</u>	<u>7,559,317</u>	<u>9,432,175</u>
Total primary government net assets	<u>\$ 8,626,535</u>	<u>\$ 9,887,153</u>	<u>\$ 12,399,981</u>	<u>\$ 17,831,286</u>	<u>\$ 22,284,862</u>
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	
<b>Governmental Activities:</b>					
Invested in capital assets, net of related debt	\$ 12,845,093	\$ 16,643,241	\$ 18,184,508	\$ 17,237,355	
Restricted	979,182	251,088	390,081	548,489	
Unrestricted	<u>9,836,912</u>	<u>11,016,626</u>	<u>10,568,594</u>	<u>11,775,621</u>	
Total governmental activities net assets	<u>23,661,187</u>	<u>27,910,955</u>	<u>29,143,183</u>	<u>29,561,465</u>	
<b>Business-Type Activities:</b>					
Invested in capital assets, net of related debt	2,492,524	2,364,814	2,295,125	2,200,927	
Unrestricted	<u>202,802</u>	<u>434,212</u>	<u>403,261</u>	<u>385,623</u>	
Total business-type activities net assets	<u>2,695,326</u>	<u>2,799,026</u>	<u>2,698,386</u>	<u>2,586,550</u>	
<b>Primary government:</b>					
Invested in capital assets, net of related debt	15,337,617	19,008,055	20,479,633	19,438,282	
Restricted	979,182	251,088	390,081	548,489	
Unrestricted	<u>10,039,714</u>	<u>11,450,838</u>	<u>10,971,855</u>	<u>12,161,244</u>	
Total primary government net assets	<u>\$ 26,356,513</u>	<u>\$ 30,709,981</u>	<u>\$ 31,841,569</u>	<u>\$ 32,148,015</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 TEN FISCAL YEARS**

*(ACCRUAL BASIS OF ACCOUNTING) Unaudited*

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Expenses</b>					
Governmental activities:					
General government	\$ 2,781,333	\$ 3,174,460	\$ 2,127,009	\$ 1,784,528	\$ 2,698,187
Public safety	5,195,338	5,294,399	6,038,846	7,036,117	6,671,490
Public works	3,482,975	3,549,178	5,091,305	4,131,500	3,733,815
Community development and planning	-	-	-	657,112	737,165
Leisure services	1,539,771	1,280,483	1,635,784	2,562,627	2,781,658
Other government	-	-	842,561	2,049	-
Interest on long-term debt	128,507	40,580	151,233	241,995	204,666
Total governmental activities expenses	13,127,924	13,339,100	15,886,738	16,415,928	16,826,981
Business-type activities:					
Country club	2,676,883	2,567,690	2,607,712	2,124,927	3,570,683
Total business-type activities	2,676,883	2,567,690	2,607,712	2,124,927	3,570,683
Total primary government expenses	\$ 15,804,807	\$ 15,906,790	\$ 18,494,450	\$ 18,540,855	\$ 20,397,664
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	\$ 342,936	\$ 355,118	\$ 285,386	\$ 158,160	\$ 122,455
Public safety	258,723	273,391	329,081	388,671	345,731
Public works	727,016	895,291	1,326,820	140,923	217,975
Community development and planning	-	-	-	1,175,252	938,188
Leisure services	174,589	147,773	78,475	528,983	496,679
Other government	-	-	-	-	-
Operating grants and contributions	82,134	89,362	1,392,729	998,573	170,389
Capital grants and contributions	102,560	-	-	462,394	1,454,526
Total governmental activities program revenues	1,687,958	1,760,935	3,412,491	3,852,956	3,745,943
Business-type activities:					
Charges for services:					
Country club	2,510,258	2,548,259	2,658,468	2,167,089	3,463,524
Operating grants and contributions	-	-	-	68,883	-
Capital grants and contributions	10,000	-	-	-	-
Total business-type activities program revenues	2,520,258	2,548,259	2,658,468	2,235,972	3,463,524
Total primary government program revenues	\$ 4,208,216	\$ 4,309,194	\$ 6,070,959	\$ 6,088,928	\$ 7,209,467
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (11,439,966)	\$ (11,578,165)	\$ (12,474,247)	\$ (12,562,972)	\$ (13,081,041)
Business-type activities	(156,625)	(19,431)	50,756	111,045	(107,159)
Total primary government net expense	\$ (11,596,591)	\$ (11,597,596)	\$ (12,423,491)	\$ (12,451,927)	\$ (13,188,200)
<b>General revenues and other changes in net assets:</b>					
Governmental activities:					
Taxes:					
Property taxes	\$ 6,365,000	\$ 8,451,783	\$ 10,070,977	\$ 10,881,501	\$ 12,076,184
Local option gas taxes	-	-	-	307,043	292,332
Utility service taxes	1,755,153	1,830,339	1,955,403	2,001,164	2,001,443
Franchise taxes	890,285	861,708	890,297	1,150,974	1,207,552
Sales and use taxes	1,148,210	1,230,803	1,277,124	1,415,917	1,339,893
Unrestricted grants and contributions	276,302	291,710	421,254	-	-
Investment earnings	75,023	53,600	196,699	477,420	650,022
Miscellaneous	54,875	92,260	111,927	53,264	8,836
Contributions for Support Our Troops	-	-	-	-	15,502
Transfers	-	-	-	36,445	5,111
Total governmental activities	10,564,848	12,812,203	14,923,681	16,323,728	17,596,875
Business-type activities:					
Investment income	4,586	3,450	12,640	112,841	43,917
Miscellaneous	99,553	42,560	-	-	-
Transfers	-	-	-	(36,445)	(5,111)
Total business-type activities	104,139	46,010	12,640	76,396	38,806
Total primary government	\$ 10,668,987	\$ 12,858,213	\$ 14,936,321	\$ 16,400,124	\$ 17,635,681
<b>Change in net assets</b>					
Governmental activities	\$ (875,118)	\$ 1,234,038	\$ 2,449,434	\$ 3,760,756	\$ 4,515,834
Business-type activities	(52,486)	26,579	63,396	187,441	(68,353)
Total primary government	\$ (927,604)	\$ 1,260,617	\$ 2,512,830	\$ 3,948,197	\$ 4,447,481

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.*

	2008	2009	2010	2011
\$	1,839,228	\$ 2,239,511	\$ 2,679,192	\$ 2,403,681
	7,154,578	7,095,043	7,304,233	7,232,748
	3,996,711	4,083,441	4,594,738	4,733,913
	860,448	826,149	806,536	811,177
	3,244,045	3,174,623	2,830,292	2,749,065
	-	-	-	-
	120,549	26,702	4,384	
	<u>17,215,559</u>	<u>17,445,469</u>	<u>18,219,375</u>	<u>17,930,584</u>
	<u>3,268,562</u>	<u>3,308,535</u>	<u>3,398,206</u>	<u>3,691,528</u>
	<u>3,268,562</u>	<u>3,308,535</u>	<u>3,398,206</u>	<u>3,691,528</u>
\$	<u>20,484,121</u>	<u>20,754,004</u>	<u>21,617,581</u>	<u>21,622,112</u>
\$	123,334	\$ 122,569	\$ 126,968	\$ 130,886
	383,325	378,591	465,263	420,653
	288,994	394,082	411,722	400,662
	888,015	699,130	734,718	861,394
	595,558	912,862	1,063,748	1,043,459
	-	-	-	-
	88,224	105,080	96,670	126,568
	<u>1,602,465</u>	<u>2,017,158</u>	<u>75,845</u>	<u>5,169</u>
	<u>3,969,915</u>	<u>4,629,472</u>	<u>2,974,934</u>	<u>2,988,791</u>
	3,616,509	3,404,859	3,227,580	3,571,199
	13,609	-	-	-
	-	-	-	-
	<u>3,630,118</u>	<u>3,404,859</u>	<u>3,227,580</u>	<u>3,571,199</u>
\$	<u>7,600,033</u>	<u>8,034,331</u>	<u>6,202,514</u>	<u>6,559,990</u>
\$	(13,245,644)	\$ (12,815,997)	\$ (15,244,441)	\$ (14,941,793)
	361,556	96,324	(170,626)	(120,329)
\$	<u>(12,884,088)</u>	<u>(12,719,673)</u>	<u>(15,415,067)</u>	<u>(15,062,122)</u>
\$	11,915,355	\$ 11,917,359	\$ 11,053,128	\$ 10,441,869
	278,649	267,557	266,077	259,794
	2,018,071	2,239,002	2,261,375	2,198,148
	1,212,562	1,256,831	1,204,328	1,191,155
	1,227,341	1,116,107	1,114,945	1,140,744
	-	-	-	-
	194,652	(1,346)	280,217	97,743
	55,719	263,459	213,425	30,622
	16,959	6,796		
	49,296			
	<u>16,968,604</u>	<u>17,065,765</u>	<u>16,393,495</u>	<u>15,360,075</u>
	36,431	7,376	14,686	8,493
	-	-	55,300	
	(49,296)			
	<u>(12,865)</u>	<u>7,376</u>	<u>69,986</u>	<u>8,493</u>
\$	<u>16,955,739</u>	<u>17,073,141</u>	<u>16,463,481</u>	<u>15,368,568</u>
\$	3,722,960	\$ 4,249,768	\$ 1,149,054	\$ 418,282
	348,691	103,700	(100,640)	(111,836)
\$	<u>4,071,651</u>	<u>4,353,468</u>	<u>1,048,414</u>	<u>306,446</u>

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund					
Reserved	\$ 354,396	\$ 218,882	\$ 197,163	\$ 308,836	\$ 945,891
Unreserved	1,654,593	2,883,855	5,771,684	7,022,606	8,179,659
Total general fund	<u>\$ 2,008,989</u>	<u>\$ 3,102,737</u>	<u>\$ 5,968,847</u>	<u>\$ 7,331,442</u>	<u>\$ 9,125,550</u>
All other Governmental Funds					
Reserved	\$ 613,459	\$ 470,155	\$ 19,828	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	-	-	-	400,000	224,937
Capital projects funds	-	-	-	397,233	673,232
Total all other governmental funds	<u>\$ 613,459</u>	<u>\$ 470,155</u>	<u>\$ 19,828</u>	<u>\$ 797,233</u>	<u>\$ 898,169</u>
	<u>2008</u>	<u>2009</u>			
General Fund					
Reserved	\$ 775,339	\$ 563,115			
Unreserved	8,265,513	10,058,216			
Total general fund	<u>\$ 9,040,852</u>	<u>\$ 10,621,331</u>			
All other Governmental Funds					
Reserved	\$ 239,979	\$ -			
Unreserved, reported in:					
Special revenue funds	594,399	(152,861)			
Capital projects funds	713,373	825,778			
Total all other governmental funds	<u>\$ 1,547,751</u>	<u>\$ 672,917</u>			
	<u>2010</u>	<u>2011</u>			
General Fund					
Nonspendable	\$ 167,108	\$ 276,924			
Restricted	338,457	548,489			
Assigned	104,245	186,594			
Unassigned	10,443,099	10,688,660			
Total general fund	<u>\$11,052,909</u>	<u>\$ 11,700,667</u>			
All other Governmental Funds					
Restricted	\$ -	\$ -			
Assigned					
Special revenue funds	47,379	47,107			
Capital projects funds	844,742	1,491,574			
Total all other governmental funds	<u>\$ 892,121</u>	<u>\$ 1,538,681</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*.

The Village implemented GASB 54, *Fund Balance Reporting and Government Fund Definitions*, in 2011 and restated the 2010 amounts.

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

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Revenues:</b>					
Taxes	\$ 9,292,822	\$ 11,439,823	\$ 13,236,952	\$ 14,340,682	\$ 15,577,511
Licenses and Permits	686,548	712,184	1,131,903	1,128,658	880,266
Intergovernmental	1,280,228	1,350,104	2,804,985	2,914,057	2,750,021
Charges for services	665,496	719,589	647,915	1,003,660	1,082,569
Fines and forfeitures	113,391	122,407	234,513	165,496	132,158
Investment earnings	75,023	53,600	196,699	477,421	650,022
Miscellaneous	139,354	175,431	83,205	130,515	194,716
Total revenues	<u>12,252,862</u>	<u>14,573,138</u>	<u>18,336,172</u>	<u>20,160,489</u>	<u>21,267,263</u>
<b>Expenditures:</b>					
General government	1,360,072	1,532,561	2,061,545	1,648,131	2,304,654
Public safety	4,758,982	5,019,361	5,713,904	6,494,578	6,609,801
Public works	3,285,603	3,280,274	5,019,739	4,708,196	3,558,264
Community development and planning				651,331	735,155
Leisure services - recreation	1,216,156	1,256,066	1,376,950	1,682,030	2,430,403
Other government	1,298,492	1,186,730	817,293	2,049	
Capital outlay	2,542,819	581,938	-	1,917,377	2,737,805
Debt service					
Principal payments	939,396	955,184	903,225	879,527	789,048
Interest paid on debt	136,676	40,580	151,233	199,373	207,088
Total expenditures	<u>15,538,196</u>	<u>13,852,694</u>	<u>16,043,889</u>	<u>18,182,592</u>	<u>19,372,218</u>
Excess of revenues over (under) expenditures	(3,285,334)	720,444	2,292,283	1,977,897	1,895,045
Other financing sources (uses)					
Transfers in				1,471,529	593,884
Transfers out				(1,471,529)	(593,884)
Capital lease					
Proceeds from debt issuance	403,000	230,000	123,500		
Miscellaneous	(56)				
Total other financing sources (uses)	<u>402,944</u>	<u>230,000</u>	<u>123,500</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (2,882,390)</u>	<u>\$ 950,444</u>	<u>\$ 2,415,783</u>	<u>\$ 1,977,897</u>	<u>\$ 1,895,045</u>
Debt service as a percentage of noncapital expenditures	9.03%	8.11%	7.03%	7.29%	6.41%

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 15,424,638	\$ 15,680,749	\$ 14,784,906	\$ 14,090,966
1,047,144	880,016	910,997	959,098
2,459,211	3,315,908	1,768,388	1,557,377
1,268,774	1,684,718	1,944,245	1,934,424
235,965	145,340	142,048	164,366
194,652	(1,345)	280,218	97,743
137,447	300,455	278,062	59,462
<u>20,767,831</u>	<u>22,005,841</u>	<u>20,108,864</u>	<u>18,863,436</u>
2,246,461	1,970,257	2,496,342	2,402,241
7,056,833	6,835,730	7,021,231	7,053,282
3,725,450	3,432,556	3,887,034	4,044,642
840,366	784,486	774,121	790,937
2,876,840	2,898,252	2,361,388	2,295,959
2,597,065	3,939,455	663,582	682,057
716,206	1,395,735	2,250,000	
143,726	43,725	4,384	
<u>20,202,947</u>	<u>21,300,196</u>	<u>19,458,082</u>	<u>17,269,118</u>
564,884	705,645	650,782	1,594,318
1,254,952	454,111	163,490	1,334,934
(1,254,952)	(454,111)	(163,490)	(1,334,934)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 564,884</u>	<u>\$ 705,645</u>	<u>\$ 650,782</u>	<u>\$ 1,594,318</u>
4.91%	8.07%	11.99%	

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

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		
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
2007	2006	1,700,678,282	235,776,768	45,084,335	1,981,539,385	6.30
2008	2007	1,744,202,888	229,300,592	43,735,861	2,017,239,341	6.10
2009	2008	1,575,367,916	230,599,951	41,471,282	1,847,439,149	6.70
2010	2009	1,394,954,867	221,443,121	40,552,276	1,656,950,264	6.90
2011	2010	1,295,097,223	210,844,220	38,261,607	1,544,203,050	6.9723

**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	Overlapping Rates (1)			Total Direct and Overlapping Rates
			Palm Beach County School District	Palm Beach County	Special Districts	
2002	2001	5.600	8.95	4.935	2.456	21.941
2003	2002	5.800	8.78	4.808	2.488	21.876
2004	2003	6.800	8.57	4.791	2.556	22.717
2005	2004	7.270	8.43	4.768	2.526	22.994
2006	2005	6.800	8.11	4.719	2.504	22.133
2007	2006	6.300	7.87	4.480	2.325	20.975
2008	2007	6.100	7.36	3.981	2.131	19.572
2009	2008	6.698	7.25	3.966	2.257	20.171
2010	2009	6.900	7.98	4.561	2.493	21.934
2011	2010	6.9723	8.154	4.996	2.5549	22.6772

**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 TAXPAYERS**

**CURRENT YEAR AND 2002**

*Unaudited*

<u>Taxpayers</u>	<u>2011</u>			<u>2002</u>		
	<u>Taxable</u>	<u>Rank</u>	<u>Percentage</u>	<u>Taxable</u>	<u>Rank</u>	<u>Percentage</u>
	<u>Assessed</u>		<u>of Total</u>	<u>Assessed</u>		<u>of Total</u>
	<u>Value</u>		<u>Village Net</u>	<u>Value</u>		<u>Village Net</u>
			<u>Taxable</u>			<u>Taxable</u>
			<u>Assessed</u>			<u>Assessed</u>
	<u>Value</u>		<u>Value</u>	<u>Value</u>		<u>Value</u>
Florida Power & Light	\$ 14,537,154	1	0.94%	\$		
Olen Residential Realty	14,500,000	2	0.94%	17,399,486	1	1.76%
Greater Fla Inv Co &	13,376,802	3	0.87%	5,840,000	5	0.59%
Sanctuary Bay Trust Corporation	11,600,000	4	0.75%	13,120,685	2	1.32%
Crystal Tree Property Owners, LLC	11,000,000	5	0.71%			
New Country Motor Cars	10,984,628	6	0.71%			
Old Port Cove Holding, Inc	8,475,000	7	0.55%			
CF02 Palm Beach III LP	7,000,000	8	0.45%			
Domani Development, LLC	6,884,529	9	0.45%			
Village Shoppers at US 1 LLC	6,210,237	10	0.40%			
Interevest Crystal Tree				9,873,474	3	1.00%
North Palm Properties, LTD				8,600,000	4	0.87%
Transcontinental Atrium, Inc.				4,590,000	6	0.46%
Roschman, M. Elaine TR				4,100,000	7	0.41%
WCI Communities, Inc				4,009,300	8	0.40%
Pavilion Office Center				3,240,000	9	0.33%
Old Port Cove Dev.				3,118,107	10	0.31%
<b>Total</b>	<b>\$ 104,568,350</b>		<b>6.77%</b>	<b>\$ 73,891,052</b>		<b>7.45%</b>

**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
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%
2007	2006	12,624,307	11,802,457	93.49%	228,352	12,030,809	95.30%
2008	2007	12,360,135	11,546,732	93.42%	333,756	11,880,488	96.12%
2009	2008	12,401,519	11,530,384	92.98%	349,642	11,880,026	95.79%
2010	2009	11,564,281	10,683,829	92.39%	284,004	10,967,833	94.84%
2011	2010	10,793,319	10,097,289	93.55%	298,514	10,395,803	96.32%

**Source:** Palm Beach Country Property Appraiser

\* Information presented is preliminary due to county software upgrade problems.

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

Fiscal Year Ended Sept 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	Percent of Median Personal Income (1)	Per Capita (1)
	<u>Loans Payable</u>	<u>Capital Leases</u>	<u>Loans Payable</u>	<u>Capital Leases</u>			
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
2007	4,280,842	81,100	5,026,895		9,388,837	14.67%	715.61
2008	3,605,639	40,097	4,662,833	192,892	8,501,461	12.92%	692.64
2009	2,250,000	-	4,383,033	97,049	6,730,082	10.14%	583.15
2010	-	-	4,090,284	235,176	4,325,460	6.74%	371.64
2011	-	-	3,844,928	173,084	4,018,012	*6.26%	**345.22

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

\* 2010 Median Household Income was used for calculation - 2011 Income was not available due to agency software upgrades

\*\* 2010 Population was used for calculation - 2011's Population was not available due to agency software upgrades

(1) See the Schedule of Demographic and Economic Statistics on page 92 for personal income and population data.

N/A Data not available.

**VILLAGE OF NORTH PALM BEACH**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**SEPTEMBER 30, 2011**  
*Unaudited*

<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	\$ 226,545,000	1.22%	\$ 2,763,849
Palm Beach County School Board		1.15%	
Other debt:			
Palm Beach County	884,215,000	1.22%	10,787,423
Palm Beach County School Board	37,215,000	1.15%	<u>427,973</u>
Subtotal, overlapping debt			13,979,245
Village of North Palm Beach Direct Debt		100%	-
Total direct and overlapping debt			<u>\$ 13,979,245</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**  
**Pledged - Revenue Coverage**  
**Country Club Bonds**  
**Last Ten Fiscal Years**  
*Unaudited*

<u>Fiscal Year</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenue</u>	<u>Required Debt Service</u>	<u>Coverage (3)</u>
(4)					
2006	\$ 2,348,813	\$ 1,910,640	\$ 438,173	\$ 106,936	4.10 (4)
2007	3,507,441	2,991,621	515,820	392,505	1.31
2008	3,652,940	2,558,591	1,094,349	394,900	2.77
2009	3,412,235	2,587,171	825,064	394,900	2.09
2010	3,242,266	2,728,470	513,796	394,900	1.30
2011	3,579,692	3,049,301	530,391	394,900	1.34

(1) Gross revenue includes interest revenue.

(2) Operating expenses excludes depreciation.

(3) Coverage should be not less than 1.00.

(4) 2006 was the first year the debt was outstanding, and was not a complete year.

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

Calendar Year	Population (1)	Median Personal Income (1)	Per Capita Personal Income (1)	Palm Beach County Unemployment Rate (2)
2002	12,198	-	-	6.1
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
2007 (estimate)	13,120	63,984	42,224	4.1
2008 (estimate)	12,274	65,815	45,563	6.3
2009 (estimate)	11,541	66,401	49,350	10.8
2010 (estimate)	11,639	64,156	49,130	12.0
2011 (estimate)	*	*	*	10.7

**Sources:** Business Development Board  
US Census Bureau

\* 2011 Demographic data is not available due to Agency Software upgrade that is not complete

**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>2011</u>			<u>2002</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>		<u>Employees</u>	<u>Percentage of Total Employment</u>
Palm Beach Country School Board	21,495	3.47%	Palm Beach Country School Board	18,677	3.21%
Palm Beach County Government	11,381	1.84%	Palm Beach County Government	9,000	1.55%
State Government	9,200	1.49%	State Government	8,705	1.50%
Federal Government	6,200	1.00%	Federal Government	5,660	0.97%
Tenet Health Care Corp (2)	6,100	0.99%	HCA - Hospital Corp. of America (1)	4,000	0.69%
Florida Power & Light Company	3,632	0.59%	Intracoastal Health Systems, Inc (2)	3,040	0.52%
G4S Headquarters	3,000	0.48%	U.S. Sugar Corporation	3,000	0.52%
HCA - Hospital Corp. of America (1)	2,714	0.44%	Florida Power & Light Company	2,800	0.48%
Florida Atlantic University	2,706	0.44%	Boca Raton Resort & Club (Hotel)	2,380	0.41%
Bethesda Memorial Hospital	2,391	0.39%	Florida Crystals	2,000	0.34%
<b>Total</b>	<u>68,819</u>	<u>11.13%</u>	<b>Total</b>	<u>59,262</u>	<u>10.19%</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.

**Notes:**

- (1) Formerly Columbia Palm Beach Health Care Systems, Inc
- (2) Intracoastal Health Systems, Inc - now part of Tenet Healthcare Corp

**VILLAGE OF NORTH PALM BEACH**  
**Full-Time Equivalent Village Government Employees by Function**  
**LAST TEN FISCAL YEARS (\*)**  
*Unaudited*

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Number of Employees:										
General Government										
Village Manager - Full-Time	1	1	1	1	1	1	1	1	1	1
Assistant Village Manager - Full-Time	1	1	1	1	0	0	0	0	0	0
Systems Specialist										
Full-Time	1	1	1	1	2	2	2	2	2	2
Part-Time	0	0	0	0	0	0	0	1	1	1
Executive Secretary - Full-Time	1	1	1	1	1	1	1	1	1	1
Human Resources					2	2	2	2	2	2
Village Clerk - Full-Time	2	3	3	3	3	3	3	3	3	3
Finance										
Full-time	5	5	5	5	5	5	5	5	5	5
Part-Time	0	0	0	0	0	0	1	1	1	1
Public Works										
Full-time	61	61	61	62	54	47	48	38	37	37
Part-Time	4	8	8	6	3	0	0	0	0	0
Public Safety										
Full-time	63	66	66	61	66	68	68	67	67	67
Part-Time	12	14	14	15	14	13	12	11	12	12
Community Development and Planning										
Full-time	0	0	0	0	0	9	10	9	9	9
Part-Time	0	0	0	0	0	1	1	2	2	2
Leisure Services										
Library										
Full-time	9	9	9	8	7	7	7	6	6	6
Part-Time	8	7	7	7	8	8	8	10	10	10
Recreation										
Full-time	5	6	6	5	15	15	17	9	7	6
Part-Time	14	14	14	15	31	39	42	42	42	43
Other Government - Country Club										
Full-time	24	25	25	24	18	19	18	5	5	7
Part-Time	36	27	27	27	24	25	22	21	21	64
<b>Total Number of Employees Budgeted FY Ending</b>	<b>247</b>	<b>249</b>	<b>249</b>	<b>242</b>	<b>254</b>	<b>265</b>	<b>268</b>	<b>236</b>	<b>234</b>	<b>279</b>

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

Source: Village of North Palm Beach Budget Report

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

FUNCTION/PROGRAM	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>GENERAL GOVERNMENT</b>										
Number of Parcels	-	-	-	-	-	7,411	7,422	7,472	7,466	7,466
<b>PUBLIC WORKS</b>										
Street Maintenance (No. of lane miles maintained)	31,155	31,155	31,155	31,155	31,155	31	31	31	31	31
Sanitation (Tons of Refuse Collected)	12,996	13,136	18,842	14,037	13,203	12,085	11,974	10,667	10,165	9,962
No. of collection units for solid waste (residential)	7,328	7,434	7,470	7,519	7,558	7,152	7,163	7,214	7,070	7,071
Number of vehicles maintained	95	95	95	95	95	104	104	110	110	98
Number of repair overlays completed (miles)	2.840	3.787	5.587	2.462	2.935	2	3	2.5	2.71	-
<b>PUBLIC SAFETY</b>										
Number of arrests by police officers	246	320	315	331	410	545	549	448	402	260
Number of traffic citations issued	3,936	2,564	3,110	5,743	4,272	4,269	5,520	6,305	4,951	2,564
EMS average response times (minutes)	3.33	2.94	4.42	3.98	4.69	4.73	5.17	5.01	5.12	5.19
Number of EMS calls	853	922	1,066	965	1,056	1,034	1,114	1,214	1,146	1,179
<b>COMMUNITY DEVELOPMENT &amp; PLANNING</b>										
Building Department - Number of Permits	205	224	201	201	(1)	1,875	1,619	1,548	1,744	1,616
Number of code enforcement violations	-	-	-	-	1,767	1,617	729	613	391	575
Number of code violations brought to board/magistrate (Calendar Yr End)	101	120	145	165	144	126	115	73	38	72
<b>RECREATION</b>										
Number of community events presented	13	14	15	22	21	24	23	28	28	38
Number of registrants in athletic programs	2,185	1,750	1,575	1,400	1,520	1,600	1,400	1,125	1,005	1,260
<b>LIBRARY</b>										
Library - Number of Volumes	47,339	47,960	47,531	54,074	47,371	42,372	33,122	35,681	39,277	40,658
<b>OTHER GOVERNMENT</b>										
Country Club										
Number of Golf Members	-	-	-	-	365	579	389	297	354	298
Number of Tennis Members	-	-	-	-	136	171	171	180	184	173

(1) 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 ASSET STATISTICS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**  
*Unaudited*

Function/Program:	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>General Government</b>										
No. of General Government Buildings	11	11	11	11	11	11	11	23	23	23
<b>Public Works</b>										
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	513	513	513	513
<b>Public Safety</b>										
<b>Fire:</b>										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Number of Fireman & Officers	8	8	8	8	0	0	0	0	0	0
Number of Firemen/Paramedics/EMTs	0	0	0	0	23	23	23	23	23	23
<b>Police/EMS Protection:</b>										
Number of Stations	2	1	1	1	1	1	1	1	1	1
Number of Policemen & Officers	33	35	35	35	33	32	32	31	31	31
EMS Protection	13	13	13	13	0	0	0	0	0	0
<b>Leisure Services</b>										
<b>Recreation</b>										
Number of Parks	4	4	4	4	4	4	4	4	4	4
Public Tennis Courts	4	4	4	4	2	2	2	2	2	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
<b>Library</b>										
Number of Libraries	1	1	1	1	1	1	1	1	1	1
Number of Volumes	47,339	47,960	47,531	54,074	47,371	42,372	33,122	35,681	39,277	40,658
<b>Other Government</b>										
<b>Country Club</b>										
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
Restaurant/Sanck Bar	-	-	-	-	-	-	-	-	1	1

**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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BELLE GLADE, FLORIDA 33430-0338  
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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, 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, 2011, which collectively comprise the Village of North Palm Beach, Florida's basic financial statements and have issued our report thereon dated March 13, 2012. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of North Palm Beach, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of North Palm Beach, Florida's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 March 13, 2012.

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

*Nowlen, Holt & Mimer, P.A.*

March 13, 2012  
West Palm Beach, Florida



# NOWLEN, HOLT & MINER, P.A.

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## MANAGEMENT LETTER

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

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We have audited the financial statements of the Village of North Palm Beach, Florida, as of and for the year ended September 30, 2011, and have issued our report thereon dated March 13, 2012.

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. 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 March 13, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report.

### PRIOR YEAR COMMENTS

The Rules of the Auditor General require that we address in the management letter whether or not recommendations made in the preceding annual financial audit report have been followed. All prior year recommendations have been implemented.

### CURRENT YEAR COMMENTS

The Rules of the Auditor General require that we address in the management letter any recommendations to improve financial management. In connection with our audit for the fiscal year ended September 30, 2011, we did not have any such recommendations.

### Investment of Public Funds

Rules of the Auditor General require our audit to include a review of the Village's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit for the fiscal year ended September 30, 2011, the results of our procedures did not disclose any instances of noncompliance with Section 218.415, Florida Statutes.

### Violations of Contracts and Grant Provisions or Abuse

Rules of the Auditor General require that we address violations of provisions of contracts or grant agreements or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit for the fiscal year ended September 30, 2011, we did not have any such findings.

### Matters Inconsequential to the Financial Statements

Rules of the Auditor General provide that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit for the fiscal year ended September 30, 2011, we did not have any such findings.

### 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

Rules of the Auditor General require a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, the results of our procedures did not disclose that the Village of North Palm Beach, Florida has met any of the conditions described in Section 218.503(1) during the fiscal year ended September 30, 2011.

### Annual Financial Report

Rules of the Auditor General require that we determine whether the annual financial report for the Village of North Palm Beach, Florida for the fiscal year ended September 30, 2011, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year

ended September 30, 2011. In connection with our audit, we noted that the two reports were in substantial agreement.

Financial Condition Assessment Procedures

Pursuant to Rules of the Auditor General, we applied financial condition assessment procedures as of September 30, 2011. It is management's responsibility to monitor the Village's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provide by management. The results of our procedures did not disclose any matters that are required to be reported.

Excess of Expenditures Over Appropriations

There were no departments that had expenditures in excess of appropriations.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the audit committee, Village Council, federal and state awarding agencies and pass-through entities, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Nowlen, Holt & Mimer, P.A.*

March 13, 2012  
West Palm Beach, Florida