



The Village of North Palm Beach, FL



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2009

The Village of North Palm Beach, Florida



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2009

**Prepared by:
Finance Department**

**Samia Janjua
Director of Finance**

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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THE VILLAGE OF NORTH PALM BEACH, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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INTRODUCTORY SECTION



THE VILLAGE OF NORTH PALM BEACH

"THE BEST PLACE TO LIVE UNDER THE SUN"

March 25, 2010

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, 2009.

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

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

THE REPORT

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, 2009. 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 increase to approximately 18,000 during the winter months by residents who list their northern homes as their official place of residence. Residents are generally in the middle to upper income brackets.

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

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

FINANCIAL DATA

Financial Reporting System and Budgetary Controls

The Village's financial records for its general governmental operations are maintained on the modified accrual basis, which means that revenues are recorded when available and measurable, and expenditures are reported when goods and services are received and the related liabilities are incurred.

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

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

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

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

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

ECONOMIC OUTLOOK

Property Values

The Village obtains a major portion of its annual general fund financial resources (60%) from ad valorem property taxes. Gross assessed property values had increased substantially (67%) between the years of 2002 thru 2006 but slowed significantly in 2007. In year's 2008 and 2009 area property values decline in value and 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 will 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 is an obvious softening of the real-estate market significantly impacting both home values and sales.

With the passing of *Amendment One* (Property Tax Reform) in January of 2008 the Village's property tax valuation continues to be negatively impacted! Three primary factors play a role on that impact, doubling the Homestead exemptions to fifty thousand dollars, capping of assessed property values for those homes not currently homesteaded and Portability. Political discussions continue regarding other alternative taxations which make future forecasts of Village property tax valuation uncertain. The Village will continue to pursue annexation of surrounding unincorporated areas that compliment and enhance the services and values of our existing community. The focus of Village annexation efforts will be toward providing exemplary municipal services that are revenue "neutral" to both the annexed areas and to the Village.

Investment Revenues:

The economic downturn and softening of the Money Market has had significant consequences to the Village's investment revenues. The Village in the short-term had made a conscious decision to modify its investment strategies towards the Treasury Market to better protect and ensure the availability of Village's investment balances. This move proved successful in the safeguarding of Village investments during this Market freefall but has impacted the interest/dividend revenues to the Village. Two years ago the Village has with the assistance of the Village's Audit Committee adopted a "revised" Investment policy designed to provide safety, liquidity while maximizing the 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 in be deposited in an interest bearing account so as not to impede operations should liquidity be temporary unavailable.

Personnel Costs

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

Agreements for all three of the Village's collective bargaining units (police, fire, and public service workers) will run through September 30th 2010. As a result of the unstable economic conditions, all three collective bargaining agreements were reduced from three year contracts to single year contracts thus giving the Village a more accurate means by which to calculate future year salaries and benefit costs. The impacts of personnel salaries and benefits in the coming years will have a large and continuing effect on future Village financing and service priorities in areas of staffing, public services and public projects. With the current economic condition any [employee] enhancement to the collective bargaining agreements are not likely.

INITIATIVES AND FUTURE PROJECTS

Communication/Automation upgrade:

The Village of North Palm Beach currently utilizes AT&T as its sole source phone and data provider. Presently the Village has phone and data connectivity at the following locations: Public Safety, Village Hall, Village Library, Anchorage Park, Community Center, Public Works, and the Country Club. The current infrastructure provides for 2 connections or two networks at each site, one for voice, and the other for data services. The current voice infrastructure utilizes antiquated digital circuits while the data service utilizes VPN (Virtual Private Network) computer connectivity through the internet.

The existing system is antiquated, cumbersome, and expensive which presents the Village with many challenges. Currently the system provides minimal bandwidth at remote sites, causing data loss and extremely slow network performance. Secondly, this system places a heavy burden on the Village's Finance department due to the individual billing methods employed by the current provider. Lastly, the system utilizes 2 separate networks which are unmanageable [by Village staff] and very expensive to maintain. The Village is spending an average of \$11,000 per month on data and phone services alone.

Staff has worked diligently and understands the significance of developing new ways to cut costs during these tough economic times. After several months of research, the Information Systems Department has found a solution that will cut costs, maximize network performance, increase bandwidth by more than double of our current solution, and provide financial statements catered to our needs.

Nuvox Technologies is a premier phone / data service provider that is known nationwide and has been in business for over 35 years. Numerous governmental agencies are currently utilizing this solution and references have all been favorable. Nuvox can provide the Village of North Palm Beach with their VOXNET data solution. The VOXNET solution allows remote locations to connect using a technology which manages voice and data over a single data line.

Nuvox will provide local services, 5000 minutes of long distance per month, interoffice connectivity and secure network access. This solution also provides an extended local calling area from Sebastian to Key West, as well as Long Distance Roll Over minutes for all locations. The entire solution is fully managed on Nuvox's Cisco certified network. The total cost of data services from Nuvox per month is \$4,188 or \$50,256 annually. That is an annual savings of nearly \$85,000 dollars.

Northlake Boulevard Corridor Task Force:

An initial \$500,000 grant from the State DOT allowed the Village to award a local company the bid for construction of Phase 1 of the Northlake Blvd. streetscape improvement. This first phase provided sidewalk widening and median / swale area landscaping improvements from US1 westward to Southwind Drive. Replacement of deficient vegetation was completed in February 2007. The Task Force has begun to work on the implementation of Phase II which extends from Southwind Drive westward to Alternate A1A, but funding remains to be a challenge for all Task Force entities.

Earman River Water Supply Line:

The existing irrigation system for the Country Club / Golf Course, U.S. 1 Median and Village Parks are supplied by the Earman River. This supply line runs from the Earman River to the Lake on the 13th Fairway and is beginning to show signs of deterioration. Staff in FY2009 replaced a portion of the line that had shown signs of leaking and the submersible pump which is located at the Earman River site is scheduled to be replaced in this upcoming fiscal year.

Canal Dredging:

One of the noted development signatures of the Village is its intricate network of canals and waterways. The canals and waterways enhance the property values of the Village and give it character as a boating community. The canals were built in the 1950's as part of the original development of North Palm Beach. However, the canals have not been maintained by the Village in that length of time and as a result have silted up and created navigational problems for boaters. In order to alleviate this problem, the Village has been going through an extensive dredging program to upgrade the quality of the canals and the North Palm Beach waterways. The dredging program was developed and implemented as a four-phase program with the first and second phases being completed in 2004 and phase three reaching completion in 2005. The completion of the remaining two canals had been stalled due to the identification of **Johnson's sea-grass** which is a natural food source for the manatee population and is highly regulated by various Federal and State agencies. The Village has successfully obtained the necessary permits required for the dredging of the last two remaining canals and work has begun with an anticipated completion date of sometime early March 2010.

Public Works:

The Public Works, Streets/Grounds Division has identified three (3) storm water drain systems that are in need of repair. Two of the projects involve replacing sections of pipe where joints have separated. The third project will correct a serious drainage deficiency in the area of Fairhaven Road. The plan is to excavate and remove the existing pipe and replace it with a larger diameter pipe, thus increasing outflow. The estimated cost to make the necessary repairs to all three locations is estimated at \$84,755.

Parks and Recreation:

The Village of North Palm Beach Parks and Recreation Department is looking forward to the following upcoming projects. The Community Center gymnasium floor is scheduled to be resurfaced and painted in April of 2010. Parks and Recreational staff has made application this year for two (2) FRDAP grants, totaling \$162,000 dollars. The first application (\$50,000 non-matching) identified the Village's desire to erect a "Veterans Memorial" to the rear of Village Hall and adjacent to the Public Library. The second application if awarded will serve to defray costs associated with the resurfacing of the Village's municipal pool. This grant application was for \$150,000 with a 25% or \$37,500 Village Match.

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, 2008. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

The Government Finance Officers Association also awarded the Village of North Palm Beach with the **Distinguished Budget Presentation Award** for the Fiscal Year beginning October 1, 2009.

Additionally, In December 2009 the Government Finance Officers Association presented a **Certificate of Recognition for Budget Preparation** to Samia Janjua, Director of Finance for the Village of North Palm Beach.

Respectfully submitted,



Samia Janjua
Director of Finance



Jimmy Knight
Village Manager

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

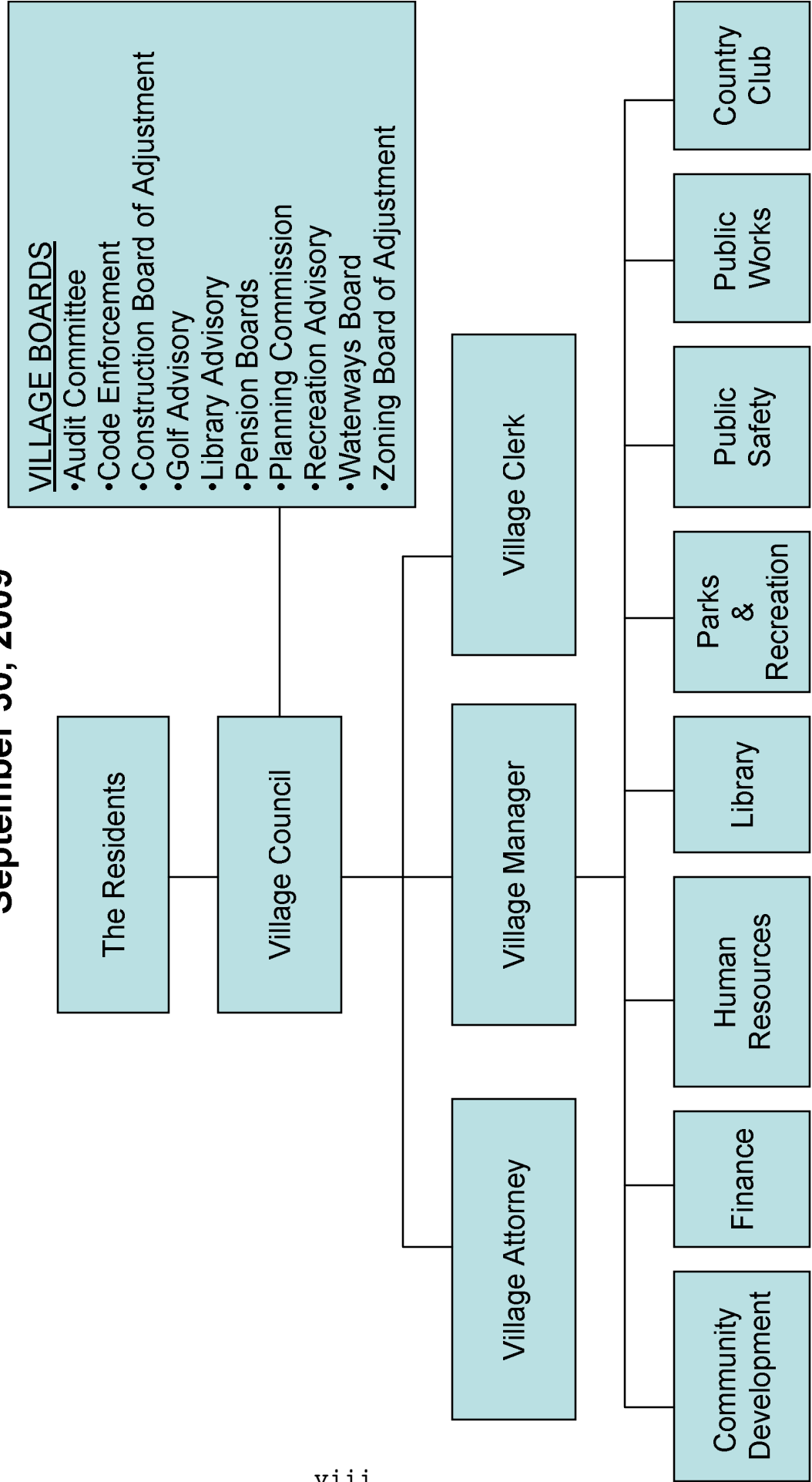
PRINCIPAL VILLAGE OFFICIALS

SEPTEMBER 30, 2009

<u>Title</u>	<u>Name</u>
Mayor	David B. Norris
Vice Mayor	William L. Manuel
President Pro Tem	Darryl C. Aubrey
Council Member	Edward M. Eissey
Council Member	T.R. Hernacki
Village Manager	Jimmy Knight
Director of Finance	Samia Janjua
Village Clerk	Melissa Teal

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Organization Chart September 30, 2009



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, 2008

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



President

Executive Director

FINANCIAL SECTION



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of North Palm Beach, Florida as of and for the year ended September 30, 2009, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of North Palm Beach, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of North Palm Beach, Florida as of September 30, 2009, 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 17, 2010, 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.

Management's Discussion and Analysis on pages 3 through 10 and the required supplementary information on pages 64 through 69 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Nowlen, Holt & Mimer, P.A.

March 17, 2010
West Palm Beach, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Village of North Palm Beach, Florida (Village) Administration offers readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended September 30, 2009. 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 #
	2009	2008		
Total net assets	\$30.70	\$26.35	\$4.35	11
Unrestricted net assets available for future use	\$11.45	\$10.03	\$1.42	11
Governmental net assets	\$27.91	\$23.66	\$4.25	11
Total revenues from all sources	\$25.10	\$24.54	\$0.56	12
Governmental revenues	\$21.69	\$20.89	\$0.80	12
Total cost of all Village programs	\$20.75	\$20.48	\$0.27	12
Governmental revenues over (under) expenses	\$4.24	\$3.72	\$0.52	13
General fund revenues over (under) expenses	\$1.89	\$1.17	\$0.72	16
General fund unreserved fund balance	\$10.05	\$8.29	\$1.76	14
As a percent of general fund expenditures	55.56%	44.48%	\$0.11	
Country Club revenues over (under) expenses	\$0.10	\$0.35	(\$0.25)	19
Change in total long-term debt for the Village	(\$1.77)	(\$0.94)	(\$0.83)	

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 the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Village's general government operations and the basic services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs.

The 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, the Capital Projects Fund and the Recreation Special Revenue Fund, all of which are considered *major funds* (Generally accepted accounting principals 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). Data from the three remaining governmental funds are combined into a single column for an aggregated presentation. The basic governmental fund financial statements can be found on pages 14-17 of this report.

- **Proprietary Funds**

The Village's only proprietary fund is the Country Club Fund, which charges customers for the services it provides. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The basic proprietary fund financial statements can be found on pages 18-20 of this report.

- **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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 21-22 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 \$30.70 million at the close of the most recent fiscal year.

A significant portion of the Village's net assets (61.89%) 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 Activities		Business Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets:						
Current and other assets	\$ 14,101	\$ 13,617	\$ 1,136	\$ 932	\$ 15,237	\$ 14,549
Capital assets	19,177	16,491	6,795	7,348	25,972	23,839
Total assets	<u>33,278</u>	<u>30,108</u>	<u>7,931</u>	<u>8,280</u>	<u>41,209</u>	<u>38,388</u>
Liabilities:						
Current liabilities	1,584	1,713	630	715	2,214	2,428
Long-term debt outstanding	3,783	4,734	4,502	4,870	8,285	9,604
Total liabilities	<u>5,367</u>	<u>6,447</u>	<u>5,132</u>	<u>5,585</u>	<u>10,499</u>	<u>12,032</u>
Net assets:						
Invested in capital assets, net of debt	16,643	12,845	2,365	2,493	19,008	15,338
Restricted	251	979			251	979
Unrestricted	11,016	9,837	434	202	11,450	10,039
Total net assets	<u>\$ 27,910</u>	<u>\$ 23,661</u>	<u>\$ 2,799</u>	<u>\$ 2,695</u>	<u>\$ 30,709</u>	<u>\$ 26,356</u>

Governmental Activities

Governmental activities increased the Village's net assets by \$4.25 million, thereby accounting for 97.6% of the total increase in the net assets of the Village. Key elements of this increase are as follows:

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

	Governmental Activities		Business Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 2,507	\$ 2,279	\$ 3,405	\$ 3,617	\$ 5,912	\$ 5,896
Operating grants and contributions	105	88		14	105	102
Capital grants and contributions	2,017	1,602			2,017	1,602
General revenues:						
Property taxes	11,917	11,915			11,917	11,915
Local option gas taxes	268	279			268	279
Utility service taxes	2,239	2,018			2,239	2,018
Sales and use taxes	1,116	1,227			1,116	1,227
Franchise taxes	1,257	1,213			1,257	1,213
Investment earnings	(1)	195	7	36	6	231
Miscellaneous	211	22			211	22
Contribution-Support Our Troops	7	17			7	17
Gain (loss) on asset disposals	52	34			52	34
Total revenues	21,695	20,889	3,412	3,667	25,107	24,556
Expenses:						
Program expenses:						
General Government	2,240	1,839			2,240	1,839
Public Safety	7,095	7,154			7,095	7,154
Public Works	4,083	3,997			4,083	3,997
Community Development & Planning	826	860			826	860
Leisure Services	3,174	3,244			3,174	3,244
Reserves & Other					-	-
Interest on long-term debt	27	121			27	121
Country Club			3,309	3,269	3,309	3,269
Total expenses	17,445	17,215	3,309	3,269	20,754	20,484
Subtotal	4,249	3,674	104	398	4,353	4,072
Transfers		49		(49)	-	-
Increase (decrease) in net assets	4,249	3,723	104	349	4,353	4,072
Net assets - beginning of year	23,661	19,938	2,695	2,346	26,356	22,284
Net assets - end of year	\$ 27,910	\$ 23,661	\$ 2,799	\$ 2,695	\$ 30,709	\$ 26,356

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)

	2009		2008	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 2,240	\$ (2,082)	\$ 1,839	\$ (1,707)
Public safety	7,095	(6,642)	7,154	(6,626)
Public works	4,083	(3,684)	3,997	(3,702)
Community development and planning	826	(127)	860	28
Leisure services	3,174	(254)	3,244	(1,118)
Interest on long-term debt	27	(27)	121	(121)
	<u>\$ 17,445</u>	<u>\$ (12,816)</u>	<u>\$ 17,215</u>	<u>\$ (13,246)</u>

The cost of all governmental activities this year was \$17.44 million. As shown on Table 3, Changes in Net Assets, those who directly benefited from the programs paid for \$2.50 million of this cost and \$12.81 million was financed through general revenues. The Village added \$4.24 million to fund balance during 2009.

Total Costs for the General Government increased by \$0.40 million. The increase is due largely to the Village's implementation of GASB 45 (OPEB). A liability of \$0.28 million was recorded. *Additional information on the Village's implementation of GASB 45 can be found in Note 15 on page 59 of this report.* There is also a long-term governmental liability of \$0.10 million for pending claims activity for SERMA (See Note 8 on page 43 of this report.). Most departments realized a reduction in their overall departmental costs (for example, Public Safety Department decreased by \$0.06 million, the Leisure Services Department decreased by \$0.07 million and the Community Development & Planning Department decreased by \$0.03 million) primarily due to the centralization of services for both vehicle and facility maintenance. The Public Works budget conversely, increased by \$0.09 million.

Business Type Activities

Charges for Services (revenues) in the Business Type Activities experienced an overall decline (\$0.21 million) from that of the previous year. That decline was most prominent in the area of Club memberships, which is directly tied to the struggling economy. During this same period, expenses increased slightly (\$0.04 million) due to a scheduled increase in the Golf Course Maintenance contract along with a number of improvements to the overall appearance of the Country Club. Those appearance improvements included enhancements to the landscaping, lighting, and pedestrian walkway at the front entrance of the Country Club. The "driving range" was also enhanced with the installation of a "synthetic" driving mat to provide for increased playability. Net assets of the Proprietary Fund (Country Club) at September 30, 2009, were \$2.79 million. Net assets increased by \$103,700.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

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

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

At the end of the current fiscal year, the combined fund balance for all Governmental Funds was \$11.29 million, a \$0.70 increase over the 2008 fund balance of \$10.59 million. Approximately 95% of the combined ending fund balance (\$10.73 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance (\$0.56 million) is reserved to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the general fund was \$10.05 million, while total fund balance was \$10.62 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance is 55% of total general fund expenditures, while total fund balance represents 58% of that same amount.

The Village uses one Capital Projects Fund to account for the acquisition of new and expanded public infrastructure throughout the Village. The Capital Projects Fund was considered a major fund in fiscal year 2009. A total of \$776 thousand was expended in Fiscal Year 2009, the bulk of which (\$642 thousand) was for the new tennis complex. The Village was successful in offsetting portions of those costs with both grant funds and developer monies.

The Village also uses four Special Revenue Funds (Public Safety, Recreation, Northlake Boulevard and On-Behalf Pension). Only the Special Revenue Recreation Fund was considered a major fund in fiscal year 2009. This fund is used to account for the refurbishment of parks within the Village. In fiscal year 2009, the Village paid \$2.15 million for Anchorage Park Improvements. The Village was successful in offsetting portions of those costs with grant funds.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$728,600 and can be briefly summarized as follows:

- Grant-Waterline (\$85,000)
- Tennis Facility-Recreation Impact Fees (\$150,000)
- Loan Payoff (\$234,775)
- Fiscal Year 2007-2008 Open Purchase Order Carryover (\$258,825)

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, 2009 and 2008 amounts to \$25.97 million and \$23.84 million (net of accumulated depreciation). The total increase in the Village's investment in capital assets for the current fiscal year was \$2.13 million, which is largely due to an increase in capital improvement projects.

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

	Governmental Activities		Business Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 2,151	\$ 2,151	\$ 1,051	\$ 1,051	\$ 3,202	\$ 3,202
Construction in progress	204	777			204	777
Buildings and improvements	21,137	17,278	1,406	1,436	22,543	18,714
Improvements other than buildings	7,300	6,975	354	407	7,654	7,382
Improvements - golf course			5,823	7,060	5,823	7,060
Furniture, fixtures and equipment			742	785	742	785
Total assets	30,792	27,181	9,376	10,739	40,168	37,920
Less accumulated depreciation	(11,615)	(10,690)	(2,581)	(3,391)	(14,196)	(14,081)
Net assets	<u>\$ 19,177</u>	<u>\$ 16,491</u>	<u>\$ 6,795</u>	<u>\$ 7,348</u>	<u>\$ 25,972</u>	<u>\$ 23,839</u>

Additional information on the Village's capital assets can be found in Note 7 on page 41 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 \$6.7 million. None of this amount 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	
	2009	2008	2009	2008	2009	2008
Loans payable	\$ 2,250	\$ 3,606	\$ 4,383	\$ 4,663	\$ 6,633	\$ 8,269
Capital leases		40	97	193	97	233
Total	<u>\$ 2,250</u>	<u>\$ 3,646</u>	<u>\$ 4,480</u>	<u>\$ 4,856</u>	<u>\$ 6,730</u>	<u>\$ 8,502</u>

Additional information on the Village's debt can be found in Note 8 on page 43 of this report.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The Village's Unappropriated Fund Balance is viewed by the Administration as a measurement of Village financial stability. Unreserved general fund balance increased to \$10.05 million during the current 2009 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, decline in property values and general decline in the value of investments 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, 2009

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,354,887	\$ 959,140	\$ 4,314,027
Investments	8,194,206		8,194,206
Accounts receivable, net	364,248	63,809	428,057
Developer fee receivable	675,000		675,000
Inventories	29,344	29,497	58,841
Prepays	284,761	34,132	318,893
Due from other governments	601,913		601,913
Restricted assets:			
Cash and cash equivalents	249,010		249,010
Net pension assets	347,201		347,201
Intangible assets		49,117	49,117
Capital assets:			
Nondepreciable	2,355,329	1,051,311	3,406,640
Depreciable (net of depreciation)	16,822,429	5,744,468	22,566,897
Total assets	33,278,328	7,931,474	41,209,802
Liabilities			
Accounts payable	824,991	75,711	900,702
Accrued liabilities	458,401		458,401
Accrued interest payable		2,097	2,097
Deposits		13,000	13,000
Deferred revenue	300,785	539,384	840,169
Noncurrent liabilities:			
Due within one year	1,116,494	402,750	1,519,244
Due in more than one year	2,666,702	4,099,506	6,766,208
Total liabilities	5,367,373	5,132,448	10,499,821
Net Assets			
Invested in capital assets, net of related debt	16,643,241	2,364,814	19,008,055
Restricted for:			
Library	19,206		19,206
Recreation	128,500		128,500
Public safety	60,938		60,938
Other purposes	42,444		42,444
Unrestricted	11,016,626	434,212	11,450,838
Total net assets	\$ 27,910,955	\$ 2,799,026	\$ 30,709,981

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Activities
For the Year Ended September 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Activities</u>
Government:		
Governmental activities		
General government	\$ 2,239,511	\$ 122,569
Public safety	7,095,043	378,591
Public works	4,083,441	394,082
Community development and planning	826,149	699,130
Leisure services	3,174,623	912,862
Interest on long-term debt	26,702	
Total governmental activities	<u>17,445,469</u>	<u>2,507,234</u>
Business-type activities - country club	<u>3,308,535</u>	<u>3,404,859</u>
Total business-type activities	<u>3,308,535</u>	<u>3,404,859</u>
Total government	<u><u>\$ 20,754,004</u></u>	<u><u>\$ 5,912,093</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
\$ 34,850	\$	\$ (2,082,092)	\$	\$ (2,082,092)
43,937	30,150	(6,642,365)		(6,642,365)
5,719		(3,683,640)		(3,683,640)
		(127,019)		(127,019)
20,574	1,987,008	(254,179)		(254,179)
		(26,702)		(26,702)
<u>105,080</u>	<u>2,017,158</u>	<u>(12,815,997)</u>		<u>(12,815,997)</u>
			96,324	96,324
			96,324	96,324
<u>\$ 105,080</u>	<u>\$ 2,017,158</u>	<u>(12,815,997)</u>	<u>96,324</u>	<u>(12,719,673)</u>

General Revenues:

Taxes:				
Property taxes		11,917,359		11,917,359
Local option gas taxes		267,557		267,557
Utility service taxes		2,239,002		2,239,002
Franchise taxes		1,256,831		1,256,831
Sales and use taxes		1,116,107		1,116,107
Investment income		(1,346)	7,376	6,030
Gain on disposal of fixed assets		52,016		52,016
Miscellaneous		211,443		211,443
Contributions for support our troops		6,796		6,796
Total general revenues		<u>17,065,765</u>	<u>7,376</u>	<u>17,073,141</u>
Change in net assets		4,249,768	103,700	4,353,468
Net assets, beginning of year		<u>23,661,187</u>	<u>2,695,326</u>	<u>26,356,513</u>
Net assets, end of year		<u>\$ 27,910,955</u>	<u>\$ 2,799,026</u>	<u>\$ 30,709,981</u>

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2009

	General	Capital Projects Fund	Recreation Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 2,477,889	\$ 874,920	\$	\$ 2,078	\$ 3,354,887
Investments	8,194,206				8,194,206
Accounts receivable	364,248				364,248
Developer fee receivable	675,000				675,000
Inventories	29,344				29,344
Prepays	284,761				284,761
Due from other funds	109,921	44,028			153,949
Due from other governments	167,036	13,561	199,944	221,372	601,913
Restricted cash and cash equivalents	249,010				249,010
Total assets	<u>\$ 12,551,415</u>	<u>\$ 932,509</u>	<u>\$ 199,944</u>	<u>\$ 223,450</u>	<u>\$ 13,907,318</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 495,898	\$ 106,731	\$ 990	\$ 221,372	\$ 824,991
Accrued liabilities	458,401				458,401
Due to other funds			153,949		153,949
Deferred revenue	975,785		199,944		1,175,729
Total liabilities	<u>1,930,084</u>	<u>106,731</u>	<u>354,883</u>	<u>221,372</u>	<u>2,613,070</u>
Fund balances					
Reserved for:					
Inventories and prepaids	314,105				314,105
Library	19,206				19,206
Recreation	128,500				128,500
Public safety	60,846				60,846
Other purposes	40,458				40,458
Unreserved:					
Special revenue funds				2,078	2,078
Undesignated	10,058,216	825,778	(154,939)		10,729,055
Total fund balances	<u>10,621,331</u>	<u>825,778</u>	<u>(154,939)</u>	<u>2,078</u>	<u>11,294,248</u>
Total liabilities and fund balances	<u>\$ 12,551,415</u>	<u>\$ 932,509</u>	<u>\$ 199,944</u>	<u>\$ 223,450</u>	<u>\$ 13,907,318</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, 2009

Fund balances - total governmental funds		\$ 11,294,248
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	30,793,052	
Less accumulated depreciation	<u>(11,615,294)</u>	19,177,758
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		
Grant revenues	199,944	
Developer fee	<u>675,000</u>	874,944
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.		
		347,201
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	(106,082)	
Notes payable	(2,250,000)	
Other postemployment benefits	(284,517)	
Accrued compensated absences	<u>(1,142,597)</u>	<u>(3,783,196)</u>
Net assets of governmental activities		<u>\$ 27,910,955</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, 2009

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Recreation Special Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 15,680,749	\$	\$	\$	\$ 15,680,749
Licenses and permits	880,016				880,016
Intergovernmental	1,304,391	194,101	1,565,894	251,522	3,315,908
Charges for services	1,684,718				1,684,718
Fines and forfeitures	145,340				145,340
Investment	(1,345)				(1,345)
Miscellaneous	300,455				300,455
Total revenues	<u>19,994,324</u>	<u>194,101</u>	<u>1,565,894</u>	<u>251,522</u>	<u>22,005,841</u>
Expenditures					
Current					
General government	1,970,257				1,970,257
Public safety	6,556,847			278,883	6,835,730
Public works	3,432,556				3,432,556
Community development & planning	784,486				784,486
Leisure services - recreation	2,898,252				2,898,252
Capital outlay	1,013,487	775,786	2,150,182		3,939,455
Debt service					
Principal payments	1,395,735				1,395,735
Interest paid on debt	43,725				43,725
Total expenditures	<u>18,095,345</u>	<u>775,786</u>	<u>2,150,182</u>	<u>278,883</u>	<u>21,300,196</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,898,979</u>	<u>(581,685)</u>	<u>(584,288)</u>	<u>(27,361)</u>	<u>705,645</u>
Other financing sources (uses)					
Transfers in		454,111			454,111
Transfers out	(318,500)		(135,611)		(454,111)
Total other financing sources (uses)	<u>(318,500)</u>	<u>454,111</u>	<u>(135,611)</u>		
Net change in fund balances	<u>1,580,479</u>	<u>(127,574)</u>	<u>(719,899)</u>	<u>(27,361)</u>	<u>705,645</u>
Fund balances					
Beginning of year	9,040,852	953,352	564,960	29,439	10,588,603
End of year	<u>\$ 10,621,331</u>	<u>\$ 825,778</u>	<u>\$ (154,939)</u>	<u>\$ 2,078</u>	<u>\$ 11,294,248</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, 2009

Net change in fund balances - total governmental funds \$ 705,645

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	\$ 3,998,201	
Donated capital assets	11,000	
Less: current year depreciation	<u>(1,330,585)</u>	2,678,616

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.

Trade-in for retired assets	39,569	
Net book value for retired assets	<u>(31,255)</u>	8,314

Governmental Funds report revenues when earned and available. However, in the Statement of Activities, revenues are recognized when earned, regardless of availability.

Palm Beach County Northlake Boulevard grant	(58,490)	
Florida Recreation Development Assistance Program grant	199,944	
Developer fee	<u>(250,000)</u>	(108,546)

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

1,395,735

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Change in accrued interest expense	17,023	
Change in long-term compensated absences	<u>(54,070)</u>	(37,047)

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

Change in net pension asset of defined benefit pension plans	(2,350)	
Other postemployment benefits	(284,517)	
Insurance liability	<u>(106,082)</u>	(392,949)

Change in net assets \$ 4,249,768

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Net Assets
Proprietary Fund
September 30, 2009

	Enterprise
Assets	
Current assets	
Cash and cash equivalents	\$ 959,140
Accounts receivable, net	63,809
Inventories	29,497
Prepays	34,132
Total current assets	1,086,578
Non-current assets	
Intangible asset	49,117
Land, buildings, and equipment, net	6,795,779
Total assets	7,931,474
Liabilities	
Current liabilities	
Accounts payable	75,711
Accrued interest payable	2,097
Deposits	13,000
Deferred revenue	539,384
Compensated absences - current portion	10,556
Capital leases - current portion	97,049
Loans payable - current portion	295,145
Total current liabilities	1,032,942
Non-current liabilities	
Compensated absences	993
Other postemployment benefits	10,625
Loans payable	4,087,888
Total non-current liabilities	4,099,506
Total liabilities	5,132,448
Net Assets	
Invested in capital assets, net of related debt	2,364,814
Unrestricted	434,212
Total net assets	\$ 2,799,026

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, 2009

	Enterprise
Operating revenue	
Greens fee/cart rentals/membership fees	\$ 2,763,538
Golf shop revenues	208,645
Driving range revenues	208,230
Restaurant revenues	134,060
Miscellaneous	90,386
Total operating revenues	3,404,859
Operating expenses	
Golf course maintenance expenses	1,459,693
Clubhouse grounds expenses	102,175
Golf shop expenses	617,313
Food & beverage expenses	58,318
Administrative and general	286,425
Insurance	63,247
Depreciation	490,298
Total operating expenses	3,077,469
Operating income (loss)	327,390
Nonoperating revenues (expenses)	
Interest revenue	7,376
Interest expense	(202,061)
Loss on disposal of fixed assets	(29,005)
Total nonoperating revenues (expenses)	(223,690)
Change in net assets	103,700
Net assets - beginning	2,695,326
Net assets - ending	\$ 2,799,026

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, 2009

	Enterprise
Cash flows from operating activities:	
Receipts from customers	\$ 3,347,103
Payments to suppliers for goods or services	(2,080,933)
Payments to employees for services	(550,794)
Net cash provided (used) by operating activities	715,376
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	50,377
Principal paid on long term debt	(375,643)
Interest paid on debt	(202,088)
Acquisition of intangible asset	(50,376)
Acquisition of capital assets	(15,951)
Net cash provided (used) by capital and related financing activities	(593,681)
Cash flows from investing activities:	
Interest and dividends on investments	7,376
Net increase (decrease) in cash and cash equivalents	129,071
Cash and cash equivalents at beginning of year	830,069
Cash and cash equivalents at end of year	\$ 959,140
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income	\$ 327,390
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	490,298
Other revenues	
Change in assets and liabilities	
(Increase) in accounts receivable	(6,960)
(Increase) in inventory	(5,839)
(Increase) in prepaids	(12,558)
(Decrease) in accounts payable	(33,788)
(Decrease) in deposits	(4,500)
(Decrease) in compensated absences payable	(2,996)
(Decrease) in deferred revenue	(46,296)
Increase in other postemployment benefits	10,625
Total adjustments	387,986
Net cash provided by operating activities	\$ 715,376

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2009

	Employee Retirement Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 1,022,851	\$ 339,269
Investments:		
Common equity securities	4,294,439	
U.S. Government agencies	1,280,479	
Municipal bonds	297,406	
Corporate bonds	1,875,159	
U.S. Treasury bonds	302,984	
Equity mutual funds	251,276	
Common trust funds	4,801,491	
Fixed annuity funds	84,664	
Pending trades	1,006,822	
Accrued interest and dividends	47,939	
Accounts receivable	248,245	
Total assets	15,513,755	339,269
Liabilities		
Deferred village contributions	111,329	
Due to others		339,269
Total liabilities	111,329	339,269
Net Assets		
Held in trust for pension benefits and other purposes	\$ 15,402,426	\$

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, 2009

	<u>Employee Retirement Funds</u>
Additions	
Contributions	
Employer	\$ 1,366,624
Plan members	224,852
State on-behalf payments	<u>221,372</u>
Total contributions	<u>1,812,848</u>
Investment earnings:	
Dividends and interest	319,814
Net (decrease) in fair value of investments	<u>(72,012)</u>
Total investment income	247,802
Less investment expenses	<u>79,420</u>
Total net investment earnings	<u>168,382</u>
Total additions	<u>1,981,230</u>
Deductions	
Administrative expense	97,738
Benefits	<u>1,627,461</u>
Total deductions	<u>1,725,199</u>
Change in net assets	256,031
Net assets - beginning	<u>15,146,395</u>
Net assets - ending	<u><u>\$ 15,402,426</u></u>

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

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, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The government-wide financial statements and proprietary fund financial statements are reported using the accrual basis of accounting and the economic resources measurement focus. Fiduciary funds use the accrual basis of accounting and, except for agency funds, the economic resources measurement focus. Agency funds do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Village reports the following major governmental funds:

General Fund

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

Capital Projects Fund

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

Recreation Special Revenue Fund

The recreation special revenue fund is used to account for the proceeds of specific revenue sources (for major capital projects) that are legally restricted to expenditures for construction and major renovation of public facilities.

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 three additional special revenue funds, Public Safety Fund, Northlake Boulevard Fund, and On-Behalf Pension Contributions.

Employee Retirement Funds

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Agency Funds

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's country club and various other functions of the Village. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

D. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

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/from other funds” (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balance outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

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

Inventories

Inventories are valued at cost determined on a 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.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

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 defines capital assets as assets with an initial individual cost of \$2,500 or more and an estimated life in excess of one year. The Village has elected to retroactively apply the capitalization requirements of GASB Statement No. 34 to major general infrastructure assets acquired in fiscal years ending after June 30, 1980, or that were significantly reconstructed or improved during that multi-year period. 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 & infrastructure	5-30 years
Golf course improvements	5-30 years
Machinery & Equipment	3-15 years
Vehicles	3-20 years

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

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, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Long-Term Obligations (Continued)

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

Net Assets

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

Fund Equity

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

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

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

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include the collectibility of accounts receivable, the use and recoverability of inventory, the useful lives and impairment of tangible assets, and the realization of net pension assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

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 1st. The proposed budget includes expenditures and the means of financing them.
- During the third week of July, the Council holds public meetings to obtain taxpayer comments.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

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

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

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

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, 2009, was 6.9000 (\$6.90 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, 2009

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, 2009, unpaid delinquent taxes are not material and have not been recorded by the Village.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2009, the carrying amount of deposits (including fiduciary funds) was \$3,495,708 and the bank balances were \$3,774,382. The Village also had \$3,755 of petty cash. The Village's deposits include certificates of deposit in the amount of \$1,000,000, with a weighted average maturity of 79 days. 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

At September 30, 2009, the Village had investments in the State Board of Administration Investment Pool B. 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, 2009

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Pool coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. 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, which was approximately \$12 billion or 86% of Pool 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, which was approximately \$2 billion or 14% of Pool assets. 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. Pool A is now referred to as Florida PRIME, and Pool B is referred to as Fund B. From December 2007 through September 2009, the SBA transferred a total of \$1.46 billion in liquid assets from Fund B to participants in Florida PRIME. This amount represents approximately 73% of their original adjusted Fund B balances

At September 30, 2009, Florida PRIME was assigned a “AAAm” principal stability fund rating by Standard and Poor’s. Florida PRIME is considered a SEC 2a7-like fund, thus, the account balances should be considered its fair value. Fund B is not rated by any national rating agency.

Fund B is accounted for as a fluctuating NAV pool. The fair value factor for September 30, 2009 was 0.54915069. 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, 2009 was 33 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 based on expected cash flows (WAL) of Fund B at September 30, 2009 was 6.69 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life

As of September 30, 2009, the Village’s cost basis of its investment in Fund B was \$413,686 and the fair value and adjusted book value was \$227,176. 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, 2009

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2009, the Village held the following investments:

	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Evergreen municipal money market fund	N/R	\$ 2,718,409	N/A
State Board of Administration Investment Pool B	N/R	227,176	6.69 yrs.
Money Markey Funds	N/R	55,936	N/A
U.S. Government Supported Corporate Debt	Aaa	849,031	1.96 yrs.
U.S. Government and Agency Obligations	Aaa	1,985,274	1.46 yrs.
U.S. Treasury Bills	TSY	996,569	0.69 yrs.
U.S. Treasury Notes	TSY	3,050,947	1.71 yrs.
Money market funds	Aaa	736,558	N/A
GNMA, FNMA, FHLMC Pools	N/R	762,257	16.28 yrs.
U.S. Government agencies	Aaa	518,222	8.83 yrs.
Corporate bonds	Aaa to A1	1,875,159	6.26 yrs.
U.S. Treasury obligations	Aaa	302,984	28.42 yrs.
Municipal bonds	Aaa to A1	297,406	22.80 yrs.
Common equity securities	N/R	4,294,439	N/A
Equity mutual funds	N/R	251,276	N/A
Common trust funds	N/R	4,801,491	N/A
Fixed annuity funds	N/R	84,664	N/A
Net pending trades	N/R	1,006,822	N/A
Total investments		<u>\$24,814,620</u>	

Investments are held in the governmental and fiduciary funds. The credit ratings are Moody's.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the time to maturity, the greater the exposure to interest rate risks. The Village limits its exposure to fair value losses resulting from

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest rate risk (Continued)

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 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, 2009 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 ten (10) percent of the Fund's assets shall be invested in the common stock or capital stock of any one issuing company, nor shall more than five (5) percent of the Fund's assets shall be invested in U.S. government and agency securities, money market mutual funds, bonds, stocks, asset backed securities and mutual and common trust funds are owned by the Pension Trust Funds.

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, 2009

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, 2009

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, 2009

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	\$ 3,495,708
Petty cash	3,755
Investments	<u>24,814,620</u>
Total deposits and investments	<u><u>\$28,314,083</u></u>

Presented in the statement of net assets

Governmental activities	
Cash and cash equivalents	\$3,354,887
Restricted cash and cash equivalents	249,010
Investments	8,194,206
Business-type activities	
Cash and cash equivalents	<u>959,140</u>
Total statements of net assets	<u><u>12,757,243</u></u>

Presented in the statement of fiduciary net assets

Pension trust funds	
Cash and cash equivalents	1,022,851
Investments	14,194,720
Agency funds	
Cash and cash equivalents	<u>339,269</u>
Total fiduciary funds	<u><u>15,556,840</u></u>

Total deposits and investments	<u><u>\$28,314,083</u></u>
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THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

NOTE 4 – RECEIVABLES

Receivables at September 30, 2009, were as follows:

	<u>General Fund</u>	<u>Country Club</u>	<u>Total</u>
Utility franchise fees & taxes	\$ 343,406	\$	\$ 343,406
Conroy Drive assessment	20,842		20,842
Other accounts receivable		63,809	63,809
Total accounts receivable	<u>\$ 364,248</u>	<u>\$ 63,809</u>	<u>\$428,057</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, 2009, the remaining amount receivable was \$675,000. 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, 2009

NOTE 7 – CAPITAL ASSETS

Capital Assets activity for the year ended September 30, 2009, was as follows:

Primary Government

Governmental Activities:	<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	777,481	72,613	(645,854)		204,240
Capital assets being depreciated:					
Buildings	9,201,691	103,348	(16,790)	(4,826)	9,283,423
Improvements	8,076,247	3,791,699	(13,739)		11,854,207
Machinery and equipment	3,126,721	518,064	(330,242)	4,826	3,319,369
Vehicles	3,847,786	208,900	(75,962)		3,980,724
Total at historical cost:	<u>27,181,015</u>	<u>4,694,624</u>	<u>(1,082,587)</u>		<u>30,793,052</u>
Less accumulated depreciation for:					
Buildings	(3,739,836)	(228,267)	16,790	4,595	(3,946,718)
Improvements	(2,205,780)	(569,519)	1,145		(2,774,154)
Machinery and equipment	(2,280,095)	(267,711)	325,173	(4,595)	(2,227,228)
Vehicles	(2,464,475)	(265,088)	62,369		(2,667,194)
Total accumulated depreciation	<u>(10,690,186)</u>	<u>(1,330,585)</u>	<u>405,477</u>		<u>(11,615,294)</u>
Governmental activities capital assets, net	<u>\$ 16,490,829</u>	<u>\$ 3,364,039</u>	<u>(\$ 677,110)</u>	<u>\$</u>	<u>\$ 19,177,758</u>

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

Governmental activities:	
General government	\$ 108,070
Public safety	365,373
Public works	586,718
Community development	22,219
Leisure services	248,205
Total depreciation expense, governmental activities	<u>\$1,330,585</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

NOTE 7 – CAPITAL ASSETS (Continued)

Business-type activities:	<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 and improvements	1,842,947	11,152	(94,573)		1,759,526
Improvements – golf course	7,060,289		(1,236,931)		5,823,358
Machinery and equipment	498,467	4,799	(47,929)		455,337
Vehicles	286,760				286,760
Total at historical cost:	<u>10,739,774</u>	<u>15,951</u>	<u>(1,379,433)</u>		<u>9,376,292</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,079,228)	(92,863)	78,747		(1,093,344)
Improvements – golf course	(1,795,319)	(291,134)	1,173,457		(912,996)
Machinery and equipment	(385,438)	(31,752)	47,847		(369,343)
Vehicles	(131,540)	(73,290)			(204,830)
Total accumulated depreciation	<u>(3,391,525)</u>	<u>(489,039)</u>	<u>1,300,051</u>		<u>(2,580,513)</u>
Business-type activities capital assets, net	<u>\$ 7,348,249</u>	<u>(\$ 473,088)</u>	<u>(\$ 79,382)</u>	<u>\$</u>	<u>\$ 6,795,779</u>

Construction Commitments

Contracts awarded but not yet completed were as follows:

Project Description	Estimated Cost
Governmental activities:	
Canal Dredging	\$ 56,076
Earman River	<u>7,198</u>
Total Construction Commitments	<u>\$ 63,274</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

NOTE 8 – LONG TERM LIABILITIES

Change in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2009, was as follows:

	Balance October 1, 2008	Additions	Reductions	Balance September 30, 2009	Amount Due Within One Year
Governmental activities					
Loans payable	\$3,605,639	\$	(\$1,355,639)	\$2,250,000	\$ 300,000
Capital leases	40,097		(40,097)		
Claims and settlements		106,082		106,082	106,082
OPEB (see note 15)		284,517		284,517	
Compensated absences payable	1,088,527	881,092	(827,022)	1,142,597	710,412
Total	<u>\$4,734,263</u>	<u>\$1,271,691</u>	<u>(\$2,222,758)</u>	<u>\$3,783,196</u>	<u>\$1,116,494</u>
Business-type activities:					
Loans payable	\$4,662,833	\$	(\$ 279,800)	\$4,383,033	\$ 295,145
Capital leases	192,892		(95,843)	97,049	97,049
OPEB (see note 15)		10,625		10,625	
Compensated absences payable	14,545	10,096	(13,092)	11,549	10,556
Total	<u>\$4,870,270</u>	<u>\$ 20,721</u>	<u>(\$ 388,735)</u>	<u>\$4,502,256</u>	<u>\$ 402,750</u>

Loans Payable

\$860,000 Promissory Note

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

of the Village secure the loan. Principal and interest payments are due quarterly, with a final maturity date of November 15, 2010. The interest rate on the loan is 5.22%. The interest rate will be adjusted by either of the following events: a change in the maximum corporate tax rate, or the event of taxability of the interest on this note. As of September 30, 2009, the principal amount outstanding was \$92,072 and was for the purpose of business-type activities.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

NOTE 8 – LONG TERM LIABILITIES (Continued)

\$860,000 Promissory Note (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>
2010	\$73,972	\$ 3,425	\$ 77,397
2011	18,100	241	18,341
	<u>\$92,072</u>	<u>\$ 3,666</u>	<u>\$ 95,738</u>

\$2,800,000 Promissory Note

The Village Council adopted Resolution No. 46-2001 authorizing the execution of a note in the principal amount of \$2,800,000 to finance the construction of various capital projects. Franchise fees and public service taxes secure the promissory note. Principal and interest payments are due semi-annually, with a final maturity date of May 31, 2011. The note bears interest at a variable rate, adjusted semi-annually, equal to the London InterBank Offered Rate (“LIBOR”) plus .585%. The interest rate will be adjusted by either of the following events: a change in the maximum corporate tax rate, or the event of taxability of the interest on this note. During the fiscal year ending September 30, 2009, the Village paid off the remaining principal balance outstanding totaling \$939,943, prior to the note’s maturity.

\$6,560,000 Promissory Note

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

Franchise fees and public service taxes of the Village secure the promissory note. Principal payments of \$190,000 are due semi-annually on January 1 and August 1, with a final maturity date of February 1, 2017. The interest rate is at the London InterBank Offered Rate (“LIBOR”), and adjusted as of the first day of each month. The interest rate will be adjusted by either of the

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

NOTE 8 – LONG TERM LIABILITIES (Continued)

\$6,560,000 Promissory Note (Continued)

following events: a change in the maximum corporate tax rate, or the event of taxability of the interest on this note. The effective rate at September 30, 2009 was 0.24% and this approximates the rate that was used to calculate the debt service requirements to maturity. As of September 30, 2009, the principal amount outstanding was \$2,250,000 and was for the purpose of government activities.

Annual debt service requirements to maturity are as follows:

Year Ending	Principal	Interest	Total
2010	\$ 300,000	\$ 5,400	\$ 305,400
2011	300,000	4,680	304,680
2012	300,000	3,960	303,960
2013	300,000	3,240	303,240
2014	300,000	2,520	302,520
2015 -2017	750,000	3,240	753,240
	<u>\$ 2,250,000</u>	<u>\$ 23,040</u>	<u>\$ 2,273,040</u>

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

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

The \$132,000 note had a final maturity in January 2007 and was paid off by the Country Club. The \$271,000 note bears interest at 3.82% and is payable in 14 semi-annual payments of \$22,286, beginning July 2003 and with final maturity in January 2010. During the fiscal year ending September 30, 2009, the Village paid off the remaining principal balance outstanding totaling \$64,352, prior to the note’s maturity.

\$230,000 Promissory Note

In January 2005, the Village Council adopted Resolution No. 7-2004 authorizing the issuance of a promissory note to finance various capital expenditures. The note is payable from the Village’s non-ad valorem tax revenues. The note bears interest at a fluctuating rate at all times equal to the London InterBank Offered Rate (“LIBOR”) that is defined as 75% of the rate of interest published as one-month LIBOR on the first day of each month, plus 73 basis points and is payable in five semi-annual payments of \$22,787, beginning August 2004 and with final maturity in January 2009. During the fiscal year ending September 30, 2009, the Village paid off the remaining principal balance outstanding totaling \$51,344, prior to the note’s maturity.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

NOTE 8 – LONG TERM LIABILITIES (Continued)

\$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. Pledged revenues secure the loan. Principal and interest payments are due semi-annually in the amount of \$197,450, with a final maturity date of April 1, 2024. The interest rate on the loan is 4.11% and is subject to adjustment in the event of taxability of the interest on this note. As of September 30, 2009, the principal amount outstanding was \$4,290,960 and was for the purpose of business-type activities.

Annual debt service requirements to maturity are as follows:

Business-type activities:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 221,173	\$ 173,727	\$ 394,900
2011	230,357	164,543	394,900
2012	239,922	154,978	394,900
2013	249,884	145,016	394,900
2014	260,260	134,640	394,900
2015 - 2019	1,472,656	501,844	1,974,500
2020 - 2024	1,616,708	169,638	1,786,346
	<u>\$ 4,290,960</u>	<u>\$ 1,444,386</u>	<u>\$ 5,735,346</u>

\$223,500 Capital Leases

The Village Council adopted Resolution No. 03-2005 authorizing the execution of a five year capital lease agreement for the purpose of financing the lease-purchase of \$123,500 of equipment for the General Fund and \$100,000 of equipment for the Country Club. Principal and interest payments are due semi-annually, with a final maturity date of February 15, 2010. During the fiscal year ending September 30, 2009, the Village paid off the remaining principal balance outstanding totaling \$72,169, prior to the leases maturity, of which \$40,097 was paid from governmental activities, and \$32,072 from business-type activities.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

NOTE 8 – LONG TERM LIABILITIES (Continued)

\$274,800 Capital Leases

The Village entered into a three year capital lease agreement for the purpose of financing the lease-purchase of \$274,800 of equipment for the Country Club in December 2006. Principal and interest payments are due monthly, with a final maturity date of December 1, 2009. The final payment includes a balloon payment of \$92,000. As of September 30, 2009, the principal amount outstanding was \$97,049 and the net book value of the equipment was \$80,150. The rate used to impute interest was 5.6%.

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>
2010	\$ 97,049	\$ 881	\$ 97,930
	<u>\$ 97,049</u>	<u>\$ 881</u>	<u>\$ 97,930</u>

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, 2009, there is a long-term governmental liability of \$106,082 for pending claims activity for SERMA. (See related Note 8.) The liability is based on a recent valuation, which indicated that the reserve for incurred but not yet reported losses is inadequately funded and an additional contribution is required. The liability is payable in December 2009 and 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.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

NOTE 8 – LONG TERM LIABILITIES (Continued)

Pledged Revenues

The \$860,000, Promissory Note, \$2,800,000 Promissory Note, and the \$6,560,000 Promissory Note pledged the franchise fees and public service taxes revenues to secure the loans. The \$4,893,673 Promissory Note pledged the revenues of Country Club fund to secure the loan. A comparison of the pledged revenues and the required principal and interest payments for the debt collateralized by those revenues follows:

	Pledged Revenues	Required Debt Service
Franchise fees and public services taxes	\$ 3,495,833	\$ 763,194
Country Club revenues	\$ 3,404,859	\$ 394,900

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 \$ \$106,082 for pending claims activity for SERMA was paid in December 2009. (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, 2009

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, 2009, 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 65.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Retirement Plans

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

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

NOTE 10 – EMPLOYEE RETIREMENT PLANS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All Retirement Plans (Continued)

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.

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, 2008, 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, 2008, the date of the latest actuarial valuation:

	<u>GERF</u>	<u>F&P</u>
Active Participants:		
Vested	47	11
Non-vested	17	39
Retirees and Beneficiaries receiving benefits	10	5
Terminated vested members	<u>50</u>	<u>12</u>
Total	<u>124</u>	<u>67</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. 2008-02 passed and adopted on January 10, 2008. The Plan is also governed by certain

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

NOTE 10 – EMPLOYEE RETIREMENT PLANS (Continued)

General Employees' Retirement System (Continued)

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 1st 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. All benefits vest based on the following years of credited service.

Years of Credited Service	Vested %
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 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 service credited service and dies prior to reaching normal retirement date, a benefit equal to his vested accrued benefit will be paid to his beneficiary for ten years. If an employee terminates his employment, he is entitled to the following:

- With less than five years of credited service, a refund of member contributions without interest and no other benefit.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

NOTE 10 – EMPLOYEE RETIREMENT PLANS (Continued)

General Employees' Retirement System (Continued)

- 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.

"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. 2008-18 passed and adopted on November 13, 2008. 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 1st 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, 2009

NOTE 10 – EMPLOYEE RETIREMENT PLANS (Continued)

Fire and Police Retirement System (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 member 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 \$321,142 during the fiscal year ended September 30, 2008.

All Retirement Plans

Annual Pension Cost and Net Pension Obligation. The Village's 2009 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, 2008 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	\$767,546	\$765,381	N/A
Fire and Police Retirement Fund	735,011	734,826	138,200

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

NOTE 10 – EMPLOYEE RETIREMENT PLANS (Continued)

The following schedule was determined as part of the October 1, 2008, actuarial valuation for the General and Fire and Police Retirement Plans.

	General <u>Employees</u>	<u>Fire and Police</u>
Annual required contribution (ARC)	\$ 761,943	\$ 728,729
Interest on net pension obligation (NPO)	(13,692)	(14,330)
Adjustment to ARC	<u>19,295</u>	<u>20,612</u>
Annual pension cost	767,546	735,011
Actual contributions(1)	<u>765,381</u>	<u>734,826</u>
Increase in NPO	2,165	185
NPO at beginning of year, revised(1)	<u>(167,553)</u>	<u>(181,998)</u>
NPO at end of year	<u><u>\$(165,388)</u></u>	<u><u>\$(181,813)</u></u>

Three-Year Trend Information

	<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Annual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
General					
Employees	9/30/07	\$ 871,123	\$ 873,854	100.3%	\$ (171,144)
	9/30/08	880,303	876,712	99.6%	(167,553)
	9/30/09	767,546	765,381	99.9%	(165,388)
Fire and					
Police	9/30/07	\$ 547,785	\$ 539,651	98.5%	\$ (186,453)
	9/30/08	723,599	718,663	99.3%	(181,998)
	9/30/09	735,011	734,826	98.9 %	(181,813)

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

NOTE 10 – EMPLOYEE RETIREMENT PLANS (Continued)

The following are the actuarial methods and significant actuarial assumptions:

	General Employees	Fire and Police
Valuation date	10/1/2008	10/1/2008
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, 2009

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
10/01/08	10,376,733	11,719,336	1,342,603	88.5%	3,253,109	41.3%

General:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as % of Covered Payroll
10/01/08	5,824,447	10,138,981	4,314,534	57.4%	2,977,995	144.9%

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.

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
EMPLOYEE RETIREMENT FUNDS
SEPTEMBER 30, 2009

	<u>Volunteer Fire Pension</u>	<u>General Employees Pension</u>	<u>Total Employee Retirement Funds</u>
ASSETS			
Cash and cash equivalents	\$	\$ 271,508	\$ 271,508
Investments:			
Equity mutual funds		229,876	229,876
Common trust funds		4,801,491	4,801,491
Fixed annuity funds	84,664		84,664
Accrued interest and dividends		64	64
Accounts receivable		24,861	24,861
Total assets	<u>84,664</u>	<u>5,327,800</u>	<u>5,412,464</u>
Net Assets			
Held in trust for pension benefits and other purposes	<u>\$ 84,664</u>	<u>\$ 5,327,800</u>	<u>\$ 5,412,464</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

NOTE 11 – PENSION PLAN FINANCIAL INFORMATION (Continued)

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
EMPLOYEE RETIREMENT FUNDS
For the Fiscal Year Ended September 30, 2009

	<u>Volunteer Fire Pension</u>	<u>General Employees Pension</u>	<u>Total Employee Retirement Funds</u>
Additions:			
Contributions:			
Employer	\$ 4,617	\$ 765,381	\$ 769,998
Plan members		154,640	154,640
Total contributions	<u>4,617</u>	<u>920,021</u>	<u>924,638</u>
Investment earnings:			
Dividends and interest	3,595	19,437	23,032
Net decrease in the fair value of investments	(307)	206,605	206,298
Less investment expense		36,533	36,533
Total investment earnings	<u>3,288</u>	<u>189,509</u>	<u>192,797</u>
Total additions	<u>7,905</u>	<u>1,109,530</u>	<u>1,117,435</u>
Deductions:			
Administration	2,733	16,228	18,961
Benefits		780,458	780,458
Total deductions	<u>2,733</u>	<u>796,686</u>	<u>799,419</u>
Change in net assets	5,172	312,844	318,016
Net assets - beginning	<u>79,492</u>	<u>5,014,956</u>	<u>5,094,448</u>
Net assets - ending	<u>\$ 84,664</u>	<u>\$ 5,327,800</u>	<u>\$ 5,412,464</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, 2009, \$221,372 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, 2009

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 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, 2009 is listed below:

	<u>Director's</u>	<u>General Employees</u>	<u>Municipal Employees</u>	<u>Total</u>
Village contributions	\$43,535	\$69,880	\$53,579	\$166,994
Employee contributions	\$17,877	\$17,297	\$14,096	\$49,270

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (Continued)

on the option selected by the employee. 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	<u>6,097</u>
Annual OPEB cost	413,699
Contributions made	<u>(118,557)</u>
Increase in net OPEB obligation	295,142
Net OPEB obligation October 1, 2008	
Net OPEB obligation September 30, 2009	<u>\$ 295,142</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Trend Information

<u>Three-Year Trend Information</u>			
Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/07	N/A	N/A	N/A
09/30/08	N/A	N/A	N/A
09/30/09	\$413,699	28.7%	\$ 295,142

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. Because the fiscal year ended September 30, 2009 was the year of implementation of GASB 45 and the Village 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 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 include 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, 2009

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	Unit Credit
Amortization method	30 Years
Remaining amortization period	29 years
Asset valuation method	Unfunded
Actual assumptions:	
Investment rate of return	4%
Healthcare cost trend	7.3% for 2009 decreasing to 4% in 2083

NOTE 16 – VOLUNTEER FIREFIGHTERS PENSION

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

Members are eligible to participate in the plan after attaining the age of 18, and are entitled to receive benefits at age 60 and completion of one year of plan participation. One hundred percent vesting is achieved after five years of service. The monthly retirement benefit is \$10 times each year of completed service, with a maximum monthly benefit of \$300 and a minimum of \$50. The plan contains a death benefit that is the greater of \$30,000 or the accrued benefit due at date of death. The plan uses the modified aggregate funding method. Plan assets are held by Hartford Life.

NOTE 17 – 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 \$139,609 to Seacoast during the fiscal year for water and sewer service.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2009

NOTE 18 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at September 30, 2009, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Recreation Special Revenue Fund	\$109,921
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, 2009 are as follows:

<i>Transfer out:</i>	<i>Transfer in:</i>
	<u>Capital Projects Fund</u>
General Fund	\$318,500
Recreational Special Revenue Fund	\$135,611

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.

NOTE 19 - DEFICIT FUND BALANCE

The Recreation Special Revenue Fund had a deficit fund balance caused by grant revenues that were deferred as they were not received within sixty days of the end of the fiscal period. This deficit will be corrected in the subsequent year when the revenue is recognized.

NOTE 20 – CONTRACTS, COMMITMENTS AND CONTINGENCIES

Operating Leases

The Village is committed under a lease agreement as lessor of the food and beverage operators at the North Palm Beach Country Club. The lease is considered for accounting purposes to be an operating lease. As part of the lease agreement, the Village receives a percentage of sales of the lessee and reimbursements for utilities and financed assets. The Village received \$192,735 for the year ended September 30, 2009 under the terms of this lease agreement. Future minimum lease payments for the year ending September 30, 2009 are contingent upon sales and expenses of the operations of the lessee. At September 30, 2009, the cost of the leased assets was \$74,896, net book value was \$5,848 and depreciation expense was \$3,790.

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.

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, 2009

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)
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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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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, 2009

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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>						
10/01/03	6,759,012	10,404,349	3,645,337	64.96%	3,443,843	105.85%
10/01/04	6,578,832	12,084,785	5,505,953	54.44%	4,275,981	128.76%
10/01/05	3,817,605	9,116,599	5,298,994	41.88%	3,220,258	164.55%
10/01/06	5,283,023	10,490,332	5,207,309	50.36%	3,680,960	141.47%
10/01/07	6,481,382	10,997,783	4,516,401	58.93%	3,238,894	139.44%
10/01/08	5,824,447	10,138,981	4,314,534	57.45%	2,977,995	144.88%
<u>Fire and Police Retirement Fund (2)</u>						
10/01/03	6,635,342	7,616,168	980,826	87.12%	2,312,228	42.42%
10/01/04	6,771,959	8,546,754	1,774,795	79.23%	2,627,239	67.55%
10/01/05	7,600,134	8,692,747	1,092,613	87.43%	2,405,634	45.42%
10/01/06	8,312,363	10,294,848	1,982,485	80.74%	2,798,919	70.83%
10/01/07	9,228,537	10,836,562	1,608,025	85.16%	3,110,081	51.70%
10/01/08	10,376,733	11,719,336	1,342,603	88.54%	3,253,109	41.27%

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, 2009

Schedule of Employer and State Contributions

<u>Fiscal Year Ended September 30</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>State Contribution</u>	<u>Percentage Contributed</u>
<u>General Employees Retirement Fund</u>				
2004	523,127	524,000	N/A	100.2%
2005	662,237	662,237	N/A	100.0%
2006	1,007,695	1,007,695	N/A	100.0%
2007	866,069	873,872 (1)	N/A	100.9%
2008	875,126	876,712	N/A	100.2%
2009	761,943	765,381	N/A	100.5%
<u>Fire and Police Retirement Fund</u>				
2004	383,891	250,000	138,200	101.1%
2005	509,800	471,864	138,200	119.7%
2006	690,186	551,986	138,200	100.0%
2007	539,651	401,451 (1)	138,200	100.0%
2008	715,784	580,463	138,200	100.4%
2009	728,729	596,626	138,200	100.8%

(1) Part of the current year contributions reported as income was reclassified as a prior year contribution for actuarial purposes.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Trend Data
September 30, 2009

	General Employees Retirement Fund	Police and Retirement Fund
Contribution rates as of 9/30/08:		
Village	23.72%	23.08%
Plan Members	6% (1)	2.00%
Actuarially Determined Contribution	875,126	577,584
Contributions Made	876,712	580,463
Valuation date	10/01/08	10/01/08
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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ 15,040,014	\$ 15,040,014	\$ 15,680,749	\$ 640,735
Licenses and permits	822,060	972,060	880,016	(92,044)
Intergovernmental	1,275,232	1,360,232	1,304,391	(55,841)
Charges for services	1,590,036	1,590,036	1,684,718	94,682
Fines and forfeitures	73,550	73,550	145,340	71,790
Investment	254,800	254,800	(1,345)	(256,145)
Miscellaneous	17,500	17,500	300,455	282,955
Total revenues	<u>19,073,192</u>	<u>19,308,192</u>	<u>19,994,324</u>	<u>686,132</u>
Expenditures				
Current				
General government	2,166,252	2,166,252	1,956,066	210,186
Public safety	7,084,853	7,085,113	6,556,847	528,266
Public works	3,633,631	3,604,625	3,432,556	172,069
Community development & planning	910,109	928,215	784,486	143,729
Leisure services - recreation	2,979,071	2,962,548	2,898,252	64,296
Other government	159,437	165,437	14,191	151,246
Capital outlay	831,424	1,027,912	1,013,487	14,425
Debt service				
Principal payments	1,264,615	1,499,390	1,395,735	103,655
Interest paid on debt	43,800	43,800	43,725	75
Total expenditures	<u>19,073,192</u>	<u>19,483,292</u>	<u>18,095,345</u>	<u>1,387,947</u>
Excess (deficiency) of revenues over (under) expenditures		<u>(175,100)</u>	<u>1,898,979</u>	<u>2,074,079</u>
Other financing sources (uses)				
Transfer out		<u>(318,500)</u>	<u>(318,500)</u>	
Total other financing sources (uses)		<u>(318,500)</u>	<u>(318,500)</u>	
Net change in fund balances	<u>\$</u>	<u>\$ (493,600)</u>	<u>1,580,479</u>	<u>\$ 2,074,079</u>
Fund Balances				
Beginning of year			<u>9,040,852</u>	
End of year			<u>\$ 10,621,331</u>	

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Budgetary
Required Supplementary Information (RSI)
General Fund
September 30, 2009

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, 2009

	<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	\$ 50,672	\$ 50,672	\$ 50,668	\$ 4	0.01
Operating expenses	88,490	88,490	78,907	9,583	10.83
Total Village Council	<u>139,162</u>	<u>139,162</u>	<u>129,575</u>	<u>9,587</u>	<u>6.89</u>
Village Manager					
Personal services	275,080	275,080	262,118	12,962	4.71
Operating expenses	14,480	14,480	10,855	3,625	25.03
Total Village Manager	<u>289,560</u>	<u>289,560</u>	<u>272,973</u>	<u>16,587</u>	<u>5.73</u>
Village Finance					
Personal services	427,874	438,415	436,257	2,158	0.49
Operating expenses	61,870	51,329	47,819	3,510	6.84
Total Village Finance	<u>489,744</u>	<u>489,744</u>	<u>484,076</u>	<u>5,668</u>	<u>1.16</u>
Village Attorney					
Operating expenses	170,000	160,337	134,083	26,254	16.37
Village Clerk					
Personal services	227,446	235,791	234,773	1,018	0.43
Operating expenses	29,799	21,454	12,960	8,494	39.59
Total Village Clerk	<u>257,245</u>	<u>257,245</u>	<u>247,733</u>	<u>9,512</u>	<u>3.70</u>
Information Technology					
Personal services	250,668	250,668	245,440	5,228	2.09
Operating expenses	34,820	34,820	27,343	7,477	21.47
Total Information Technology	<u>285,488</u>	<u>285,488</u>	<u>272,783</u>	<u>12,705</u>	<u>4.45</u>
Human Resources					
Personal services	181,892	198,155	196,899	1,256	0.63
Operating expenses	26,724	20,124	20,120	4	0.02
Total Human Resources	<u>208,616</u>	<u>218,279</u>	<u>217,019</u>	<u>1,260</u>	<u>0.58</u>
Police					
Personal services	3,995,700	3,995,700	3,738,768	256,932	6.43
Operating expenses	290,309	289,651	204,313	85,338	29.46
Total Police	<u>4,286,009</u>	<u>4,285,351</u>	<u>3,943,081</u>	<u>342,270</u>	<u>7.99</u>
Fire Rescue					
Personal services	2,481,496	2,481,496	2,356,910	124,586	5.02
Operating expenses	190,838	190,838	129,430	61,408	32.18
Total Fire Rescue	<u>2,672,334</u>	<u>2,672,334</u>	<u>2,486,340</u>	<u>185,994</u>	<u>6.96</u>
Public Works / Streets and Grounds					
Personal services	308,991	315,741	314,546	1,195	0.38
Operating expenses	17,025	26,687	26,686	1	0.00
Total Public Works	<u>326,016</u>	<u>342,428</u>	<u>341,232</u>	<u>1,196</u>	<u>0.35</u>

(Continued)

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Schedule of Departmental Expenditures - Budget and Actual
General Fund
For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Percent Variance
(Continued)					
Sanitation					
Personal services	\$ 1,342,634	\$ 1,344,444	\$ 1,334,716	\$ 9,728	0.72
Operating expenses	215,415	192,538	122,160	70,378	36.55
Total Sanitation	<u>1,558,049</u>	<u>1,536,982</u>	<u>1,456,876</u>	<u>80,106</u>	<u>5.21</u>
Facility Services					
Personal services	427,470	427,470	424,343	3,127	0.73
Operating expenses	209,900	186,750	164,583	22,167	11.87
Total Facility Services	<u>637,370</u>	<u>614,220</u>	<u>588,926</u>	<u>25,294</u>	<u>4.12</u>
Street Maintenance					
Personal services	438,292	438,292	412,672	25,620	5.85
Operating expenses	366,675	363,925	324,864	39,061	10.73
Total Street Maintenance	<u>804,967</u>	<u>802,217</u>	<u>737,536</u>	<u>64,681</u>	<u>8.06</u>
Park Maintenance					
Personal services	192,389	165,689	149,957	15,732	9.49
Operating expenses	372,580	365,498	360,978	4,520	1.24
Total Park Maintenance	<u>564,969</u>	<u>531,187</u>	<u>510,935</u>	<u>20,252</u>	<u>3.81</u>
Vehicle Maintenance					
Personal services	176,482	181,431	180,654	777	0.43
Operating expenses	130,747	127,347	127,332	15	0.01
Total Vehicle Maintenance	<u>307,229</u>	<u>308,778</u>	<u>307,986</u>	<u>792</u>	<u>0.26</u>
Planning and Engineering					
Personal services	189,148	191,262	189,829	1,433	0.75
Operating expenses	24,320	40,312	26,879	13,433	33.32
Total Planning and Engineering	<u>213,468</u>	<u>231,574</u>	<u>216,708</u>	<u>14,866</u>	<u>6.42</u>
Building					
Personal services	522,357	522,357	440,781	81,576	15.62
Operating expenses	42,765	42,765	21,124	21,641	50.60
Total Building	<u>565,122</u>	<u>565,122</u>	<u>461,905</u>	<u>103,217</u>	<u>18.26</u>
Code Enforcement					
Personal services	120,874	120,874	100,857	20,017	16.56
Operating expenses	10,645	10,645	5,017	5,628	52.87
Total Code Enforcement	<u>131,519</u>	<u>131,519</u>	<u>105,874</u>	<u>25,645</u>	<u>19.50</u>
Leisure Services-Recreation					
Personal services	537,793	574,619	572,835	1,784	0.31
Operating expenses	415,825	374,179	335,396	38,783	10.36
Total Leisure Services-Recreation	<u>953,618</u>	<u>948,798</u>	<u>908,231</u>	<u>40,567</u>	<u>4.28</u>
Library					
Personal services	536,894	522,119	519,670	2,449	0.47
Operating expenses	169,082	157,617	157,613	4	0.00
Total Library	<u>705,976</u>	<u>679,736</u>	<u>677,283</u>	<u>2,453</u>	<u>0.36</u>

(Continued)

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Schedule of Departmental Expenditures - Budget and Actual
General Fund
For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Percent Variance
(Continued)					
Tennis					
Personal services	\$ 82,482	\$ 78,920	\$ 78,681	\$ 239	0.30
Operating expenses	245,991	262,513	262,512	1	0.00
Total Tennis	<u>328,473</u>	<u>341,433</u>	<u>341,193</u>	<u>240</u>	<u>0.07</u>
Pool					
Personal services	194,575	219,717	218,935	782	0.36
Operating expenses	134,460	169,648	169,647	1	0.00
Total Pool	<u>329,035</u>	<u>389,365</u>	<u>388,582</u>	<u>783</u>	<u>0.20</u>
Special events					
Operating expenses	97,000	72,029	72,028	1	0.00
Total Special events	<u>97,000</u>	<u>72,029</u>	<u>72,028</u>	<u>1</u>	<u>0.00</u>
Debt Service	<u>1,308,415</u>	<u>1,543,190</u>	<u>1,439,460</u>	<u>103,730</u>	<u>6.72</u>
Other					
Operating expenses	159,437	165,437	14,191	151,246	91.42
	<u>159,437</u>	<u>165,437</u>	<u>14,191</u>	<u>151,246</u>	<u>91.42</u>
Non-Departmental					
Operating expenses	452,947	453,865	325,249	128,616	28.34
	<u>452,947</u>	<u>453,865</u>	<u>325,249</u>	<u>128,616</u>	<u>28.34</u>
Capital Outlay					
Village Clerk	3,500			-	N/A
Information Technology	10,000	10,000	9,520	480	4.80
Police	52,169	24,169	22,850	1,319	5.46
Law enforcement trust fund			7,392	(7,392)	N/A
Fire Rescue	226,260	226,260	223,107	3,153	1.39
Building		3,079		3,079	100.00
Facility Services	4,000	27,150	27,149	1	0.00
Street Maintenance	346,000	532,855	524,743	8,112	1.52
Park Maintenance		25,891	25,891	-	0.00
Vehicle Maintenance	3,800	34,096	34,095	1	0.00
Leisure Services	15,000	15,000	9,336	5,664	37.76
Tennis	22,600	20,247	20,246	1	0.00
Pool	75,000	7,340	7,338	2	0.03
Library	61,000	89,990	89,988	2	0.00
Non-Departmental	12,095	11,835	11,832	3	0.03
Total Capital outlay	<u>831,424</u>	<u>1,027,912</u>	<u>1,013,487</u>	<u>14,425</u>	<u>1.40</u>
Total expenditures	<u>\$ 19,073,192</u>	<u>\$ 19,483,292</u>	<u>\$ 18,095,345</u>	<u>\$ 1,387,947</u>	<u>7.12%</u>

COMBINING FINANCIAL STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

Capital Projects Fund

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, 2009

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Public Safety Fund	Northlake Boulevard Fund	On-Behalf Pension Contributions	
Assets				
Cash and cash equivalents	\$ 92	\$ 1,986	\$	\$ 2,078
Due from other governments			221,372	221,372
Total assets	<u>\$ 92</u>	<u>\$ 1,986</u>	<u>\$ 221,372</u>	<u>\$ 223,450</u>
Liabilities				
Accounts payable	\$	\$	\$ 221,372	\$ 221,372
Total liabilities			<u>221,372</u>	<u>221,372</u>
Fund balances				
Unreserved				
Undesignated	92	1,986		2,078
Total fund balances	<u>92</u>	<u>1,986</u>		<u>2,078</u>
Total liabilities and fund balances	<u>\$ 92</u>	<u>\$ 1,986</u>	<u>\$ 221,372</u>	<u>\$ 223,450</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, 2009

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Public Safety Fund	Northlake Boulevard Fund	On-Behalf Pension Contributions	
Revenues				
Intergovernmental	\$ 30,150	\$	\$ 221,372	\$ 251,522
Total revenues	<u>30,150</u>	<u></u>	<u>221,372</u>	<u>251,522</u>
Expenditures				
Current				
Public safety	57,511		221,372	278,883
Total expenditures	<u>57,511</u>	<u></u>	<u>221,372</u>	<u>278,883</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(27,361)</u>	<u></u>	<u></u>	<u>(27,361)</u>
Net changes in fund balances	(27,361)			(27,361)
Fund balances - Beginning of year	<u>27,453</u>	<u>1,986</u>	<u></u>	<u>29,439</u>
Fund balances - End of year	<u>\$ 92</u>	<u>\$ 1,986</u>	<u>\$</u>	<u>\$ 2,078</u>

FIDUCIARY FUNDS

Pension Trust Funds

Volunteer Fire Pension Trust Fund

General Employees Pension Trust Fund

Fire and Police Officers Pension Trust Fund

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Combining Statement of Net Assets - Fiduciary Funds
September 30, 2009

	Volunteer Fire Pension	General Employees Pension	Fire and Police Officers Pension	Total Employee Retirement Funds
ASSETS				
Cash and cash equivalents	\$	\$ 271,508	\$ 751,343	\$ 1,022,851
Investments:				
Common equity securities			4,294,439	4,294,439
U.S. Government agencies			1,280,479	1,280,479
Municipal bonds			297,406	297,406
Corporate bonds			1,875,159	1,875,159
U.S. Treasury bonds			302,984	302,984
Equity mutual funds		229,876	21,400	251,276
Common trust funds		4,801,491		4,801,491
Fixed annuity funds	84,664			84,664
Pending trades			1,006,822	1,006,822
Accrued interest and dividends		64	47,875	47,939
Accounts Receivable		24,861	223,384	248,245
Total assets	<u>84,664</u>	<u>5,327,800</u>	<u>10,101,291</u>	<u>15,513,755</u>
LIABILITIES				
Deferred village contributions			111,329	111,329
Total liabilities			<u>111,329</u>	<u>111,329</u>
Net Assets				
Held in trust for pension benefits and other purposes	<u>\$ 84,664</u>	<u>\$ 5,327,800</u>	<u>\$ 9,989,962</u>	<u>\$ 15,402,426</u>

(1) A schedule of funding progress for the General Employees and Fire and Police Officers plans is presented on page 62.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Combining Statement of Changes in Fiduciary Net Assets
Employee Retirement Funds
For the Year Ended September 30, 2009

	Volunteer Fire Pension	General Employees Pension	Fire and Police Officers Pension	Total Employee Retirement Funds
Additions:				
Contributions:				
Employer	\$ 4,617	\$ 765,381	\$ 596,626	\$ 1,366,624
Plan members		154,640	70,212	224,852
State on-behalf payments			221,372	221,372
Total contributions	4,617	920,021	888,210	1,812,848
Investment earnings:				
Dividends and interest	3,595	19,437	296,782	319,814
Net increase (decrease) in fair value of investments	(307)	206,605	(278,310)	(72,012)
Investment expense		(36,533)	(42,887)	(79,420)
Total investment earnings	3,288	189,509	(24,415)	168,382
Total additions	7,905	1,109,530	863,795	1,981,230
Deductions:				
Administration	2,733	16,228	78,777	97,738
Benefits		780,458	847,003	1,627,461
Total deductions	2,733	796,686	925,780	1,725,199
Change in net assets	5,172	312,844	(61,985)	256,031
Net assets - beginning	79,492	5,014,956	10,051,947	15,146,395
Net assets - ending	\$ 84,664	\$ 5,327,800	\$ 9,989,962	\$ 15,402,426

AGENCY FUNDS

*Manatee Protection Agency
Northlake Boulevard Task Force*

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Combining Statement of Agency Net Assets
September 30, 2009

	Agency Funds		
	Manatee Protection Agency	Northlake Boulevard Task Force	Total Agency Funds
ASSETS			
Cash and cash equivalents	\$ 278,574	\$ 60,695	\$ 339,269
 LIABILITIES			
Due to others	\$ 278,574	\$ 60,695	\$ 339,269

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Combining Schedule of Changes in Agency Net Assets and Liabilities
For the Year Ended September 30, 2009

	<u>October 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>September 30, 2009</u>
<u>Manatee Protection Agency</u>				
Assets				
Cash and cash equivalents	\$ 276,649	\$ 1,925	\$	\$ 278,574
Liabilities				
Due to others	\$ 276,649	\$ 1,925	\$	\$ 278,574
<u>Northlake Boulevard Task Force</u>				
Assets				
Cash and cash equivalents	\$ 63,401	\$ 424	\$ 3,130	\$ 60,695
Liabilities				
Due to others	\$ 63,401	\$ 424	\$ 3,130	\$ 60,695
<u>Total All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 340,050	\$ 2,349	\$ 3,130	\$ 339,269
Liabilities				
Due to others	\$ 340,050	\$ 2,349	\$ 3,130	\$ 339,269

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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Percent Variance
Operating revenue					
Greens fee/cart rentals/membership fees	\$ 2,932,790	\$ 2,932,790	\$ 2,763,538	\$ (169,252)	-5.77
Golf shop revenues	191,500	191,500	208,645	17,145	8.95
Driving range revenues	230,609	230,609	208,230	(22,379)	-9.70
Restaurant revenues	128,410	128,410	134,060	5,650	4.40
Miscellaneous	60,000	60,000	90,386	30,386	50.64
Total operating revenues	3,543,309	3,543,309	3,404,859	(138,450)	-3.91
Golf Maintenance					
Operating expenses	1,485,088	1,485,088	1,457,205	27,883	1.88
Total Golf Maintenance	1,485,088	1,485,088	1,457,205	27,883	1.88
Golf Pro Shop and Range					
Personal services	321,159	345,931	340,673	5,258	1.52
Operating expenses	311,356	289,584	276,640	12,944	4.47
Capital outlay	13,000	10,000	4,515	5,485	54.85
Total Golf Pro Shop and Range	645,515	645,515	621,828	23,687	3.67
Food and Beverage					
Operating expenses	54,413	58,318	58,318		0.00
Capital outlay	10,000	6,095		6,095	100.00
Total Food and Beverage	64,413	64,413	58,318	6,095	9.46
Administration					
Personal services	221,293	221,293	218,138	3,155	1.43
Operating expenses	72,155	72,155	68,287	3,868	5.36
Capital outlay	8,000	8,000		8,000	100.00
Total Administration	301,448	301,448	286,425	15,023	4.98
Clubhouse and Grounds					
Operating expenses	199,962	197,337	102,175	95,162	48.22
Capital outlay	13,500	16,125	11,436	4,689	29.08
Total Clubhouse and Grounds	213,462	213,462	113,611	99,851	46.78
Insurance and General Liability					
Operating expenses	75,000	75,000	63,247	11,753	15.67
Reserves					
Operating	5,000	5,000	2,488	2,512	50.24
Contingency	191,882	191,882		191,882	100.00
Total Reserves	196,882	196,882	2,488	194,394	98.74
Debt service					
Debt service	591,501	591,501	577,704	13,797	2.33
Total expenses on the budgetary basis	3,573,309	3,573,309	3,180,826	392,483	10.98
Revenues over (under) expenses	\$ (30,000)	\$ (30,000)	\$ 224,033	\$ 254,033	-846.78%
Adjustments to reconcile to the GAAP Basis					
Total expenses on the budgetary basis			3,180,826		
Less capital outlay costs capitalized			(15,951)		
Less debt service			(577,704)		
Add depreciation expense			490,298		
Total operating expenses			<u>\$ 3,077,469</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 SIX FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING) Unaudited

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental Activities:					
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	2,350,342	3,527,865	6,654,989	7,143,452	9,281,170
Total governmental activities net assets	6,526,943	7,760,981	10,210,413	15,416,298	19,938,227
Business-Type Activities:					
Invested in capital assets, net of related debt	2,165,529	2,131,367	1,919,194	1,999,123	2,195,630
Unrestricted	(65,937)	(5,195)	270,374	415,865	151,005
Total business-type activities net assets	2,099,592	2,126,172	2,189,568	2,414,988	2,346,635
Primary government:					
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	2,284,405	3,522,670	6,925,363	7,559,317	9,432,175
Total primary government net assets	\$ 8,626,535	\$ 9,887,153	\$ 12,399,981	\$ 17,831,286	\$ 22,284,862
	2008	2009			
Governmental Activities:					
Invested in capital assets, net of related debt	\$ 12,845,093	\$ 16,643,241			
Restricted	979,182	251,088			
Unrestricted	9,836,912	11,016,626			
Total governmental activities net assets	23,661,187	27,910,955			
Business-Type Activities:					
Invested in capital assets, net of related debt	2,492,524	2,364,814			
Unrestricted	202,802	434,212			
Total business-type activities net assets	2,695,326	2,799,026			
Primary government:					
Invested in capital assets, net of related debt	15,337,617	19,008,055			
Restricted	979,182	251,088			
Unrestricted	10,039,714	11,450,838			
Total primary government net assets	\$ 26,356,513	\$ 30,709,981			

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 SIX FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING) Unaudited

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
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
Program Revenues					
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
Net (Expense)/Revenue					
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)
General revenues and other changes in net assets:					
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
Change in net assets					
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*.

	<u>2008</u>	<u>2009</u>
\$	1,839,228	\$ 2,239,511
	7,154,578	7,095,043
	3,996,711	4,083,441
	860,448	826,149
	3,244,045	3,174,623
	-	-
	120,549	26,702
	<u>17,215,559</u>	<u>17,445,469</u>
	<u>3,268,562</u>	<u>3,308,535</u>
	<u>3,268,562</u>	<u>3,308,535</u>
\$	<u><u>20,484,121</u></u>	<u><u>20,754,004</u></u>
\$	123,334	\$ 122,569
	383,325	378,591
	288,994	394,082
	888,015	699,130
	595,558	912,862
	-	-
	88,224	105,080
	<u>1,602,465</u>	<u>2,017,158</u>
	<u>3,969,915</u>	<u>4,629,472</u>
	3,616,509	3,404,859
	13,609	-
	-	-
	<u>3,630,118</u>	<u>3,404,859</u>
\$	<u><u>7,600,033</u></u>	<u><u>8,034,331</u></u>
\$	(13,245,644)	\$ (12,815,997)
	361,556	96,324
\$	<u><u>(12,884,088)</u></u>	<u><u>(12,719,673)</u></u>
\$	11,915,355	\$ 11,917,359
	278,649	267,557
	2,018,071	2,239,002
	1,212,562	1,256,831
	1,227,341	1,116,107
	-	-
	194,652	(1,346)
	55,719	263,459
	16,959	6,796
	49,296	-
	<u>16,968,604</u>	<u>17,065,765</u>
	36,431	7,376
	-	-
	(49,296)	-
	<u>(12,865)</u>	<u>7,376</u>
\$	<u><u>16,955,739</u></u>	<u><u>17,073,141</u></u>
\$	3,722,960	\$ 4,249,768
	348,691	103,700
\$	<u><u>4,071,651</u></u>	<u><u>4,353,468</u></u>

VILLAGE OF NORTH PALM BEACH
FUND BALANCES, GOVERNMENTAL FUNDS
LAST SIX 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>			

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

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

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues:					
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>
Expenditures					
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>
\$ 15,424,638	\$ 15,680,749
1,047,144	880,016
2,459,211	3,315,908
1,268,774	1,684,718
235,965	145,340
194,652	(1,345)
137,447	300,455
<u>20,767,831</u>	<u>22,005,841</u>
2,246,461	1,970,257
7,056,833	6,835,730
3,725,450	3,432,556
840,366	784,486
2,876,840	2,898,252
2,597,065	3,939,455
716,206	1,395,735
143,726	43,725
<u>20,202,947</u>	<u>21,300,196</u>
564,884	705,645
1,254,952	454,111
(1,254,952)	(454,111)
<u>-</u>	<u>-</u>
<u>\$ 564,884</u>	<u>\$ 705,645</u>
4.91%	8.07%

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		
2000	1999	\$ 653,605,011	\$ 113,851,156	\$ 36,071,964	\$ 803,528,131	5.60
2001	2000	745,237,484	122,793,250	40,169,760	908,200,494	5.75
2002	2001	823,286,154	124,216,202	42,791,419	990,293,775	5.60
2003	2002	963,091,506	128,216,552	44,276,499	1,135,584,557	5.80
2004	2003	1,092,433,722	147,927,933	44,914,124	1,285,275,779	6.80
2005	2004	1,180,028,585	208,240,338	49,767,286	1,438,036,209	7.27
2006	2005	1,441,249,707	179,827,665	44,422,817	1,665,500,189	6.80
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	6.6977

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

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

Source: Palm Beach County Property Appraiser

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

Fiscal Year	Tax Roll Year	Village of N. Palm Beach General Operations	Overlapping Rates (1)			Total Direct and Overlapping Rates
			Palm Beach County School District	Palm Beach County	Special Districts	
2000	1999	5.600	8.92	4.936	2.262	21.718
2001	2000	5.750	8.92	4.936	2.263	21.869
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	6.6977	7.25	3.966	2.257	20.171

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 2000

Unaudited

<u>Taxpayers</u>	2009			2000		
	Taxable Assessed <u>Value</u>	<u>Rank</u>	Percentage of Total Village Net Taxable Assessed <u>Value</u>	Taxable Assessed <u>Value</u>	<u>Rank</u>	Percentage of Total Village Net Taxable Assessed <u>Value</u>
WCI Communities Limited Partnership				\$ 28,017,384	1	3.49%
Olen Residential Realty	\$ 18,000,000	1	0.97%	16,321,086	2	2.03%
Crystal Tree NPB	17,030,531	2	0.92%			
Pulte Home Corporation				12,924,159	3	1.61%
Sanctuary Bay Trust Corporation	14,000,300	3	0.76%	11,236,623	4	1.40%
Greater Fla Inv Co &	12,911,802	4	0.70%	5,840,000	7	0.73%
CF02 Palm Beach III LP	11,000,000	5	0.60%			
Interevest Crystal Tree				9,375,359	5	1.17%
Domani Development, LLC	9,213,927	6	0.50%			
North Palm Properties, LTD				7,925,722	6	0.99%
Village Shoppers at US 1 LLC	7,896,575	7	0.43%			
Old Port Cove Holding, Inc	7,706,522	8	0.42%			
Riverside National Bank of Florida	6,044,474	9	0.33%			
701 US One, Inc	5,839,803	10	0.32%			
Pavilion Office Center	5,000,000	11	0.27%	3,240,000	10	0.40%
Transcontinental Atrium, Inc.				4,590,000	8	0.57%
Roschman, M. Elaine TR				4,100,000	9	0.51%
Old Port Cove Dev.				3,100,000	11	0.39%
Total	\$ 114,643,934		6.22%	\$ 106,670,333		13.29%

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
2000	1999	\$ 4,512,027	\$ 4,335,668	96.09%	\$ 23,074	\$ 4,358,742	96.60%
2001	2000	5,196,021	5,013,269	96.48%	4,687	5,017,956	96.57%
2002	2001	5,562,239	5,357,206	96.31%	12,175	5,369,381	96.53%
2003	2002	6,597,909	6,359,478	96.39%	5,522	6,365,000	96.47%
2004	2003	8,825,061	8,441,383	95.65%	10,401	8,451,784	95.77%
2005	2004	10,463,873	10,059,478	96.14%	9,476	10,068,954	96.23%
2006	2005	11,329,648	10,690,869	94.36%	172,744	10,863,613	95.89%
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%

Source: Palm Beach Country Property Appraiser

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

Fiscal Year Ended September 30,	Governmental Activities		Business-type Activities		Total	Percent of Median Personal Income (1)	Per Capita (1)
	Loans Payable	Capital Leases	Loans Payable	Capital Leases			
2000	5,481,150	298,552	280,000		6,059,702	11.33%	506.03
2001	8,067,736	245,059	785,781		9,098,576	N/A	745.91
2002	7,334,853	736,967	651,058		8,722,878	N/A	715.11
2003	6,947,633	587,792	513,472		8,048,897	N/A	659.85
2004	6,376,387	433,855	411,573		7,221,815	N/A	592.05
2005	5,754,677	275,840	454,131		6,484,648	N/A	513.31
2006	4,941,765	209,224	5,185,978		10,336,967	17.20%	786.20
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

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

(1) See the Schedule of Demographic and Economic Statistics on page 93 for personal income and population data

N/A Data not available.

VILLAGE OF NORTH PALM BEACH
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2009
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	\$ 270,150,000	1.15%	\$ 3,106,725
Palm Beach County School Board		1.15%	
Other Debt:			
Palm Beach County	965,378,873	1.15%	11,101,857
Palm Beach County School Board	32,835,000	1.15%	<u>377,603</u>
Subtotal, Overlapping Debt			14,586,185
Village of North Palm Beach Direct Debt		100%	<u>2,250,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 16,836,185</u></u>

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

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

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

VILLAGE OF NORTH PALM BEACH
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

(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)
2000	11,975	\$ 53,487	\$ 43,921	4.2
2001	12,198	-	-	5.0
2002	12,198	-	-	6.0
2003	12,198	-	-	5.6
2004	12,198	-	-	5.0
2005	12,633	-	-	4.0
2006 (estimate)	13,148	60,101	46,726	3.3
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

Sources: Business Development Board
US Census Bureau

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

VILLAGE OF NORTH PALM BEACH
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
Unaudited

<u>Employer</u>	<u>2009</u>			<u>2000</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>		<u>Employees</u>	<u>Percentage of Total Employment</u>
School Board	21,718	3.46%	WCI Communities, Inc	16,800	3.10%
Palm Beach County	6,713	1.07%	Palm Beach County	9,000	1.66%
Tenet Healthcare Corp.	5,127	0.82%	State Government	8,600	1.59%
HCA (Hospital Corp. of America)	4,150	0.66%	Federal Government	5,200	0.96%
Florida Power & Light	3,658	0.58%	Columbia Palm Beach Health Care System	4,000	0.74%
Wackenhut Corporation	3,000	0.48%	Intracoastal Healthcare Systems, Inc.	3,200	0.59%
Florida Atlantic University	2,776	0.44%	Florida Crystals	2,300	0.42%
Bethesda Memorial Hospital	2,300	0.37%	Motorola, Inc.	2,300	0.42%
Veterans Health Administration	2,205	0.35%	Florida Power & Light	2,300	0.42%
Boca Raton Resort & Club	2,200	0.35%	Boca Raton Resort & Club	1,850	0.34%
Total	<u>53,847</u>	<u>8.58%</u>	Total	<u>55,550</u>	<u>10.24%</u>

Source: Business Development Board of Palm Beach County

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

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

VILLAGE OF NORTH PALM BEACH

Full-Time Equivalent Village Government Employees by Function

LAST TEN FISCAL YEARS (*)

Unaudited

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</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	1	1	0	0	0	0
Systems Specialist										
Full-Time	1	1	1	1	1	1	2	2	2	2
Part-Time	0	0	0	0	0	0	0	0	0	1
Executive Secretary - Full-Time	1	1	1	1	1	1	1	1	1	1
Human Resources							2	2	2	2
Village Clerk - Full-Time	0	0	0	0	0	3	3	3	3	3
Finance										
Full-time	4	4	5	5	5	5	5	5	5	5
Part-Time	1	1	0	0	0	0	0	0	1	1
Public Works										
Full-time	61	61	61	61	61	62	54	47	48	38
Part-Time	4	4	4	8	8	6	3	0	0	0
Public Safety										
Full-time	60	63	63	66	66	61	66	68	68	67
Part-Time	13	12	12	14	14	15	14	13	12	11
Community Development and Planning										
Full-time	0	0	0	0	0	0	0	9	10	9
Part-Time	0	0	0	0	0	0	0	1	1	2
Leisure Services										
Library										
Full-time	8	9	9	9	9	8	7	7	7	6
Part-Time	9	8	8	7	7	7	8	8	8	10
Recreation										
Full-time	5	5	5	6	6	5	15	15	17	9
Part-Time	6	14	14	14	14	15	31	39	42	42
Other Government - Country Club										
Full-time	24	22	24	25	25	24	18	19	18	5
Part-Time	28	34	36	27	27	27	24	25	22	21
Total Number of Employees Budgeted FY Ending	227	241	245	246	246	242	254	265	268	236

* 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 (1)
Unaudited

FUNCTION/PROGRAM	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
GENERAL GOVERNMENT										
Number of Residential Units	7,349	-	-	-	-	-	-	7,564	7,422	7,472
PUBLIC WORKS										
Street Maintenance (No. of lane miles maintained)	31.155	31.155	31.155	31.155	31.155	31.155	31.155	31	31	31
Sanitation (Tons of Refuse Collected)	-	11,633	12,996	13,136	18,842	14,037	13,203	12,085	11,974	10,667
No. of collection units for solid waste (residential)	7,019	7,241	7,328	7,434	7,470	7,519	7,558	7,564	7,569	7,591
Number of vehicles maintained	93	93	95	95	95	95	95	104	104	110
Number of repair overlays completed	0.662	0.662	2.840	3.787	5.587	2.462	2.935	2	3	2.5
PUBLIC SAFETY										
Number of arrests by police officers	272	381	246	320	315	331	410	545	549	448
Number of traffic citations issued	5,506	6,502	3,936	2,564	3,110	5,743	4,272	4,269	5,520	6,305
EMS average response times (minutes)	3.04	5.43	3.33	2.94	4.42	3.98	4.69	4.73	5.17	5.01
Number of EMS calls	744	812	853	922	1,066	965	1,056	1,034	1,114	1,214
COMMUNITY DEVELOPMENT & PLANNING										
Building Department - Number of Permits	251	278	205	224	201	201	(2)	1,875	1,619	1,548
Number of code enforcement violations	-	-	-	-	-	-	1,767	1,617	729	613
Number of code violations brought to board (Calendar Yr End)	-	-	101	120	145	165	144	126	115	73
RECREATION										
Number of community events presented	13	13	13	14	15	22	21	24	23	28
Number of registrants in athletic programs	2,100	2,185	2,185	1,750	1,575	1,400	1,520	1,600	1,400	1,125
LIBRARY										
Library - Number of Volumes	44,686	45,700	47,339	47,960	47,531	54,074	47,371	42,372	33,122	35,681
OTHER GOVERNMENT										
Country Club										
Number of Golf Members	-	-	-	-	-	-	365	579	389	297
Number of Tennis Members	-	-	-	-	-	-	136	171	171	180

(1) Available information for fiscal years 2000 through 2009 is presented.

(2) 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>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government										
No. of General Government Buildings	11	11	11	11	11	11	11	11	11	11
Public Works										
Square Miles	5.18	5.18	5.18	5.18	5.18	5.18	5.18	5.18	5.18	5.18
Miles of Streets	36.00	36.00	36.00	36.00	36.00	36.00	36.00	36.00	36.00	36.00
Number of Street Lights	425	425	425	425	425	425	425	425	513	513
Public Safety										
Fire:										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Number of Substations	0	0	0	0	0	0	0	0	0	0
Number of Fireman & Officers	5	5	8	8	8	8	0	0	0	0
Number of Fireman/Paramedics	0	0	0	0	0	0	23	23	23	23
Police/EMS Protection:										
Number of Stations	2	2	2	1	1	1	1	1	1	1
Number of Substations	0	0	0	0	0	0	0	0	0	0
Number of Policemen & Officers	56	56	33	35	35	35	33	32	32	31
EMS Protection	12	12	13	13	13	13	0	0	0	0
Leisure Services										
Recreation										
Number of Parks	4	4	4	4	4	4	4	4	4	4
Public Tennis Courts	5	4	4	4	4	4	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
Library										
Number of Libraries	1	1	1	1	1	1	1	1	1	1
Number of Volumes	44,686	45,700	47,339	47,960	47,531	54,074	47,371	42,372	33,122	35,681
Other Government										
Country Club										
Golf Course	1	1	1	1	1	1	1	1	1	1
Driving Range	1	1	1	1	1	1	1	1	1	1
Tennis Courts	10	10	10	10	10	10	10	10	10	10

Source: Village of North Palm Beach

OTHER REPORTS



NOWLEN, HOLT & MINER, P.A.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of North Palm Beach, Florida, as of and for the year ended September 30, 2009, which collectively comprise the Village of North Palm Beach, Florida's basic financial statements and have issued our report thereon dated March 17, 2010. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of North Palm Beach, Florida's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of North Palm Beach, Florida's financial statements that is more

than inconsequential will not be prevented or detected by the Village of North Palm Beach, Florida's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of North Palm Beach, Florida's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 17, 2010.

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

Nowlen, Holt & Mimer, P.A.

March 17, 2010
West Palm Beach, Florida



NOWLEN, HOLT & MINER, P.A.

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REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133; and
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

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

Compliance

We have audited the compliance of the Village of North Palm Beach, Florida with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the requirements described in the Florida Department of Financial Services State Projects Compliance Supplement that are applicable to each of its major federal programs and state projects for the year ended September 30, 2009. The Village of North Palm Beach, Florida's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of the Village of North Palm Beach, Florida's management. Our responsibility is to express an opinion on the Village of North Palm Beach, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Florida Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Village of North Palm Beach, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Village of North Palm Beach, Florida's compliance with those requirements.

In our opinion, the Village of North Palm Beach, Florida complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2009.

Internal Control Over Compliance

The management of the Village of North Palm Beach, Florida is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the Village of North Palm Beach, Florida's internal control over compliance with the requirements that could have a direct and material effect on a major federal program and state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village of North Palm Beach, Florida's control over compliance

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of a federal program or state project will not be prevented or detected by the entity's internal control.

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

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 17, 2010.

This report is intended solely for the information and use of management, the Board of Commissioners, the Auditor General of the State of Florida, 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.

West Palm Beach, Florida

March 17, 2010

VILLAGE OF NORTH PALM BEACH, FLORIDA
Schedule of Expenditures of Federal Awards
And State Financial Assistance
For the Year Ended September 30, 2009

<u>Grantor/Program Title</u>	<u>CFDA CSFA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal/State Expenditures</u>
Federal Awards			
Major Programs:			
U.S. Department of Transportation Passed through Florida Department of Transportation Highway Planning and Construction	20.205	422175-I-A8-01	\$ 500,000
Passed through Florida Department of Environmental Protection Recreation Trails Program	20.219	T27032	199,944
Non-Major Programs:			
U.S. Department of the Interior Passed through Florida Department of Environmental Protection Outdoor Recreation Acquisition, Development and Planning	15.916	LW554	200,000
U.S. Department of Homeland Security Federal Management Relief Assistance Public Assistance Grants	97.036		<u>29,580</u>
Total Expenditures of Federal Awards			<u>\$ 929,524</u>
State Financial Assistance			
Major Programs:			
Florida Department of Environmental Protection Special Recreation Assistance Projects	37.071	L0710	\$ 400,000
Florida Recreation Development Assistance Program	37.017	A09214 F7190 F7077	135,611 97,143 <u>168,751</u> 401,505
Non-Major Programs:			
Florida Department of Environmental Protection Statewide Surface Water Restoration and Wastewater Projects	37.039	LP8954	74,559
Florida Department of State State Aid to Libraries	45.030		<u>20,574</u>
Total State Financial Assistance			<u>\$ 896,638</u>

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

This schedule of expenditures of federal awards and state financial assistance is a summary of the Authority's federal award programs and state projects for the year ended September 30, 2009, and is presented in accordance with the requirements of OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General. The schedule has been prepared in accordance with generally accepted accounting principles.

NOTE 2 - SUBRECIPIENT PAYMENTS

No amounts were disbursed to subrecipients in the current year.

NOTE 3 - CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies. Any disallowed claims, including amounts already received, might constitute a liability of the Authority for the return of those funds. In the opinion of management, all grant expenditures were in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

VILLAGE OF NORTH PALM BEACH, FLORIDA
Schedule of Findings and Questioned Costs
September 30, 2009

Section I—Summary of Auditors’ Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? _____yes X no
- Significant deficiency identified that is not considered to be a material weakness? _____yes X none reported

Noncompliance material to financial statements noted? _____yes X no

Federal Awards and State Projects

Internal control over major programs/projects:

- Material weakness identified? _____yes X no
- Significant deficiency identified that is not considered to be a material weakness? _____yes X none reported

Type of auditor’s report issued on compliance for major programs/project: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133 and Chapter 10.550 Rules of the Florida Auditor General? _____yes X no

Identification of Major Programs

CFDA Numbers

Name of Federal Program or Cluster

U.S. Department of Transportation

- 20.205* • Highway Planning and Construction
- 20.219* • Recreation Trails Program

* Highway Safety Cluster, these are considered one major program

CSFA Numbers

Name of State Project

DEPARTMENT OF ENVIRONMENTAL PROTECTION

- 37.071 • Special Recreation Assistance Projects
- 37.017 • Florida Recreation Development Assistance Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____yes X no

VILLAGE OF NORTH PALM BEACH, FLORIDA

Schedule of Findings and Questioned Costs

September 30, 2009

(Continued)

Section II—Financial Statement Findings

No matters are reported.

Section III—Findings and Questioned Costs

Major Federal Programs

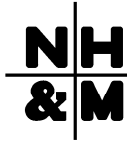
No material weaknesses in internal control were disclosed by the audit of the major federal award programs, nor were any audit findings relative to the major federal award programs identified that are required to be reported under OMB Circular A-133.

Major State Projects

No material weaknesses in internal control were disclosed by the audit of the major state projects, nor were any audit findings relative to the major state projects identified that are required to be reported under Chapter 10.550, Rules of the Auditor General.

Section IV—Federal Awards Summary Schedule of Prior Audit Findings

No findings or questioned costs were reported in the prior year.



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 basic financial statements of the Village of North Palm Beach, Florida, as of and for the year ended September 30, 2009, and have issued our report thereon dated March 17, 2010.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on 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 17, 2010, should be considered in assessing the results of our audit.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which require that we address certain compliance and other matters in the management letter.

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, accounting procedures, and internal controls. In connection with our audit for the fiscal year ended September 30, 2009, we did not have any such recommendations.

Excess of Expenditures Over Appropriations

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

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, requires 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, 2009.

Financial Condition Assessment Procedures

Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. 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.

Annual Financial Report

Rules of the Auditor General requires that we determine whether the annual financial report for the Village of North Palm Beach, Florida for the fiscal year ended September 30, 2009, 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, 2009. In connection with our audit, we noted that the two reports were in substantial agreement.

Investment of Public Funds

Rules of the Auditor General, requires 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, 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, requires that we address violations of provisions of contracts and grant agreements or abuse 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, 2009, we did not have any such findings.

Matters Inconsequential to the Financial Statements

Rules of the Auditor General, requires based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures; (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit for the fiscal year ended September 30, 2009, we did not have any such findings.

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

Nowlen, Holt & Mimer, P.A.

March 17, 2010
West Palm Beach, Florida