



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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2004

The Village of North Palm Beach, Florida



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2004

**Prepared by:
Finance Department**

**Shaukat Khan
Director of Finance**

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

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INTRODUCTORY SECTION



March 4, 2005

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, 2004.

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

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

THE REPORT

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

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

VILLAGE PROFILE

The Village

The Village of North Palm Beach is primarily a residential community, having been incorporated as a political subdivision of the State of Florida in 1956. The registered population of the Village is approximately 12,000, which increases to approximately 18,000 during the winter months by residents who list their northern homes as their official place of residence. Residents are generally in the middle to upper income brackets.

Located in the northeastern quadrant of Palm Beach County, Florida, the Village has an unusual 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 for two-year overlapping terms. 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.

The financial records for its Enterprise Fund (i.e., the Country Club operation) are maintained on the full accrual basis of accounting similar to that followed by commercial enterprises.

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.

Budgetary control is maintained at the subfunction level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders, which result in an overrun of subfunction balances, are not released until additional appropriations are made available. Open encumbrances are reported as reservations of fund balance at September 30, 2004.

ECONOMIC OUTLOOK

Property Values and Personnel Costs

The Village obtains a major portion of its annual general fund financial resources (58%) from ad valorem property taxes. Gross assessed property values have increased substantially over the past three years (44% between 2001 and 2004) rising \$160 million dollars, or 14% in 2004 alone, to a total of \$1,297,803,114. The Village anticipates a substantial reduction in planned new growth since most vacant property within municipal limits has been developed. There remains only a single substantial plan for large development on remaining land along the Intracoastal Waterway. The Village, therefore, anticipates much more moderate increases in annual property values resulting from the sale, transfer and redevelopment of existing properties. It is estimated that future annual property value increases will run in the 4%-6% range due largely to the waterways of the Village's eastern location along Lake Worth and the Atlantic Ocean.

At the same time that property values plateau, the Village is facing significant increases in its annual employee personnel costs. Over the past few years, several retirement plan changes and pay plan studies were implemented causing significant and continuing annual increases in annual Village pension contributions (rising from 9% in 1999 to 18% in 2004...with a further increase to 23% in 2005). The municipality has also experienced significant increases in annual health insurance costs that have been paid for entirely by the Village with no change in employee contributions (costs increased from \$752,000 in 2001 to \$1,273,000 in 2004). The Village will need to address the legacy of these significant economic forces during the coming years.

Annexation

The Village intends to actively pursue annexation of surrounding unincorporated areas that compliment the services and values of our existing community. The focus on annexations will be toward providing exemplary municipal services that are revenue neutral to the annexed areas as well as to the Village. The annexation of unincorporated areas north of the Village could be coupled with a substantial reduction in Village tax rates without compromising high levels of existing municipal service. The Village will be actively pursuing annexation during the next few years.

Hurricane Cleanup Reimbursement - FEMA

The Village estimates it has incurred between \$1.2 million and \$1.5 million dollars in hurricane recovery costs. After submitting claims for these costs to three different FEMA representatives over a six-month period, virtually no reimbursements have been received from FEMA. Continued federal delays or denials of these recovery costs could pose serious economic hardships to the Village in coming months and years.

INITIATIVE AND FUTURE PROJECTS

Country Club

The last golf course irrigation and play area redevelopment was accomplished in 1989. The Village is currently developing conceptual master plans for re-design and redevelopment of the North Palm Beach golf course (irrigation, tees, greens and fairways). The Village administration has recommended developing master plans design alternatives for the entire Country Club (golf, tennis, pool, meeting rooms and restaurant). Business plans would be matched to these master plans to measure the Country Club's debt capacity and related revenue improvements that could allow repayment of needed capital improvement loans.

Northlake Boulevard Corridor Task Force

The Northlake Boulevard Task Force is in the process of bidding the construction of Phase I for the Streetscape. Overlay zoning code is already accomplished. The commitment of the Village in this project is noteworthy because our neighboring community, Lake Park, has withdrawn from the Task Force.

Public Safety North Substation Annex

The Village is actively pursuing acquisition of a permanent site for construction of a public safety sub-station at the northern end of town, north of the Intracoastal draw bridge. Funding for this project has been diminished by the substantial cost of 2004 hurricane damages and cleanup. The Village is seeking funding assistance from the federal government to allow the construction of this new public safety sub-station to move forward within the next 1-2 years.

Prosperity Farms Road Task Force

The Village created a Prosperity Farms Road Task Force comprised of citizens that reside in the area. The Task Force assisted in developing plans to help resolve traffic problems affecting residents that live along Prosperity Farms Road. An engineering firm was hired to develop a concept plan. From that concept plan the Council selected an engineering firm to do the construction and design phase and implement the conceptual plan. Palm Beach County is providing the funding for the construction and design phase with an anticipated cost of approximately \$1,000,000. Once the construction design and project bids have been received in March 2005, the Task Force will make recommendations to the Village Council whether to proceed with the project (subject to available funding), implement parts of the project, seek additional funding for the entire project or halt the project.

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 has been described as a four-phase program with the first and second phase being completed. Phases three and four are anticipated to be completed by June 2005.

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, 2003. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.



Mark Bates
Village Manager

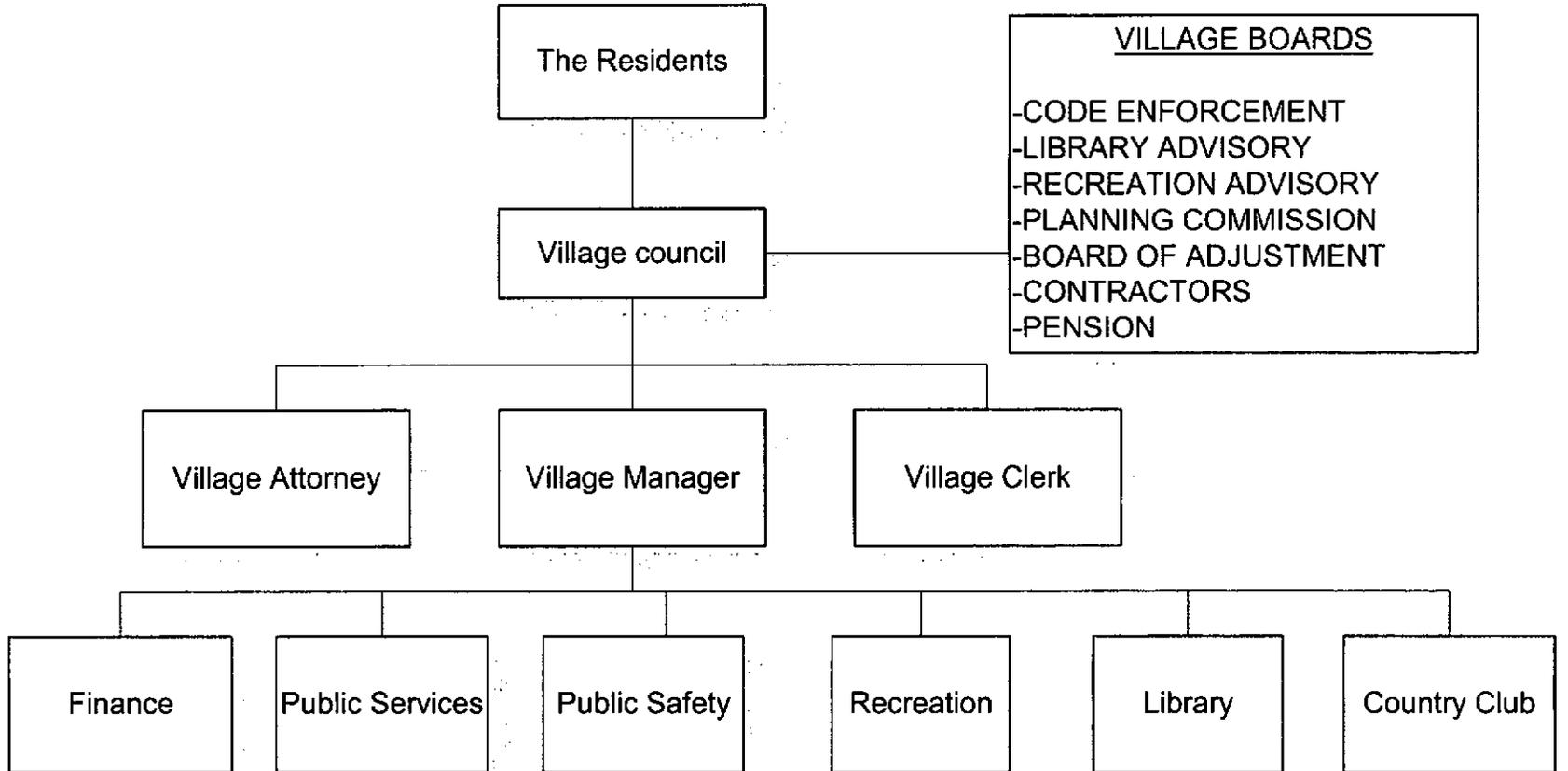
THE VILLAGE OF NORTH PALM BEACH, FLORIDA

PRINCIPAL VILLAGE OFFICIALS

SEPTEMBER 30, 2004

<u>Title</u>	<u>Name</u>
Mayor	Donald G. Noel
Vice Mayor	Edward E. Eissey
President Pro Tem	Charles R. O'Meilie
Council Member	Rob Rennebaum
Council Member	David B. Morris
Village Manager	Mark Bates
Director of Finance	Shaukat Khan
Village Clerk	Kathleen Kelly

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Organization Chart
September 30, 2004



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, 2003

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

President

Executive Director

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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, (the Village) as of and for the year ended September 30, 2004, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of North Palm Beach, Florida, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

As more fully described in Note 11 to the financial statements, subsequent to the original issuance of the Village's financial statements for the year ended September 30, 2004 and our report thereon dated March 4, 2005, we became aware that those financial statements did not reflect certain accrued liabilities for employee and beneficiary medical and dental claims unpaid as of September 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 4, 2005, on our consideration of the Village of North Palm Beach's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, pages 3 through 10, and the budgetary comparison schedules and schedules of funding progress and employer contributions, pages 50 through 56, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of North Palm Beach's basic financial statements. The introductory section, other supplementary information, and the statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements. The information included in the introductory and statistical sections has not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.

Cherry, Bekant & Holland LLP

West Palm Beach, Florida
March 4, 2005, except as to the fourth
paragraph above and Note 11, which
are as of May 12, 2005

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, 2004. Please read it in conjunction with the accompanying transmittal letter beginning on page i, and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

	2004	2003	(Decrease)	Page #
Total net assets	\$9.9 million	\$8.6 million	\$1.3 million	11
Unrestricted net assets available for future use	\$3.1 million	\$2.0 million	\$1.1 million	11
Governmental net assets	\$7.8 million	\$6.5 million	\$1.3 million	11
Total revenues from all sources	\$17.1 million	\$14.7 million	\$2.6 million	12
Governmental revenues	\$14.6 million	\$12.2 million	\$2.4 million	12
Total cost of all Village programs	\$15.9 million	\$15.8 million	\$0.1 million	12
Governmental revenues over (under) expenses	\$1.0 million	(\$2.8 million)	\$3.8 million	15
General fund revenues over (under) expenses	\$1.1 million	(\$1.4 million)	\$2.5 million	15
General fund unreserved fund balance	\$2.9 million	\$1.7 million	\$1.2 million	13
As a percent of general fund expenditures	21.00%	11.80%	9.20%	
Country Club revenues over (under) expenses	27,000	(52,000)	79,000	18
Decrease in total long-term debt for the Village	\$0.7 million	\$1.3 million	(\$0.6 million)	

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.

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 basic governmental fund financial statements can be found on pages 13 -16 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 17 - 19 of this report.
- Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 20 - 21 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 \$8.4 million at the close of the most recent fiscal year.

By far, the largest portion of the Village's net assets (70%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Village of North Palm Beach Net Assets (In Thousands)

	Governmental		Business		Total	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
Assets:						
Current and other assets	\$ 4,912	\$ 4,076	\$ 127	\$ 202	\$ 5,039	\$ 4,278
Capital assets	11,341	11,800	2,543	2,679	13,884	14,479
Total assets	<u>16,253</u>	<u>15,876</u>	<u>2,670</u>	<u>2,881</u>	<u>18,923</u>	<u>18,757</u>
Liabilities:						
Current liabilities	914	2,444	132	324	1,046	2,768
Long-term debt outstanding	7,578	6,905	412	457	7,990	7,362
Total liabilities	<u>8,492</u>	<u>9,349</u>	<u>544</u>	<u>781</u>	<u>9,036</u>	<u>10,130</u>
Net assets:						
Invested in capital assets, net of debt	3,763	3,563	2,131	2,166	5,894	5,729
Restricted	895	614	-	-	895	614
Unrestricted	3,102	2,350	(5)	(66)	3,097	2,284
Total net assets	<u>\$ 7,760</u>	<u>\$ 6,527</u>	<u>\$ 2,126</u>	<u>\$ 2,100</u>	<u>\$ 9,886</u>	<u>\$ 8,627</u>

An additional portion of the Village's net assets (6.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (3.4 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the Village is able to report positive balances in all categories of net assets for the governmental activities and business-type activities net assets invested in capital assets, net of related debt. Unrestricted net assets for business-type activities were a negative \$5,000 at fiscal year end.

There was an increase of \$1.8 million in the government's net assets during the current fiscal year. Governmental activities accounted for 98% of the total increase.

Governmental Activities

Governmental activities increased the Village's net assets by \$1.5 million, thereby accounting for 98% of the total increase in the net assets of the Village. Key elements of this decrease are as follows:

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

	Governmental Activities		Business Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 1,672	\$ 1,503	\$ 2,548	\$ 2,510	\$ 4,220	\$ 4,013
Operating grants and contributions	89	82	-	-	89	82
Capital grants and contributions	-	103	-	10	-	113
General revenues:						
Property taxes	8,452	6,365	-	-	8,452	6,365
Utility service taxes	1,830	1,755	-	-	1,830	1,755
Sales and use taxes	1,231	1,148	-	-	1,231	1,148
Franchise fees	861	890	-	-	861	890
contributions not restricted to specific programs	292	277	-	-	292	277
Investment earnings	53	75	3	5	56	80
Miscellaneous	92	55	43	100	135	155
Gain (loss) on asset disposals	-	-	-	-	-	-
Total revenues	<u>\$ 14,572</u>	<u>\$ 12,253</u>	<u>\$ 2,594</u>	<u>\$ 2,625</u>	<u>\$ 17,166</u>	<u>\$ 14,878</u>

Expenses:

Program expenses:						
General government	\$ 3,174	\$ 2,781	\$ -	\$ -	\$ 3,174	\$ 2,781
Public safety	5,294	5,195	-	-	5,294	5,195
Public services	3,549	3,483	-	-	3,549	3,483
Leisure services	1,280	1,540	-	-	1,280	1,540
Interest on long-term debt	41	129	-	-	41	129
Country Club	-	-	2,568	2,677	2,568	2,677
Total expenses	13,338	13,128	2,568	2,677	15,906	15,805
Increase (decrease) in net assets						
	1,235	(875)	26	(52)	1,261	(927)
Net assets - beginning of year	6,527	7,402	2,100	2,152	8,627	9,554
Net assets - end of year	\$ 7,762	\$ 6,527	\$ 2,126	\$ 2,100	\$ 9,888	\$ 8,627

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

**Village of North Palm Beach
Governmental Activities
(In Thousands)**

	2004		2003	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 3,174	\$ (2,477)	\$ 2,781	\$ (1,166)
Public safety	5,294	(5,021)	5,195	(4,787)
Public services	3,549	(2,654)	3,483	(3,498)
Leisure services	1,280	(1,132)	1,540	(1,289)
Interest on long-term debt	41	-	129	(173)
	\$ 13,338	\$ (11,284)	\$ 13,128	\$ (10,913)

The cost of all governmental activities this year was \$12.9million. As shown on the Statement of Activities, those who directly benefited from the programs paid for \$1.7 million of this cost and \$11.2 million was financed through general revenues. The Village added \$1.5million to fund balance during 2004.

Business Type Activities

Net assets of the Proprietary Fund (Country Club) at September 30, 2004, were \$2.1 million. The cost of providing all Proprietary (Business Type) activities this year was \$2.6 million. As shown in the Statement of Activities, amounts paid by members and non-members of the Country Club were \$2.5 million, leaving a surplus of \$26,600. Investment and miscellaneous income of \$46,000 helped generate the surplus. The income from operations was \$40,100. Net assets increased by \$26,600.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

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

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

As of the end of the current fiscal year, the Village's general fund reported an ending fund balance of \$3.4 million, a \$1.4 million increase over the 2003 fund balance of \$2.0 million. This was a planned event, since the Village planned to increase general fund balance in the current year to support planned future expenditures.

Approximately 94% of the combined ending fund balance (\$3.2 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance (.7 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 \$3.2 million, while total fund balance was \$3.4 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 24% of total general fund expenditures, while total fund balance represents 26% of that same amount.

The capital projects fund has a total fund balance of \$.47 million, all of which is reserved for capital outlay projects. The net decrease in fund balance during the current year in the capital projects fund was \$.14 million, and is the result of expenditures for capital outlay (\$.15 million) that were greater than revenues and transfers in from the general fund (\$8,500).

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$573,422 and can be briefly summarized as follows:

- Funding for hurricane expenditures.
- Funding for street paving.

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, 2004 and 2003, amounts to \$13.8 million and \$14.58 million (net of accumulated depreciation). The total increase in the Village's investment in capital assets for the current fiscal year was \$.5 million.

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

	Governmental		Business		Total	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
Land	\$ 2,056	\$ 2,056	\$ 1,051	\$ 1,051	\$ 3,107	\$ 3,107
Buildings and improvements	10,570	10,472	1,477	1,475	12,047	11,947
Improvements other than buildings	-	-	574	574	574	574
Improvements - golf course	-	-	1,604	1,604	1,604	1,604
Furniture, fixtures and equipment	6,108	5,893	714	703	6,822	6,596
Total assets	18,734	18,421	5,420	5,407	24,154	23,828
Less accumulated depreciation	(7,393)	(6,621)	(2,877)	(2,729)	(10,270)	(9,350)
Net assets	\$ 11,341	\$ 11,800	\$ 2,543	\$ 2,678	\$ 13,884	\$ 14,478

Additional information on the Village's capital assets can be found in Note 4 on page 36-37 of this report.

Debt

Currently, the Village uses debt financing on an as needed basis each year. At the end of the current fiscal year, the Village had total debt of \$6.8 million. None of this amount comprises debt backed by the full faith and credit of the government. Of the \$6.8 million of loans payable, \$5,000 is unsecured. The remaining loans payable are secured by franchise fees and public services taxes. The capital leases are secured by equipment.

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

	Governmental		Business		Total	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
Loans payable	\$ 6,376	\$ 6,950	\$ 412	\$ 513	\$ 6,788	\$ 7,463
Capital leases	434	588	-	-	434	588
Total	\$ 6,810	\$ 7,538	\$ 412	\$ 513	\$ 7,222	\$ 8,051

Additional information on the Village's debt can be found in Note 5 on page 37-42 of this report.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

During the current 2004 fiscal year, unreserved general fund balance increased to \$3.2 million. The Village did not appropriate any of this unreserved fund balance for spending in the 2004/2005 fiscal year budget. This allowed the Village to re-establish a more appropriate level of financial resources to address the economic challenges anticipated in the next few years.

In considering the Village's fiscal year 2003-2004 budgets, the Village Council and management were cautious as to revenue and expenditure growth. Investment income decreased by 25% due to continued low interest rates. Court fine revenues increased by 167% from last fiscal year. Building permit fees increased by 6% in 2003/2004 but are expected to decline in coming years due to the lack of new developments.

The Village administration has identified and communicated that there have been substantial cost increases for pension, health and wage adjustments over the past three years. These large and continuing cost increases have not been directly addressed by management, however, their impacts were initially offset by revenues obtained from completion of several large developments during this same time period. Most Village vacant property is now gone, causing an absence of substantial new development and a resulting decline in past revenue growth. Continuing increases in employee wages, pension and health benefits will be major economic challenges that the Village will need to address. These will remain an on-going consideration for several years to come.

Federal FEMA reimbursement for 2004's hurricane damages will also play a lingering role and perhaps even a growing factor in the Village's future economic considerations.

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.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
STATEMENT OF NET ASSETS
September 30, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,835,696	\$ 65,413	\$ 3,901,109
Accounts receivable, net	432,687	30,927	463,614
Inventories	20,210	30,476	50,686
Other assets	2,673	-	2,673
Restricted assets:			
Cash and cash equivalents	196,001	-	196,001
Net pension assets	425,128	-	425,128
Capital assets:			
Nondepreciable	2,055,893	1,051,311	3,107,204
Depreciable:			
Buildings and improvements	10,570,191	1,476,711	12,046,902
Improvements other than buildings	-	574,318	574,318
Improvements - golf course	-	1,603,940	1,603,940
Furniture, fixtures and equipment	6,108,299	713,743	6,822,042
Less: accumulated depreciation	<u>(7,393,252)</u>	<u>(2,877,085)</u>	<u>(10,270,337)</u>
Total assets	<u>16,253,526</u>	<u>2,669,754</u>	<u>18,923,280</u>
Liabilities and Net Assets			
Liabilities:			
Accounts payable and other current liabilities	753,945	50,025	803,970
Other liabilities	160,430	7,000	167,430
Noncurrent liabilities:			
Due within one year	1,353,795	92,654	1,446,449
Due in more than one year	<u>6,224,375</u>	<u>393,903</u>	<u>6,618,278</u>
Total liabilities	<u>8,492,545</u>	<u>543,582</u>	<u>9,036,127</u>
Net Assets:			
Invested in capital assets, net of related debt	3,762,961	2,131,367	5,894,328
Net pension assets	425,128	-	425,128
Restricted for:			
Capital Projects	470,155	-	470,155
Unrestricted	<u>3,102,737</u>	<u>(5,195)</u>	<u>3,097,542</u>
Total net assets	<u>\$ 7,760,981</u>	<u>\$ 2,126,172</u>	<u>\$ 9,887,153</u>

See accompanying notes to basic financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
STATEMENT OF ACTIVITIES
Year Ended September 30, 2004

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Activities	Operating Grants and Contributions	Governmental Activities	
Government:					
Governmental activities					
General government	\$ 3,174,460	\$ 355,118	\$ -	\$ (2,819,342)	\$ -
Public safety	5,294,399	273,391	78,255	(4,942,753)	-
Public services	3,549,178	895,291	-	(2,653,887)	-
Leisure services	1,280,483	147,773	11,107	(1,121,603)	-
Interest on long-term debt	40,580	-	-	(40,580)	-
Total governmental activities	<u>13,339,100</u>	<u>1,671,573</u>	<u>89,362</u>	<u>(11,578,165)</u>	<u>-</u>
Business-type activities - country club	2,567,690	2,548,259	-	-	(19,431)
Total business-type activities	<u>2,567,690</u>	<u>2,548,259</u>	<u>-</u>	<u>-</u>	<u>(19,431)</u>
Total government	<u>15,906,790</u>	<u>4,219,832</u>	<u>89,362</u>	<u>(11,578,165)</u>	<u>(19,431)</u>
General Revenues:					
Taxes:					
Property taxes				8,451,783	-
Utility service taxes				1,830,339	-
Sales and use taxes				1,230,803	-
Franchise fees				861,708	-
Grants and contributions not restricted to specific purposes				291,710	-
Investment income				53,600	3,450
Miscellaneous				92,260	42,560
Total general revenues				<u>12,812,203</u>	<u>46,010</u>
Change in net assets				1,234,038	26,579
Net assets, beginning of year				<u>6,526,943</u>	<u>2,099,593</u>
Net assets, end of year				<u>\$ 7,760,981</u>	<u>\$ 2,126,172</u>
					<u>\$ 9,887,153</u>

See accompanying notes to the basic financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
BALANCE SHEET
 Governmental funds
 September 30, 2004

	General	Capital Projects	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 3,546,255	\$ 485,442	\$ 4,031,697
Accounts receivable, net	432,687	-	432,687
Inventories	20,210	-	20,210
Other assets	2,673	-	2,673
Total assets	\$ 4,001,825	\$ 485,442	\$ 4,487,267
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and other current liabilities	\$ 738,658	\$ 15,287	\$ 753,945
Deferred revenues	160,430	-	160,430
Total liabilities	899,088	15,287	914,375
Fund balances			
Reserved for:			
Reserved for inventories	20,210	-	20,210
Reserved for prepaid items and deposits	2,672	-	2,672
Reserved for restricted assets	196,000	-	196,000
Reserved for capital outlay	-	470,155	470,155
Unreserved, undesignated	2,883,855	-	2,883,855
Total fund balances	3,102,737	470,155	3,572,892
Total liabilities and fund balances	\$ 4,001,825	\$ 485,442	\$ 4,487,267

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
September 30, 2004

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

Ending fund balance - governmental funds		\$ 3,572,892
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Cost of assets	\$ 18,734,383	
Accumulated Depreciation	<u>(7,393,252)</u>	
		11,341,131
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.		
		425,128
Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year end consist of:		
Notes payable	(6,376,387)	
Capital leases payable	(433,854)	
Accrued compensated absences	<u>(767,929)</u>	
		<u>(7,578,170)</u>
Net assets of governmental activities		<u>\$ 7,760,981</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended September 30, 2004

	General	Capital Projects	Total Governmental Funds
Revenues:			
Taxes	\$ 11,439,823	\$ -	\$ 11,439,823
Licenses and permits	712,184	-	712,184
Intergovernmental	1,350,104	-	1,350,104
Charges for services	719,589	-	719,589
Fines and forfeitures	122,407	-	122,407
Investment income	45,080	8,520	53,600
Miscellaneous	175,431	-	175,431
Total revenues	<u>14,564,618</u>	<u>8,520</u>	<u>14,573,138</u>
Expenditures:			
Current:			
General government	1,532,561	-	1,532,561
Public safety	5,019,361	-	5,019,361
Public services	3,280,274	-	3,280,274
Leisure services	1,256,066	-	1,256,066
Reserves and other	1,186,730	-	1,186,730
Capital outlay	430,113	151,825	581,938
Debt service	995,764	-	995,764
Total expenditures	<u>13,700,869</u>	<u>151,825</u>	<u>13,852,694</u>
Excess of revenues over/ (under) expenditures	863,749	(143,305)	720,444
Other financing sources/ (uses):			
Proceeds from debt issuance	230,000	-	230,000
Net change in fund balances	1,093,749	(143,305)	950,444
Fund balances, beginning of year	<u>2,008,988</u>	<u>613,460</u>	<u>2,622,448</u>
Fund balances, end of year	<u>\$ 3,102,737</u>	<u>\$ 470,155</u>	<u>\$ 3,572,892</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Year Ended September 30, 2004

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

Net change in fund balances - total governmental funds		\$ 950,444
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for capital assets	\$ 590,740	
Less: current year depreciation	<u>(1,041,875)</u>	(451,135)
Proceeds from debt issuance reported as part of Other Financing Sources on the Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds are not revenues on the Statement of Activities but are recognized as changes in liabilities on the Statement of Net Assets		
		(230,000)
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.		
Principal payments on debt	801,246	
Principal payments on capital leases	<u>153,938</u>	
Total		955,184
Expenses that do not use current financial resources are not reported on the Governmental Funds but are included in the Statement of Activities.		
Change in long-term compensated absences	69,117	
Change in net pension asset of defined benefit pension plans	<u>(59,572)</u>	
Total		9,545
Change in net assets of governmental activities		<u><u>\$ 1,234,038</u></u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
STATEMENT OF NET ASSETS
Proprietary Fund
September 30, 2004

	Country Club
Assets	
Current assets	
Cash and cash equivalents	\$ 65,413
Accounts receivable, net	30,927
Inventories	30,476
Total current assets	126,816
Capital assets:	
Land, buildings and equipment, net	2,542,938
Total assets	2,669,754
Liabilities	
Current liabilities:	
Accounts payable and other current liabilities	50,025
Compensated absences payable	34,500
Deposits	7,000
Loans payable - current portion	58,154
Total current liabilities	149,679
Noncurrent liabilities:	
Compensated absences payable	40,486
Loans payable	353,417
Total liabilities	543,582
Net assets	
Investment in capital assets, net of related debt	2,131,367
Unrestricted	(5,195)
Total net assets	\$ 2,126,172

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Proprietary Fund
Year Ended September 30, 2004

		Country	Club
Operating revenues:			
Greens fees/cart rentals/membership fees	\$	1,937,429	
Tennis revenues		89,611	
Pool revenues		121,296	
Golf shop revenues		112,349	
Driving range revenues		225,253	
Miscellaneous		42,560	
Restaurant revenues		62,321	
Total operating revenues		<u>2,590,819</u>	
Operating expenses:			
Golf course maintenance expenses		958,829	
Clubhouse grounds expenses		164,517	
Tennis expenses		117,877	
Pool expenses		203,331	
Golf shop expenses		536,328	
Food & beverage expenses		38,842	
Administrative and general expenses		269,579	
Insurance		39,132	
Depreciation		222,253	
Total operating expenses		<u>2,550,688</u>	
Income from operations		<u>40,131</u>	
Nonoperating revenues (expenses):			
Interest income		3,450	
Interest expense		(17,002)	
Total nonoperating revenues (expenses)		<u>(13,552)</u>	
Change in net assets		26,579	
Net assets, beginning of year		<u>2,099,593</u>	
Net assets, end of year	\$	<u><u>2,126,172</u></u>	

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
STATEMENT OF CASH FLOWS
Proprietary Fund
Year Ended September 30, 2004

	Country Club
Cash flows from operating activities	
Cash received from customers	\$ 2,600,365
Cash payments to suppliers for goods and services	(1,184,055)
Cash payments to employees for services	(975,092)
Cash payments for payroll taxes	(77,699)
Cash payments for employee benefits	(225,392)
Net cash provided by operating activities	138,127
Cash flows from capital and related financing activities	
Principal payments	(101,900)
Interest paid on debt	(17,002)
Acquisition of capital assets	(86,186)
Net cash used in capital and related financing activities	(205,088)
Cash flows from investing activities	
Interest on investments	3,450
Net decrease in cash and cash equivalents	(63,511)
Cash and cash equivalents, beginning of year	128,924
Cash and cash equivalents, end of year	\$ 65,413
Reconciliation of income from operations to net cash provided by operating activities:	
Operating income	\$ 40,131
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	222,252
Decrease in accounts receivable	9,554
Decrease in inventory	2,129
Decrease in accounts payable and other current liabilities	(129,994)
Decrease in compensated absences payable	(5,945)
Total adjustments	97,996
Net cash provided by operating activities	\$ 138,127
Noncash capital and financing activities:	
Book value of assets disposed	\$ -

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
 Fiduciary Funds
 September 30, 2004

	<u>Employee Retirement Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 367,346	\$ 272,084
Investments:		
Common stock	8,119,416	-
U.S. Government securities	2,365,305	-
Corporate bonds	2,970,261	-
Interest receivable	18,747	-
Accounts receivable	43,409	-
Total assets	<u>13,884,484</u>	<u>272,084</u>
LIABILITIES		
Accounts payable and other liabilities	10,154	-
Due to others	-	272,084
Total liabilities	<u>10,154</u>	<u>272,084</u>
NET ASSETS		
Held in trust for pension benefits	13,874,330	
Total net assets	<u>\$ 13,874,330</u>	<u>\$ -</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
Employee Retirement Funds
Year Ended September 30, 2004

	<u>Employee Retirement Funds</u>
Additions:	
Contributions:	
Employer	\$ 774,000
State of Florida	203,317
Plan members	234,069
Total contributions	<u>1,211,386</u>
Investment income:	
Interest	184,508
Net appreciation in fair value of investments	1,006,166
Investment expense	(85,042)
Total investment income	<u>1,105,632</u>
Total additions	<u>2,317,018</u>
Deductions:	
Administration	72,987
Benefits	1,859,760
Total deductions	<u>1,932,747</u>
Net increase	384,271
Net assets held in trust for pension benefits, beginning of year	<u>13,490,059</u>
Net assets held in trust for pension benefits, end of year	<u>\$ 13,874,330</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial 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 12,000 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.

As required by generally accepted accounting principles, the basic financial statements present the government and its component units. Component units are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the Village's combined financial statements to be misleading or incomplete. The primary government is considered financially accountable if it appoints a voting majority of an organization's governing body and imposes its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization's governing board. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board ("GASB"), 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.

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 Basic Financial Statements
Year Ended September 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the Village receives cash.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Village reports the following major governmental funds:

General Fund

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

Capital Projects Fund

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

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

Country Club Enterprise Fund

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

Additionally, the Village reports the following fiduciary funds:

Pension Trust Funds

The pension trust funds account for the activities of the General Employees Retirement Fund and the Fire and Police Officers Retirement Fund, which accumulate resources for pension benefits to qualified employees.

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.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, 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.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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.

Investments

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

Restricted Assets

Cash and cash equivalents are restricted for the following purposes:

	<u>2004</u>	<u>2003</u>
Law enforcement education	\$ 17,127	\$ 17,127
Public safety	16,054	15,239
Library	140,720	143,628
Recreations facilities	22,100	9,000
Total restricted assets	<u>\$ 196,001</u>	<u>\$ 184,994</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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

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

Inventories

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

Capital Assets and Depreciation

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Buildings and improvements	30 years
Improvements other than buildings	10 years
Golf course improvements	15 years
Furniture, fixtures and equipment	3-10 years

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.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 consist 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.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Budgetary Accounting

State of Florida Statutes require that all municipal governments establish budgetary systems and approve balanced annual operating budgets. The Council annually adopts an operating budget and appropriates funds for the general fund. The procedures for establishing budgetary data are as follows:

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Accounting (Continued)

The ordinance approved by the Council, which adopted the budget for the fiscal year ended September 30, 2004, allows budget transfers based on the following regulations:

- ❖ Appropriations shall not be transferred in amounts over \$5,000 without the approval of the Village Council.
- ❖ Appropriations of \$5,000 or less shall not be transferred without the approval of the Village Manager; however, the Village Manager is not permitted to violate the intent of the approved budget.

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 County Tax Collector, respectively. 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 assessed value of property within the corporate limits of the Village at January 1, 2003, upon which the 2003-04 levy was based, was approximately \$1.298 billion. 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, 2004, was 6.8000 (\$6.80 for each \$1,000 of assessed valuation).

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

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, 2004, unpaid delinquent taxes are not material and have not been recorded by the Village.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Use of Estimates

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

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the Chief Financial Officer ("CFO") of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the CFO requires all Florida qualified public depositories to deposit eligible collateral with the CFO or another banking institution. In the event of a 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 insured or collateralized with securities held by the entity or by its agent in the entity's name.

Investments

The Village 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;

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 2. DEPOSITS AND INVESTMENTS (continued)

Investments (continued)

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;
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 General Employees' Retirement Fund can consist of every kind of investment except: options, futures, municipal bonds, non-investment grade bonds, foreign securities, precious metals, private placements, short sales, purchases on margin, real estate, and partnerships.

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

- 1) Time, savings, and money market deposit accounts of a national bank, a state bank insured by the Federal Deposit Insurance Corporation or its successor, or a Savings and Loan institution insured by the Federal Savings and Loan Insurance Corporation or its successor, provided the amount deposited does not exceed the insured amount.
- 2) Obligations of the United States Government or obligations guaranteed as to principal and interest by the United States Government or any agency thereof.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

- 3) Stocks, bonds or other evidence of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or any state of the United States or the District of Columbia and domiciled therein, provided:
 - a. Equities will be traded on one or more of the recognized national exchanges.
 - b. The security meets any one of the following rating criteria:
 - i.) Fixed income: Standard & Poor's AAA, AA, or Moody's Aaa, Aa, A.
 - ii.) Equities: Value Line Investment Survey Rank for Safety, 1, 2, 3, or Standard & Poor's A+, A, A-.
 - iii.) Money Market Instruments: Standard & Poor's A1 or Moody's P1.
 - c. 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.
 - d. Not more than five (5) percent of the Fund's assets shall be invested in preferred stock.
- 4) Commingled stock, bond, money market or mutual funds are permitted, provided their investments are restricted to securities meeting the above criteria.

The State Board of Administration is part of the Local Government 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 Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 fund.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Investments are categorized to give an indication of the level of credit risk assumed by an entity at year-end. Category 1 includes investments that are insured or registered or for which the Village or its agent in the Village's name holds the securities. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter-party's trust department or agent in the Village's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent, but not in the entity's name.

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

By category:

Cash and cash equivalents	\$ 4,736,540
Investments	13,454,982
Total deposits and investments	<u>\$ 18,191,522</u>

Presented in the statement of net assets

Governmental activities	
Cash and cash equivalents	\$ 4,031,697
Business-type activities	
Cash and cash equivalents	65,413
Total statement of net assets	<u>4,097,110</u>

Presented in the statement of fiduciary net assets

Pension trust funds	
Cash and cash equivalents	367,346
Investments	13,454,982
Agency funds	
Cash and cash equivalents	272,084
Total fiduciary funds	<u>14,094,412</u>
Total deposits and investments	<u>\$ 18,191,522</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

	Unrestricted	Restricted	Reported Amount	Fair Value	Category
Cash and cash equivalents					
Deposits	\$ 11,471	\$ -	\$ 11,471	\$ 11,471	-
Repurchase agreements	570,600	-	570,600	570,600	1
Pension money market funds	-	303,745	303,745	303,745	-
State Board of Administration Investment Pool	3,319,039	531,685	3,850,724	3,850,724	-
Total cash and cash equivalents	<u>\$ 3,901,110</u>	<u>\$ 835,430</u>	<u>\$ 4,736,540</u>	<u>\$ 4,736,540</u>	
Investments					
U. S. government securities	\$ -	\$ 2,365,305	\$ 2,365,305	\$ 2,365,305	1
Corporate bonds	-	2,970,261	2,970,261	2,970,261	1
Common stock	-	8,119,416	8,119,416	8,119,416	1
Total investments	<u>\$ -</u>	<u>\$ 13,454,982</u>	<u>\$ 13,454,982</u>	<u>\$ 13,454,982</u>	

The following matrix presents the components of the Village's deposits and investments at September 30, 2004. Credit risk categories are indicated in the last column.

NOTE 3. RECEIVABLES

Receivables at September 30, 2004, were as follows:

	<u>General</u>	<u>Country Club</u>	<u>Total</u>
Receivables:			
State-shared revenues	\$ 96,411	\$ -	\$ 96,411
Franchise fees	76,367	-	76,367
Utility taxes	93,363	-	93,363
Accounts	103,628	30,927	134,555
Special assessments	62,918	-	62,918
Gross receivables	<u>432,687</u>	<u>30,927</u>	<u>463,614</u>
Less allowance for uncollectibles	-	-	-
Net total receivables	<u>\$ 432,687</u>	<u>\$ 30,927</u>	<u>\$ 463,614</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements Year Ended September 30, 2004

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2004, was as follows:

	October 1, 2003	Reclass- ifications	Additions	Deletions	September 30, 2004
Governmental activities					
Capital assets not being depreciated:					
Land	\$ 2,055,893	\$ -	\$ -	\$ -	\$ 2,055,893
Capital assets being depreciated:					
Buildings and improvements	10,472,157	(23,791)	151,825	(30,000)	10,570,191
Furniture, fixtures, and equipment	5,892,566	23,791	430,113	(238,171)	6,108,299
Capital assets being depreciated	16,364,723	-	581,938	(268,171)	16,678,490
Less accumulated depreciation for:					
Buildings and improvements	(3,041,824)	-	(432,261)	30,000	(3,444,085)
Furniture, fixtures, and equipment	(3,579,106)	-	(609,614)	239,553	(3,949,167)
Total accumulated depreciation	(6,620,930)	-	(1,041,875)	269,553	(7,393,252)
 Governmental activities capital assets, net	 \$ 11,799,686	 \$ -	 \$ (459,937)	 \$ 1,382	 \$ 11,341,131
 Business-type activities					
Capital assets not being depreciated:					
Land	\$ 1,051,311	\$ -	\$ -	\$ -	\$ 1,051,311
Capital assets being depreciated:					
Buildings and improvements	1,475,421	-	1,290	-	1,476,711
Improvements other than buildings	574,318	-	-	-	574,318
Improvements - golf course	1,603,940	-	-	-	1,603,940
Furniture, fixtures, and equipment	702,658	-	84,896	(73,811)	713,743
Capital assets being depreciated	\$ 4,356,337	\$ -	\$ 86,186	\$ (73,811)	\$ 4,368,712

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 4. CAPITAL ASSETS (continued)

Capital assets activity for the year ended September 30, 2004, was as follows (continued):

Business-type activities (continued)	October 1, 2003	Reclass- ifications	Additions	Deletions	September 30, 2004
Less accumulated depreciation for:					
Buildings and improvements	\$ (1,831,715)	\$ -	\$(121,606)	\$ -	\$ (1,953,321)
Improvements other than buildings	(378,799)	-	(34,059)	-	(412,858)
Improvements - golf course	(16,536)	-	(719)	-	(17,255)
Furniture, fixtures, and equipment	(501,594)	-	(65,867)	73,811	(493,650)
Total accumulated depreciation	<u>(2,728,644)</u>	<u>-</u>	<u>(222,251)</u>	<u>73,811</u>	<u>(2,877,085)</u>
Business-type activities capital assets, net	<u>\$ 2,679,004</u>	<u>\$ -</u>	<u>\$(136,065)</u>	<u>\$ -</u>	<u>\$ 2,542,938</u>

NOTE 5. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2004, was as follows:

	Balance October 1, 2003	Additions	Reductions	Balance September 30, 2004	Amount Due Within One Year
Governmental activities:					
Loans payable	\$ 6,947,633	\$ 230,000	\$ 801,246	\$ 6,376,387	\$ 749,003
Capital leases	587,792	-	153,937	433,855	4,792
Compensated abs. payable	698,812	610,713	541,597	767,928	600,000
Total	<u>\$ 8,234,237</u>	<u>\$ 840,713</u>	<u>\$ 1,496,780</u>	<u>\$ 7,578,170</u>	<u>\$ 1,353,795</u>
Business-type activities:					
Loans payable	\$ 513,472	\$ -	\$ 101,900	\$ 411,572	\$ 58,154
Compensated abs. payable	76,163	34,501	35,677	74,987	34,500
Total	<u>\$ 589,634</u>	<u>\$ 34,501</u>	<u>\$ 66,223</u>	<u>\$ 486,558</u>	<u>\$ 92,654</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. 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 VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 5. LONG-TERM DEBT (continued)

Loans payable (continued)

Amounts currently outstanding on the note are as follows:

Purpose	Amount
Governmental activities	\$ 71,420
Business-type activities	<u>410,493</u>
	<u>481,913</u>

Annual debt service requirements to maturity are as follows:

Governmental activities:

Year Ending	Principal	Interest	Total
2005	\$ 56,788	\$ 3,730	\$ 60,518
2006	14,632	191	14,823
	<u>\$ 71,420</u>	<u>\$ 3,921</u>	<u>\$ 75,341</u>

Business-type activities:

Year Ending	Principal	Interest	Total
2005	\$ 57,076	\$ 21,428	\$ 78,504
2006	60,114	18,448	78,562
2007	63,314	15,310	78,624
2008	69,684	12,005	81,689
2009	70,234	7,165	77,399
2010-2011	90,073	6,675	96,748
	<u>\$ 410,495</u>	<u>\$ 81,031</u>	<u>\$ 491,526</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 interest rate on the note is 3.29%.

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 5. LONG-TERM DEBT (Continued)

Loans payable (continued)

Governmental activities:

Year Ending	Principal	Interest	Total
2005	\$ 265,133	\$ 66,467	\$ 331,600
2006	274,117	57,537	331,654
2007	283,404	48,306	331,710
2008	293,007	38,860	331,867
2009	302,934	28,892	331,826
2010	637,039	26,829	663,868
	<u>\$ 2,055,634</u>	<u>\$ 266,891</u>	<u>\$ 2,322,525</u>

\$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") that is defined as 75% of the rate of interest published as one-month LIBOR on the first day of each month. The interest rate will be adjusted by either of the following events: a change in the maximum corporate tax rate, or the event of taxability of the interest on this note. The effective rate at September 30, 2004, was 1.12% and this approximates the rate that was used to calculate the debt service requirements to maturity.

Amounts currently outstanding on the note are as follows:

Purpose	Amount
Government activities	<u>\$ 3,750,000</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 5. LONG-TERM DEBT (Continued)

Loans payable (continued)

Annual debt service requirements to maturity are as follows:

Year Ending	Principal	Interest	Total
2005	\$ 300,000	\$ 41,211	\$ 341,211
2006	300,000	37,847	337,847
2007	300,000	34,483	334,483
2008	300,000	31,119	331,119
2009	300,000	21,026	321,026
2010-2013	2,250,000	160,344	2,410,344
	<u>\$ 3,750,000</u>	<u>\$ 326,030</u>	<u>\$ 4,076,030</u>

\$142,000 Promissory Note

The Village Council adopted Resolution No. 3-00 authorizing the execution of a loan agreement for the purpose of financing the lease-purchase of eight automobiles. A portion of the proceeds was also used to finance the purchase of equipment for the Country Club restaurant. The loan is unsecured. Principal and interest payments are due monthly, with a final maturity date of February 1, 2005. The interest rate on the loan is 4.33%.

Amounts currently outstanding on the note are as follows:

<u>Purpose</u>	<u>Amount</u>
Governmental activities	\$ 4,056
Business-type activities	<u>1,078</u>
	<u>\$ 5,134</u>

Annual debt service requirements to maturity are as follows:

Governmental activities:

Year Ending	Principal	Interest	Total
2005	\$ 4,056	\$ 119	\$ 4,175

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 5. LONG-TERM DEBT (Continued)

Loans Payable (Continued)

Business-type activities:

Year Ending	Principal	Interest	Total
2005	\$ 1,078	\$ 32	\$ 1,110

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

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

The \$132,000 note bears interest at 2.93% and is payable in six semiannual payments of \$23,158, beginning July 2003 and with final maturity in January 2006. Annual debt service requirements to maturity for this note, which are payable by the general fund, are as follows:

Governmental Activities:

Year Ending	Principal	Interest	Total
2005	\$ 44,638	\$ 1,678	\$ 46,316
2006	22,804	354	23,158
	\$ 67,442	\$ 2,032	\$ 69,474

The \$271,000 note bears interest at 3.82% and is payable in fourteen semiannual payments of \$22,286, beginning July 2003 and with final maturity in January 2010. Annual debt service requirements to maturity for this note, which are payable by the general fund, are as follows:

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 5. LONG-TERM DEBT (Continued)

Loans Payable (Continued)

Governmental Activities:

Year Ending	Principal	Interest	Total
2005	\$ 41,948	\$ 3,626	\$ 45,574
2006	42,718	2,856	45,574
2007	43,502	2,072	45,574
2008	44,300	1,274	45,574
2009	36,506	333	36,839
	<u>\$ 208,974</u>	<u>\$ 10,161</u>	<u>\$ 219,135</u>

\$230,000 Promissory Note

In January 2004, the Village Council adopted Resolution No. 7-2004 authorizing the issuance of a promissory note to finance various capital expenditures. The note is payable from the Village's non-ad valorem tax revenues and franchise fees. The note bears interest at 1.83% and is payable in five semiannual payments of \$21,025, beginning August 2004 and with final maturity in January 2009. Annual debt service requirements to maturity for this note, which are payable by the general fund, are as follows:

Year Ending	Principal	Interest	Total
2005	\$ 36,441	\$ 8,131	\$ 44,572
2006	37,866	6,707	44,573
2007	39,347	5,226	44,573
2008	40,876	3,697	44,573
2009	21,846	440	22,287
	<u>\$ 176,376</u>	<u>\$ 24,201</u>	<u>\$ 200,578</u>

Capital Leases

The Village entered into various lease agreements as lessee for financing the acquisition of equipment. The lease agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of the future minimum lease payments as of the date of inception. Lease payments will be made from the general fund.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 5. LONG-TERM DEBT (Continued)

Capital Leases (Continued)

The assets acquired through capital leases are as follows:

	Governmental Activities
Assets	
Vehicles	\$ 1,086,567
Less: Accumulated depreciation	(564,936)
Total	\$ 521,631

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

Year Ending	Principal	Interest	Total
2005	\$ 155,326	\$ 11,171	\$ 166,497
2006	159,182	5,123	164,305
2007	69,086	1,885	70,971
2008	34,286	904	35,190
2009	15,975	183	16,158
Total	\$ 433,855	\$ 19,266	\$ 453,121

NOTE 6. RISK MANAGEMENT

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

Employee Benefits Group

The Village is self insured to provide group medical coverage. A third party administers the group medical coverage for the Village. The Village funds its losses based on actual claims. A stop loss insurance contract executed with an insurance carrier covers individual claims in excess of \$35,000 per plan year. There were no significant changes in insurance coverage from the prior year and the amount of settlements did not exceed insurance coverage for the last three years.

The liability for unpaid claims, if any, is estimated using an industry average that is based on actual claims paid. As of September 30, 2004, the Village had no claims liability for its employee benefit plan because Village contributions exceeded claims for the year. Changes in the claims liability since September 30, 2004, are as follows:

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 6. RISK MANAGEMENT (Continued)

Year Ended <u>September 30,</u>	Claims Liability <u>Beginning of Year</u>	Claims and Changes in <u>Estimates</u>	Claim <u>Payments</u>	Claims Liability <u>End of Year</u>
2001	\$ 128,296	\$ 484,762	\$ (579,958)	\$ 33,100
2002	33,100	1,210,299	(1,097,504)	145,895
2003	145,895	1,632,265	(1,585,596)	192,564
2004	192,564	1,055,715	(1,248,279)	-

Property and Casualty Group

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

At September 30, 2004, there were no liabilities recorded for property and casualty, based on a recent actuarial valuation, which indicated that the reserve for incurred but not yet reported losses was adequately funded, and no additional contributions are required.

NOTE 7. PENSION PLANS

The Village maintains the following two separate single employer defined benefit plans: Village of North Palm Beach Fire and Police Retirement Fund, covering fire fighters 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. Neither plan issues a stand-alone financial report. Additional information on these plans can be found beginning on page 58.

Each plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which 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.

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 7. PENSION PLANS (Continued)

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 Plan 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.

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

General Employees Retirement Fund

No nongovernmental investments exceed 5% of net plan assets.

Fire and Police Retirement Fund

No nongovernmental investments exceed 5% of net plan assets.

The following schedule is derived from the respective actuarial reports and Village information for the two pension plans as of October 1, 2003:

	<u>General Employees</u>	<u>Fire and Police</u>
Plan Description:		
Authority	Village Ordinance	Village Ordinance/State
Asset Valuation:		
Reporting	Fair Value	Fair Value
Actuarial Valuation	5-year smoothed market	5-year smoothed market
Legal Reserves	None	None
Long-Term Receivable	None	None
Internal/Participant Loans	None	None
Membership and Plan Provisions:		
Members:		
Active Participants	92	37
Retirees and Beneficiaries	13	4
Terminated Vested	35	14

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 7. PENSION PLANS (Continued)

Normal Retirement Benefits:	Option 1	Option 2		
Retirement Age	65	60	55	
Years of Service (minimum)	5	5	9	
Accrual - (years 1-20)	2.00%	2.25%	2.50%	
(over 20)	1%	1%	-	
Maximum		None	None	60%
Years to Vest			10	
Under 5 years	0%	0%		
5 or 6 years	50%	50%		
7 or 8 years	75%	75%		
9 or more years	100%	100%		
Contributions:				
Actuarial Rate:				
Village	16.35%		3.50%	
State	n/a		5.09%	
Participants	4.00%*		2.00%	
Annual Pension Cost	\$ 530,099		\$387,647	
Contributions Made	\$ 524,000		\$453,317	

* Except for certain members who have elected not to contribute and for other members who have elected to contribute only 2.00%.

	<u>General Employees</u>	<u>Fire and Police</u>
Actuarial Valuation:		
Frequency	Annual	Annual
Latest Valuation	10/1/03	10/1/03
Basis for Contribution	10/1/03	10/1/03
Cost Method	Frozen Entry Age	Aggregate
Amortization:		
Method	Level percent	n/a
Period	27 years	n/a
Open/Closed	Closed	n/a

Note: The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

Assumptions:

Investment Earning (including inflation)	8.5% / year up to retirement, 5.25% thereafter	8.0% / year
Salary Increases (including inflation)	5.5% / year	6.0% / year
Inflation	4.0% / year	4.0% / year
Mortality Rates	1983 Group Annuity Mortality Table	1983 Group Annuity Mortality Table

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 7. PENSION PLANS (Continued)

Retirement Age:		
Eligible for early retirement	5%	5%
Normal retirement date attained	60%	60%
Four years after normal retirement date	40%	40%
Fifth year after normal retirement date	100%	100%
Turnover:		
Age 25	18.8%	8.6%
Age 30	11.2%	7.5%
Age 35	6.3%	5.7%
Age 40	4.8%	3.9%
Age 45	3.4%	2.4%
Age 50	2.4%	1.2%
Age 55	0.5%	
Post Retirement Benefits	3% for those who retired before 2/1/82 or who contribute an extra 2%	3% / year

There have been no changes in actuarial assumptions and methods for either plan since the last actuarial valuation (October 1, 2002).

Annual Pension Cost and Net Pension Obligation (Asset):

The Village's annual pension cost and net pension obligation (asset) for both plans for the current year were as follows:

	General Employees	Fire and Police
Annual required contribution	\$ 523,127	\$ 383,891
Interest on net pension asset	(15,938)	(8,533)
Adjustment to annual required contribution	(22,910)	12,289
Annual pension cost	530,099	387,647
Contributions made	(524,000)	(453,317)
Decrease (increase) in net pension asset	6,099	(65,670)
Net pension asset, beginning of year	(187,510)	(178,047)
Net pension asset, end of year	<u>\$ (181,411)</u>	<u>\$ (243,717)</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 7. PENSION PLANS (Continued)

Three-Year Trend Information

	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
General				
Employees	9/30/02	\$ 435,473	107.40%	\$ (193,873)
	9/30/03	509,583	98.75%	(187,510)
	9/30/04	530,099	98.85%	(181,411)
Fire and Police	9/30/02	133,722	144.20%	(109,993)
	9/30/03	327,228	120.80%	(178,047)
	9/30/04	387,647	116.90%	(243,717)

NOTE 8. CONTRACTS AND COMMITMENTS

Operating Leases

The Village is committed under a lease agreement for golf carts in the enterprise fund. The lease is considered for accounting purposes to be an operating lease. Lease payments for the year ended September 30, 2004 were \$47,760. Future minimum lease payments are \$47,760 for the year ending September 30, 2005.

The Village is also committed under a lease agreement for two police motorcycles in the general fund. The lease is considered for accounting purposes to be an operating lease. Lease payments for the year ended September 30, 2004 were \$6,000. Future minimum lease payments are \$6,000 for the year ended September 30, 2005.

The Village is committed under a lease agreement as lessor of the food and beverage operations 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 \$86,451 for the year ended September 30, 2004 under the terms of this lease agreement. Future minimum lease payments for the year ending September 30, 2005 are contingent upon sales and expenses of the operations of the lessee.

NOTE 9. JOINTLY GOVERNED ORGANIZATION

The Village, through an interlocal agreement with certain other municipalities and Palm Beach County, created the Seacoast Utility Authority ("Seacoast") which provides water and sewer service to the citizens of each of the participating municipalities and a portion of Palm Beach County. Seacoast's governing board is comprised of one member from each participating entity. Seacoast is an independent Authority organized under the laws of the State of Florida, and the

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2004

NOTE 9. JOINTLY GOVERNED ORGANIZATION (Continued)

Village has no participating equity ownership in Seacoast. The Village paid \$74,738 to Seacoast during the fiscal year for water and sewer service.

NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note 7, the Village provides postretirement health care and life insurance benefits, in accordance with State Statutes, to all employees who retire from the Village. The normal retirement age for police and firefighters is age 55; the normal retirement age for all other Village employees is either age 60 or age 65, depending on the option selected by the employee. The employee's required contribution is the full amount of the annual premium. Expenditures for post-retirement health care and life insurance benefits are recognized as expenditures as claims are paid.

NOTE 11. ACCRUED MEDICAL CLAIMS LIABILITY

After issuing the financial statements for the year ended September 30, 2004, Village management discovered that certain unpaid claims for employee and beneficiary medical and dental care totaling an estimated \$342,000 had not been accrued as of September 30, 2004. These omissions resulted from complete information not being available at the time the statements were issued. The inclusion of these liabilities in the revised financial statements increased liabilities by \$342,000 at September 30, 2004. The excess of general fund revenues over expenditures in the statement of revenues, expenditures and changes in fund balance, and the change in net assets in the statement of activities decreased by \$342,000.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Budgetary Comparison Schedule
General Fund
For the year ended September 30, 2004

	Budgeted Amounts		Actual on Budgetary Basis (See Note 1)	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Budgetary fund balance, October 1, 2003	\$ -	\$ 2,306,067	\$ 667,442	\$ (1,638,625)
Resources (inflows)				
Revenues:				
Taxes	11,228,808	8,922,741	11,439,823	2,517,082
Licenses and permits	463,515	588,515	712,184	123,669
Intergovernmental	1,142,400	1,506,135	1,350,104	(156,031)
Charges for services	646,510	641,510	719,589	78,079
Fines and forfeitures	122,700	122,700	122,407	(293)
Interest Earnings	50,000	50,000	45,080	(4,920)
Miscellaneous	138,000	227,687	175,431	(2,256)
Amounts available for appropriation	13,741,933	14,315,355	15,232,060	916,705
Charges to appropriations (outflows)				
Village council expenses				
Personnel expenses	35,927	37,227	35,927	1,300
Professional services	4,200	11,700	9,722	1,978
Accounting & auditing	29,000	29,000	18,977	10,023
Internal auditing	20,000	20,000	17,815	2,185
Other operating expenses	21,715	21,715	18,196	3,519
Total village council expenses	110,842	119,642	100,637	19,005
Village manager expenses				
Personnel expenses	326,137	372,659	327,094	45,565
Telephone	8,100	8,100	8,021	79
Moving expenses	-	7,000	7,000	-
Computer supplies	3,000	4,155	4,154	1
Other operating expenses	13,180	12,065	10,197	1,868
Total Village Manager Expenses	350,417	403,979	356,466	47,513
Village clerk expenses				
Personnel expenses	188,188	224,438	208,783	15,655
Telephone	2,100	2,100	1,892	208
Rental - facility	1,000	1,000	1,000	-
Office supplies	2,300	2,300	2,083	217
Other operating expenses	6,752	6,752	5,102	2,100
Total Village Clerk Expenses	200,340	236,590	218,860	18,180
Finance expenses				
Personnel expenses	352,055	423,323	407,777	15,546
Professional services	2,500	3,000	3,325	(325)
Telephone	4,500	4,400	3,927	473
Office supplies	2,500	2,500	1,825	675
Computer supplies	3,500	3,600	3,610	(10)
Other operating expenses	23,210	24,660	21,935	2,725
Total Finance Expenses	388,265	461,483	442,399	19,084

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See notes to required supplementary information.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
 Budgetary Comparison Schedule
 General Fund
 For the year ended September 30, 2004

	Budgeted Amounts		Actual on Budgetary Basis (See Note 1)	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Village attorney expenses				
Village attorney legal fee	85,000	77,300	67,704	9,596
Special legal services	20,000	18,400	18,345	55
Labor services	12,000	23,400	23,348	52
Total Village Attorney Expenses	117,000	119,100	109,397	9,703
Planning & comm. Devel. Exp				
Engineering/planning general	10,000	8,200	19,203	(11,003)
Archivist/historian	200	200	1,084	(884)
Comp. Plan. Amendments	10,000	6,400	1,515	4,885
Northlake blvd redevelopment	10,000	10,000	10,000	-
Total Planning & Comm. Devel. Exp	30,200	24,800	31,802	(7,002)
General Service Expense-Village Hall				
Postage	35,000	35,000	33,324	1,676
Utilities	15,400	23,250	23,189	61
Rental equipment	10,000	10,500	9,941	559
Insurance - package	170,000	162,700	158,080	4,620
Repairs and maintenance	3,500	3,100	3,024	76
Supplies	29,950	28,725	28,335	32
Other operating expenses	15,500	17,600	17,557	43
Total General Service Expense-Village Hall	279,350	280,875	273,450	7,425
General Service Expense- Public Safety Bldg				
Postage	1,500	1,810	1,683	127
Utilities	105,785	102,845	93,608	9,237
Rental-copier equip.	8,000	8,000	10,637	(2,637)
Repairs and maintenance	16,000	12,300	11,165	1,135
Supplies	3,000	2,850	2,753	97
Other operating expenses	1,500	11,190	12,799	(1,609)
Total General Service Expense- Public Safety Bldg	143,385	138,995	132,645	6,350
Facilities maintenance. expenses				
Personnel expenses	373,395	411,976	400,543	11,433
Supplies	9,300	9,600	9,001	599
Other operating expenses	3,600	3,600	3,182	418
Total Facilities Maint. Expenses	384,995	423,876	411,605	12,271
Vehicle maint. Expenses				
Personnel expenses	130,443	141,444	133,150	8,294
Utilities	7,600	9,310	9,161	149
Repairs and maintenance	5,800	5,500	4,608	892
Supplies	12,150	12,150	10,593	1,557
Other operating expenses	1,000	1,000	802	198
Machinery & equipment	4,000	3,500	3,385	115
Total Vehicle Maint. Expenses	160,993	172,904	161,699	11,205

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See notes to required supplementary information.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
 Budgetary Comparison Schedule
 General Fund
 For the year ended September 30, 2004

	Budgeted Amounts		Actual on Budgetary Basis (See Note 1)	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Reserves expenses				
Council contingency	75,337	59,537	2,000	57,537
Reserve-group health	500,000	500,000	842,000	(342,000)
Reserve - miscellaneous	20,000	8,000	6,168	1,832
Reserve - Raises & Benefits	172,500	-	-	-
Reserve-accrued benefits	70,000	60,847	60,773	74
Performance Raise	225,000	-	-	-
2003 Salary Adjustment	622,000	-	-	-
Reserve-hurricane expenses	-	295,000	275,789	19,211
Total Reserves Expenses	1,684,837	923,384	1,186,730	(263,346)
Police expenses				
Personnel expenses	2,694,780	3,006,016	2,886,561	119,455
Telephone	9,308	11,708	11,734	(26)
Rental - equipment	8,658	8,258	7,252	1,006
Repairs and maintenance	53,501	57,401	48,462	8,939
Supplies	142,550	137,500	104,947	32,553
Training and education	30,799	24,199	20,143	4,056
Other operating expenses	55,833	40,933	22,218	18,715
Capital expenses	60,400	91,200	89,303	2,026
Total Police Expenses	3,055,829	3,377,215	3,190,620	186,724
Police forfeiture trust expense				
R & m: automotive	-	-	570	(570)
Licenses & fees	-	-	672	(672)
Auto parts supplies	-	-	60	(60)
Total Police forfeiture trust expense	-	-	1,302	(1,302)
Fire prevention expenses				
Personnel expenses	674,598	746,055	670,810	75,245
Repairs and maintenance	13,610	13,610	5,256	8,354
Supplies	34,263	35,263	28,095	7,168
Training and education	5,841	4,541	4,167	374
Other operating expenses	11,694	12,994	13,735	(741)
Capital expenses	69,414	68,614	68,062	20,202
Total Fire Prevention Expenses	809,420	881,077	790,125	110,602
Public Service Administrative Expenses				
Personnel expenses	464,237	516,584	463,190	53,394
Utilities	16,700	17,300	16,621	679
Repairs and maintenance	11,075	11,475	8,033	3,442
Supplies	14,000	13,800	13,836	(36)
Training and education	6,655	6,655	3,744	2,911
Other operating expenses	13,400	11,200	4,573	6,627
Computer h/w & softwr	1,400	1,400	1,287	113
Total Public Service Administrative Expenses	527,467	578,414	511,284	67,130

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THE VILLAGE OF NORTH PALM BEACH, FLORIDA
 Budgetary Comparison Schedule
 General Fund
 For the year ended September 30, 2004

	Budgeted Amounts		Actual on Budgetary Basis (See Note 1)	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Emergency Medical Service Expenses				
Personnel expenses	899,809	1,023,115	958,838	64,277
Utilities	6,100	9,691	9,045	646
Rental - equipment	9,000	9,000	8,391	609
Repairs and maintenance	11,900	10,950	5,701	5,249
Supplies	54,221	51,521	41,049	10,472
Training and education	4,846	3,955	3,862	93
Other operating expenses	35,510	34,610	30,726	3,884
Capital expenses	15,630	33,415	204,420	(168,006)
Total Emergency Medical Services Expenses	1,037,016	1,176,257	1,262,032	(82,776)
Sanitation expenses				
Personnel expenses	866,038	979,057	933,971	45,086
Solid waste disposal	140,000	124,600	116,273	8,327
Repairs and maintenance	8,000	8,000	8,066	(66)
Advertising	1,200	1,200	1,101	99
Supplies	86,250	96,650	90,829	5,821
Recycling program	1,200	1,200	1,196	4
Total Sanitation Expenses	1,102,688	1,210,707	1,151,436	59,271
Street maint. Expenses				
Personnel expenses	492,451	559,990	519,682	40,308
Utilities	72,000	77,700	82,436	(4,736)
Rental - equipment	1,000	1,000	118	882
Repairs and maintenance	9,000	205,000	2,668	202,332
Supplies	13,500	14,500	12,680	1,820
Other operating expenses	52,150	55,450	50,102	5,348
Total Street Maint. Expenses	640,101	913,640	667,686	245,185
Library expenses				
Personnel expenses	473,381	565,760	535,695	30,065
Utilities	26,800	31,500	30,774	726
Rental equipment	3,250	3,250	2,179	1,071
Repairs and maintenance	7,836	7,836	4,468	3,368
Supplies	13,625	13,625	9,323	4,302
Other operating expenses	4,710	4,710	3,265	1,280
Books and capital expenses	84,435	84,435	93,627	(630)
Total Library Expenses	614,037	711,116	679,331	12,848
Park maint. Expenses				
Personnel expenses	298,698	344,051	305,712	38,339
Utilities	8,500	10,930	10,936	(6)
Rental - equipment	1,000	1,200	1,200	-
Repairs and maintenance	7,700	7,700	6,769	931
Supplies	58,800	58,550	53,365	5,185
Other operating expenses	5,075	5,075	3,254	1,821
Total Park Maint. Expenses	379,773	427,506	381,236	46,270

Continued

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THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Budgetary Comparison Schedule
General Fund
For the year ended September 30, 2004

	Budgeted Amounts		Actual on Budgetary Basis (See Note 1)	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Recreation expenses				
Personnel expenses	378,718	462,544	443,147	19,397
Utilities	109,000	102,000	106,996	(4,996)
Repairs and maintenance	8,000	11,500	11,363	137
Supplies	29,400	30,400	25,528	4,872
Training and education	1,900	1,900	27	1,873
Other operating expenses	4,360	5,960	4,864	1,096
Capital expenses	-	11,500	1,500	11,500
Total Recreation Expenses	<u>531,378</u>	<u>625,804</u>	<u>593,425</u>	<u>33,879</u>
Special events expense				
Music & talent	10,000	6,750	6,718	32
Rental - Equipment	4,000	2,100	2,080	20
Public Events	45,000	39,541	38,624	917
Furniture/fixture	1,600	1,600	1,723	(123)
Refreshments & supplies	1,500	1,500	1,793	(293)
Total Special Events Expense	<u>62,100</u>	<u>51,491</u>	<u>50,938</u>	<u>553</u>
Debt service expenses				
Total Debt Service Expenses	<u>1,131,500</u>	<u>1,056,500</u>	<u>995,764</u>	<u>60,736</u>
Total expenditures/charges to appropriations	<u>13,741,933</u>	<u>14,315,355</u>	<u>13,700,869</u>	<u>619,508</u>
Budgetary fund balance, September 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,531,191</u>	<u>\$ 1,536,213</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Schedule of Funding Progress - General Employees Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/c
10/01/1997	\$ 4,301,968	\$ 4,585,587	\$ 283,619	93.8%	\$ 2,380,024	11.9%
10/01/1998	4,574,342	4,733,864	159,522	96.6%	2,435,518	6.5%
10/01/1999	5,179,781	5,943,849	764,068	87.1%	2,543,984	30.0%
10/01/2000	5,732,329	7,508,961	1,776,632	76.3%	2,761,773	64.3%
10/01/2001	6,312,447	8,150,125	1,837,678	77.5%	3,127,313	58.8%
10/01/2002	6,193,676	8,594,442	2,400,766	72.1%	3,076,493	78.0%
10/01/2003	6,759,012	10,404,349	3,645,337	65.0%	3,443,843	105.9%

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Schedule of Employer and State Contributions

Year Ended September 30,	Annual Required Contribution	Employer Contribution	State Contribution	Percentage Contributed
General Employees Retirement Fund				
1998	\$ 224,810	\$ 250,721	n/a	111.5%
1999	214,323	227,112	n/a	106.0%
2000	292,866	372,744	n/a	127.3%
2001	415,152	447,128	n/a	107.7%
2002	430,411	467,750	n/a	108.7%
2003	502,855	503,220	n/a	100.1%
2004	523,127	524,000	n/a	100.2%
Fire and Police Retirement Fund*				
1998	\$ 118,643	\$ 56,672	\$ 92,463	125.7%
1999	182,286	110,966	79,215	104.3%
2000	97,135	53,067	73,123	129.9%
2001	85,866	25,607	77,227	119.8%
2002	130,305	57,825	88,452	112.3%
2003	323,352	235,339	159,943	122.2%
2004	249,702	250,000	203,317	181.5%

* Annual required contributions for the Fire and Police Retirement Fund include contributions from the State of Florida.

The Village of North Palm Beach, Florida

Notes to Required Supplementary Information
Year Ended September 30, 2004

NOTE 1. BUDGETARY DATA

As required by GASB Statement No. 34, a budgetary comparison schedule is presented for the general fund. Budgetary comparison schedules are not required, and have not been presented for capital projects funds or enterprise funds.

The budget for the general fund is adopted on an accounting basis that differs from generally accepted accounting principles (GAAP) because it includes open encumbrances as expenditures. Differences between budgetary inflows and outflows and GAAP revenues and expenditures are as follows:

	General Fund
Sources/Inflows of resources:	
Actual amounts (budgetary basis) "available for appropriations" from the Budgetary comparison schedule	\$15,232,060
Differences - budget to GAAP: The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(667,442)
Total revenues as reported on the statements of revenue, expenditures and changes in fund balances - governmental funds	\$14,564,618
Uses/Outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$13,700,869
Total expenditures, as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$13,700,869
Budgetary fund balance:	
Actual fund balance (budgetary basis) from the budgetary comparison schedule	\$1,531,191
Differences - budget to GAAP: The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(667,442)
Total fund balances, as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	\$ 863,749

The Village of North Palm Beach, Florida

Notes to Required Supplementary Information
Year Ended September 30, 2004

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Unencumbered appropriations lapse at fiscal year end. Encumbrances at year-end are carried forward to the next year. During the year, several supplementary appropriations were necessary. For the year ended September 30, 2004, several expenditures exceeded appropriations in the general fund. They are as follows:

- ❖ Expenditures for Capital Outlay - Computer Hardware and Software in Village Manager and in Finance; and Automotive in Fire Prevention and in Park Maintenance were not budgeted because they were funded through issuance of bank loans.
- ❖ Expenditures for Outside Services Pay and Donations in Law Enforcement exceeded appropriations because these are not budgeted items.
- ❖ Expenditures for Library Contribution Usage exceeded appropriations because this is not a budgeted item.
- ❖ Expenditures for Health Insurance in all departments exceeded appropriations due to increases in health care costs.

NOTE 3. PENSION PLANS

The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	General Employees	Fire and Police
Valuation date	10/1/03	10/1/03
Actuarial cost method	Frozen Entry Age	Aggregate
Asset valuation method	5-year smooth market	5-year smoothed market
Actuarial assumptions:		
Investment rate of return (including inflation)	8.5%/year up to retirement, 5.25% thereafter	8%/year
Salary increase (including inflation)	5.5%/year	6%/year
Inflation	4%/year	4%/year
Post retirement benefit increases	3%/year for those who retired	3%/year

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA
COMBINING STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
SEPTEMBER 30, 2004**

	<u>Employee Retirement Funds</u>			<u>Agency Funds</u>		
	<u>General Employees Pension</u>	<u>Fire and Police Officers Pension</u>	<u>Total Employee Retirement</u>	<u>Manatee Protection Agency</u>	<u>Northlake Boulevard Task Force</u>	<u>Total Agency Funds</u>
ASSETS						
Cash and cash equivalents	\$ 62,684	\$ 304,662	\$ 367,346	\$ 232,010	\$ 40,074	\$ 272,084
Investments:						
Common stock	4,189,974	3,929,442	8,119,416	-	-	-
U.S. Government securities	-	2,365,305	2,365,305	-	-	-
Corporate bonds	2,358,704	611,557	2,970,261	-	-	-
Interest receivable	-	18,747	18,747	-	-	-
Accounts Receivable	-	43,409	43,409	-	-	-
Total assets	<u>6,611,362</u>	<u>7,273,122</u>	<u>13,884,484</u>	<u>232,010</u>	<u>40,074</u>	<u>272,084</u>
LIABILITIES						
Accounts Payable	6,107	4,047	10,154	-	-	-
Due to Others	-	-	-	232,010	40,074	272,084
Total liabilities	<u>6,107</u>	<u>4,047</u>	<u>10,154</u>	<u>232,010</u>	<u>40,074</u>	<u>272,084</u>
Net Assets						
Held in trust for pension benefits	<u>\$ 6,605,255</u>	<u>\$ 7,269,075</u>	<u>\$ 13,874,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
COMBINING STATEMENT OF CHANGES IN NET ASSETS
Employee Retirement Funds
Year Ended September 30, 2004

	<u>Employee Retirement Funds</u>		
	<u>General Employees Pension</u>	<u>Fire and Police Officers Pension</u>	<u>Total Employee Retirement</u>
Additions:			
Contributions:			
Employer	\$ 524,000	\$ 250,000	\$ 774,000
State of Florida	-	203,317	203,317
Plan members	179,569	54,500	234,069
Total contributions	<u>703,569</u>	<u>507,817</u>	<u>1,211,386</u>
Investment income:			
Interest and dividends	7,183	177,325	184,508
Realized gains and losses	-	241,996	241,996
Net appreciation in fair value of investments	619,674	144,496	764,170
Investment expense	(50,348)	(34,694)	(85,042)
Total investment income	<u>576,509</u>	<u>529,123</u>	<u>1,105,632</u>
Total additions	<u>1,280,078</u>	<u>1,036,940</u>	<u>2,317,018</u>
Deductions:			
Administration	25,233	47,754	72,987
Benefits	1,408,601	451,159	1,859,760
Total deductions	<u>1,433,834</u>	<u>498,913</u>	<u>1,932,747</u>
Net increase (decrease)	(153,756)	538,027	384,271
Net assets held in trust for pension benefits, beginning of year	<u>6,759,011</u>	<u>6,731,048</u>	<u>13,490,059</u>
Net assets held in trust for pension benefits, end of year	<u>\$ 6,605,255</u>	<u>\$ 7,269,075</u>	<u>\$ 13,874,330</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
SEPTEMBER 30, 2004

	October 1, 2003	Additions	Deductions	September 30, 2004
<u>Manatee Protection Agency</u>				
Assets				
Cash and Cash Equivalents	\$ 228,894	\$ 3,116	\$ -	\$ 232,010
Total assets	<u>\$ 228,894</u>	<u>\$ 3,116</u>	<u>\$ -</u>	<u>\$ 232,010</u>
Liabilities				
Due to Others	\$ 228,894	\$ 3,116	\$ -	\$ 232,010
Total liabilities	<u>\$ 228,894</u>	<u>\$ 3,116</u>	<u>\$ -</u>	<u>\$ 232,010</u>
<u>Northlake Boulevard Task Force</u>				
Assets				
Cash and Cash Equivalents	\$ 17,259	\$ 23,396	\$ 581	\$ 40,074
Noncurrent Asset (Fiduciary)	-	-	-	-
Total assets	<u>\$ 17,259</u>	<u>\$ 23,396</u>	<u>\$ 581</u>	<u>\$ 40,074</u>
Liabilities				
Due to Others	\$ 17,259	\$ 23,396	\$ 581	\$ 40,074
Total liabilities	<u>\$ 17,259</u>	<u>\$ 23,396</u>	<u>\$ 581</u>	<u>\$ 40,074</u>
<u>Total All Agency Funds</u>				
Assets				
Cash and Cash Equivalents	\$ 246,153	\$ 26,512	\$ 581	\$ 272,084
Total assets	<u>\$ 246,153</u>	<u>\$ 26,512</u>	<u>\$ 581</u>	<u>\$ 272,084</u>
Liabilities				
Due to Others	\$ 246,153	\$ 26,512	\$ 581	\$ 272,084
Total liabilities	<u>\$ 246,153</u>	<u>\$ 26,512</u>	<u>\$ 581</u>	<u>\$ 272,084</u>

STATISTICAL SECTION

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Government-wide Expenses by Function

Last Ten Fiscal Years (1)

Fiscal Year Ended September 30,	Total Expenses	General Government	Public Safety	Public Services	Leisure Services	Interest on Long-term Debt	Country Club
1995	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1996	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-
2002	15,134,186	1,474,645	5,179,278	4,240,543	1,464,072	173,488	2,602,160
2003	15,804,807	2,781,333	5,195,338	3,482,975	1,539,771	128,507	2,676,883
2004	15,564,790	2,832,460	5,294,399	3,549,178	1,280,483	40,580	2,567,690

(1) Information not available prior to 2002.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Government-wide Revenues

Last Ten Fiscal Years (1)

Fiscal Year Ended September 30,	Program Revenues					General Revenues			
	Total Revenue	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Unrestricted Grants and Contributions	Unrestricted Investment Earnings	Miscellaneous	
1995	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
1996	-	-	-	-	-	-	-	-	
1997	-	-	-	-	-	-	-	-	
1998	-	-	-	-	-	-	-	-	
1999	-	-	-	-	-	-	-	-	
2000	-	-	-	-	-	-	-	-	
2001	-	-	-	-	-	-	-	-	
2002	13,548,953	3,820,786	94,252	92,461	9,054,515	-	145,313	341,626	
2003	14,877,203	4,013,522	82,134	112,560	10,158,648	276,302	79,609	154,428	
2004	17,167,407	4,219,832	89,362	-	12,374,633	291,710	57,050	134,820	

(1) Information not available prior to 2002.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA*General Governmental Expenditures by Function**Last Ten Fiscal Years*

Fiscal Year	General Government	Public Safety	Public Services	Leisure Services	Capital Outlay	Debt Services	Other	Total
1995	\$ 866,103	\$ 2,378,817	\$ 2,223,340	\$ 669,058	\$ 422,679	\$ 35,688	\$ 188,614	\$ 6,784,299
1996	948,997	2,705,393	2,412,502	690,046	527,699	41,696	138,020	7,464,353
1997	928,801	2,759,664	2,439,231	712,690	856,302	109,778	253,000	8,059,466
1998	947,839	2,865,117	2,425,110	791,373	332,324	79,930	194,306	7,635,999
1999	1,172,478	2,944,489	2,491,317	856,945	739,316	146,317	569,038	8,919,900
2000	1,211,403	3,191,976	2,806,141	991,603	727,258	765,297	442,494	10,136,172
2001	1,220,944	3,701,807	2,918,996	1,038,304	433,970	782,190	303,178	10,399,389
2002	1,344,492	4,263,883	3,265,242	1,081,833	1,085,684	1,025,047	434,199	12,500,380
2003	1,360,072	4,758,982	3,285,603	1,216,156	1,054,207	1,076,072	1,298,492	14,049,584
2004	1,532,561	5,019,361	3,280,274	1,256,066	430,113	995,764	844,730	13,358,869

Note: The above expenditures are for the general fund.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Taxes	Licenses and Permits	Inter-governmental	Charges for Services	Fines and Forfeitures	Interest	Miscellaneous	Total
1995	\$ 5,417,516	\$ 748,676	\$ 1,071,940	\$ 246,016	\$ 97,993	\$ 191,427	\$ 96,630	\$ 7,870,198
1996	5,429,150	453,912	1,352,609	219,447	97,886	248,700	93,635	7,895,339
1997	5,627,038	366,031	1,172,716	275,100	156,281	201,759	129,890	7,928,815
1998	6,116,651	509,055	1,379,295	342,863	128,140	213,637	96,113	8,785,754
1999	6,528,207	543,650	1,144,583	357,336	119,185	239,372	95,893	9,028,226
2000	6,794,249	756,419	1,273,110	437,811	149,690	290,413	139,419	9,841,111
2001	7,686,039	917,166	1,336,664	492,830	244,921	247,931	108,551	11,034,102
2002	8,197,886	648,873	1,267,331	521,660	168,995	85,239	123,574	11,013,558
2003	9,292,822	686,548	1,280,228	665,496	113,391	54,554	138,945	12,231,984
2004	11,439,823	712,184	1,350,104	719,589	122,407	45,080	175,431	14,564,618

Note: The above revenues are for the general fund.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent Collected To Tax Levy
1995	\$ 3,780,663	\$ 3,646,758	96.54%	\$ 78	\$ 3,646,836	96.57%
1996	3,704,613	3,577,517	96.46%	6,187	3,583,704	96.46%
1997	3,701,075	3,574,562	96.57%	4,379	3,578,941	96.74%
1998	4,105,193	3,961,574	96.50%	5,861	3,967,435	96.64%
1999	4,327,943	4,166,035	96.26%	6,721	4,172,756	96.41%
2000	4,512,027	4,335,668	96.09%	23,074	4,358,742	96.60%
2001	5,196,021	5,013,269	96.48%	4,687	5,017,956	96.57%
2002	5,562,239	5,357,206	96.31%	12,175	5,369,381	96.53%
2003	6,597,909	6,359,478	96.39%	5,522	6,365,000	96.47%
2004	8,825,061	8,441,383	95.65%	10,401	8,451,784	95.77%

Source: Palm Beach County Property Appraiser.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Assessed Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year	Assessed Value		Total
	Real Property	Personal Property	
1995	\$ 690,876,303	\$ 29,249,922	\$ 720,126,225
1996	694,725,948	31,668,828	726,394,776
1997	700,039,002	31,398,755	731,437,757
1998	724,341,193	35,879,717	760,220,910
1999	736,890,024	35,742,548	772,632,572
2000	767,696,404	36,071,964	803,768,368
2001	861,214,093	40,169,760	901,383,853
2002	950,465,573	42,791,419	993,256,992
2003	1,093,294,027	44,276,499	1,137,570,526
2004	1,252,888,990	44,914,124	1,297,803,114

Note: The basis of assessed value is approximately one hundred percent (100%) of actual value. For each fiscal year ending September 30, property is valued as of January 1st of the preceding calendar year.

Source: Palm Beach County Property Appraiser.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years
(Per \$1,000 of the Assessed Value)

Fiscal Year	Village of North Palm Beach	Special Districts	Palm Beach County School District	Palm Beach County	Total
1995	5.25	2.448	10.185	4.519	22.402
1996	5.10	2.485	9.797	4.519	21.901
1997	5.06	2.286	9.788	4.519	21.653
1998	5.40	2.360	9.557	4.867	22.184
1999	5.60	2.234	9.682	4.858	22.374
2000	5.60	2.262	8.918	4.936	21.716
2001	5.75	2.263	8.918	4.936	21.867
2002	5.60	2.456	8.948	4.935	21.939
2003	5.80	2.488	8.779	4.808	21.875
2004	6.80	2.556	8.571	4.791	22.718

Source: Palm Beach County Property Appraiser.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA*Computation of Direct and Overlapping Bonded Debt**General Obligations Bonds**September 30, 2004*

Name of Governmental Unit	Net General Bonded Debt Outstanding	Percentage Applicable to The Village of North Palm Beach (1)	Amount Applicable to The Village of North Palm Beach
Direct			
Village of North Palm Beach	\$ -	100.00%	\$ -
Overlapping:			
Palm Beach County	N/A	N/A	N/A
Palm Beach County School District	N/A	N/A	N/A
Total	\$ -		\$ -

(1) Estimated based on 2002 Ratio of Assessed Taxable Values.

Source: Palm Beach County Property Appraiser
 School Board of Palm Beach County, Finance Department
 Village of North Palm Beach.

N/A = Not Available

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Computation of Legal Debt Margin

September 30, 2004

The Village Charter and the Constitution of the State of Florida, Florida State Statute 200.181, do not provide for a legal debt limit.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

*Debt Related Statistics
 Schedule of Revenue Bond Coverage
 General and Enterprise Funds
 Last Ten Fiscal Years*

Fiscal Year	Gross Revenue	Expenditures/ Expenses (1)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1995	\$ 10,167,560	\$ 8,829,772	\$ 1,337,788	\$ 150,000	\$ 5,250	\$ 155,250	\$ 9
1996	*	*	*	*	*	*	*
1997	*	*	*	*	*	*	*
1998	*	*	*	*	*	*	*
1999	*	*	*	*	*	*	*
2000	*	*	*	*	*	*	*
2001	*	*	*	*	*	*	*
2002	*	*	*	*	*	*	*
2003	*	*	*	*	*	*	*
2004	*	*	*	*	*	*	*

Source: Village of North Palm Beach.
 (1) Represents total General Fund and Country Club expenditures/expenses, exclusive of depreciation, debt service, and loss on disposal of fixed assets.

* Revenue bonds were paid in full in 1995.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Property Value, Construction, and Bank Deposits
Last Ten Fiscal Years

Fiscal Year	Property Value (1)		Commercial Construction	Residential Construction	Bank Deposits (2) (in thousands)
	Commercial	Residential	Value	Value	
1995	\$ 93,576,663	\$ 541,319,023	\$ 307,650	\$ 18,901,801	\$ 9,055,476
1996	91,959,700	595,990,486	4,434,050	4,032,198	9,545,424
1997	92,371,112	603,600,525	3,759,496	2,194,016	9,911,930
1998	97,758,105	620,048,032	3,769,950	10,893,857	10,715,610
1999	109,456,299	625,385,715	11,698,194	5,337,681	13,283,898
2000	113,851,156	653,605,011	4,394,857	28,219,296	12,711,003
2001	122,793,250	745,237,484	8,942,094	36,600,946	12,927,182
2002	124,216,202	823,286,154	2,218,598	11,234,443	13,841,347
2003	128,216,552	963,091,506	225,000	9,355,204	14,484,675
2004	147,927,933	1,092,433,722	565,215	11,417,004	15,855,918

(1) Estimated

(2) Data as of September 30 of the preceding year.

Sources: Village of North Palm Beach.
Palm Beach County Property Appraiser Office.
Florida Bankers Association (all of Palm Beach County)

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Principal Taxpayers

January 1, 2004

Taxpayer	2004 Assessed Valuation	Percentage of Total Assessed Valuation
Olen Residential Realty	\$ 17,830,332	1.53%
Sanctuary Bay Trust Corporation	13,491,211	1.15%
Crystal Tree NPB	9,939,914	0.87%
Wolfchase Associates, L.L.C.	8,600,000	0.76%
Greater Florida Investment Co.	5,840,000	0.51%
Transcontinental Atrium, Inc.	4,590,000	0.40%
701 US One, Inc.	3,600,000	0.36%
Pavilion Office Center	3,240,000	0.35%
Old Port Cove Dev.	3,162,597	0.28%
Developers of Northlake, Inc.	3,143,442	0.27%
Morse, Edward J., Inc.	2,857,901	0.25%
	\$ 76,295,397	6.73%

Source: Palm Beach County Property Appraiser.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA*Miscellaneous Statistics**September 30, 2004*

Date of Incorporation:	August 13, 1956
Form of Government	Council - Manager
Area (land and waterways)	5.18 square miles
Miles of streets	36.00
Number of street lights	425
Population	12,198
Fire Protection	
Number of stations	1
Number of firemen and officers	8
Police/EMS Protection	
Number of stations	2
Number of policemen and officers	35
Number of EMS officers	13
Building Permits	
Building permits - new	36
Building permits - additions	165
Recreation/Culture	
Number of parks	4
Public tennis courts	4
Number of marinas	1
Number of libraries	1
Number of volumes	47,531
Country Club	
Golf course	1
Driving range	1
Swimming pool	1
Tennis courts	10
Employees	264

Source: Village of North Palm Beach

REQUIRED REPORTS



**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of North Palm Beach, Florida ("Village"), as of and for the year ended September 30, 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated March 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of North Palm Beach, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts caused by error or fraud that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Village of North Palm Beach, Florida in a separate letter dated March 4, 2005.

Compliance and Other Matters

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

This report is intended for the information and use of the audit committee, management, members of the Village Council, the State of Florida Office of the Auditor General, and applicable federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bakant & Holland, L.L.P.

West Palm Beach, Florida
March 4, 2005



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

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

We have audited the basic financial statements of the Village of North Palm Beach, Florida, (the Village) as of and for the year ended September 30, 2004, and have issued our report thereon dated March 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report of Independent Certified Public Accountants on Compliance and 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 date March 4, 2005 and it should be considered in conjunction with this management letter.

In connection with our audit of the basic financial statements of the Village for the year ended September 30, 2004, we report the following in accordance with Chapter 10.550, Rules of the Auditor General, Local Governmental Entity Audits which requires that this report specifically address, but not be limited to, the matters outlined in Rule 10.554 (1)(h):

1. No inaccuracies, shortages, defalcations, fraud, and violations of laws, rules, regulations and contractual provisions were reported in the preceding annual financial audit
2. The Village, during fiscal year 2004, was not in a state of financial emergency as defined by Florida Statute, Section 218,503(1). The Village had no deficit fund balances.
3. The Village has complied with Section 218.415, Florida Statutes regarding the investment of public funds.
4. Recommendations to improve the Village's present financial management and accounting procedures are presented below.
5. Recommendations made in the preceding financial audit have been implemented, except as noted below.
6. During the course of our audit, nothing came to our attention that caused us to believe that the Village:
 - a. Was in violation of any laws, rules, regulations or contractual provisions.
 - b. Made any illegal or improper expenditures that may or may not materially affect the financial statements.
 - c. Had improper or inadequate accounting procedures, other than those recommendations noted below to improve the Village's administrative and accounting controls.
 - d. Failed to properly record financial transactions, which could have a material effect on the Village's basic financial statements.
 - e. Had other inaccuracies, shortages, defalcations or instances of fraud and fraud related matters.

7. The annual financial report for the year ended September 30, 2004, has been filed with the State of Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, and was in agreement with the audited financial statements of the same period.
8. The Village of North Palm Beach, Florida was incorporated by Chapter 165, Florida Statutes.
9. During the course of our audit, we applied financial condition assessment procedures pursuant to Rule 10.556(8). It is management's responsibility to monitor the Village's financial condition, and our financial condition assessment, which was performed as of the Village's fiscal year end, was based on representations made by management and the review of financial information provided by the Village. There were no findings regarding deteriorating financial conditions.

CURRENT YEAR COMMENTS AND RECOMMENDATIONS
AUDIT ADJUSTING ENTRIES
FINDING 04-1

Criteria

An effective system of internal controls includes procedures that require that a responsible official approve adjusting journal entries and that the entries be timely posted to the appropriate general ledger accounts.

Condition

While reconciling certain fund balance general ledger accounts during the course of our audit of the Village's financial statements for the year ended September 30, 2004, we noted that some auditors' journal entries for the year ended September 30, 2003 were not posted to the general ledger accounts as of the date of our examination. We also noted that some fiscal year 2004 activity had been posted to certain fund balance accounts rather than having been posted to revenue and expense accounts.

Perspective/Effect

A FY2003 adjusting journal entry was not posted to the general ledger and certain fund balance accounts contained current period activity. Because the 2003 journal entry was not posted, one fund balance general ledger account was not in agreement with the September 30, 2003 audited financial statements.

Recommendation

We recommend that the Village strengthen controls over journal entries by requiring that all adjustments be timely posted to the appropriate general ledger accounts, that current period activity be posted to the appropriate revenue and expense accounts as it occurs, and that fund balance accounts be reconciled with audited financial statements.

Management's response

By June 30, 2005 all adjusting journal entries will have been posted to the general ledger and reconciled by the Finance Director. All future annual audit journal entries will be posted to the appropriate general ledger accounts within 30 days of completion and delivery of the audit report to the Village Council. Current monthly activity will be posted to the appropriate revenue and expenditure accounts as it occurs.

**BUDGET CATEGORIES SUBTOTALS
FINDING 04-2**

Criteria

An effective system of internal controls includes procedures that require that revenue and expense categories be in compliance with properly adopted budgets and approved budget amendments. The budget adoption ordinance reflects an allowance for budget transfers up to and including \$5,000 without council approval.

Condition

While preparing the CAFR for the fiscal year ended September 30, 2004, we noted that certain revenue and expense categories and various transfers between line items occurred during the year.

Perspective/Effect

The total budget in the general ledger reports agreed to the total approved budget as amended. However, it was not clear how the line item transfers, particularly those that are required to be approved by the council, relate to the budget level that was originally approved.

Recommendation

We recommend that the Village review the budget adoption and amendment levels (i.e., line item level, department level, function level) to provide the most practical implementation of budgetary controls by Village management.

Management's response

The Village Administration will recommend that the Village adopt an annual budget that sets the legal level of financial control at the Department level for total operating expenditures and further provide for categorical budget control of total capital expenditures within each department. The Administration's recommendation will be reflected in the July 2005 proposed budget to be considered by Council as part of the annual budget adoption in September 2005.

**INFORMATION TECHNOLOGY PROCEDURES DOCUMENTATION
FINDING 04-3**

Criteria

An effective system of internal controls includes procedures for documentation of information technology policies, procedures, and guidelines.

Condition

Our review of the current information systems department disclosed no significant problems. However, we noted the lack of formal documentation of policies, procedures and controls.

Perspective/Effect

Documentation is primarily a function of safeguarding assets, ensuring continuity in case of turnover and absences, and setting guidelines that help monitor the timing of software and hardware upgrades, control obsolescence, and provide for the highest and best use of information technology.

Recommendation

Formal documentation is a time consuming process. However, we recommend that the Village implement the goal of completing the documentation of the technology policies and procedures.

Management’s response

Information technology policies and procedures will be developed and implemented by September 2005.

**STATUS OF PRIOR YEARS’ COMMENTS
FINDING 01-01
Country Club Operation**

Criteria

Proprietary funds are used to account for governmental activities that are similar to activities that may be performed by a commercial enterprise. The basic objective of a proprietary fund is to provide a service or product to the public at a reasonable cost.

Condition - current year

During the course of our audit, we utilize a variety of methods to identify the financial condition of the organization. Financial condition, for the purpose of this comment, refers to the Village's ability to provide services at the level and quality that is citizens desire. As part of our 2004, audit, we updated financial indicators that had been calculated in the prior year.

At September 30, 2004, the financial indicators continue to demonstrate a deteriorating financial condition for the country club operation. Our observations on this condition are as follows:

1. There has been a continuous decline in net assets for the past five years. Net assets are the cumulative amount by which revenues and operating transfers from other funds have exceeded expenses. For the year 2004, the Country Club experienced a slight increase of 1.27%.
2. There has been a continuous decline in the current ratio (as measured by cash and investment to current liabilities) for the past three years. This may result in a difficulty in meeting current needs. For the year 2004, there was an increase in the current of .12:1.00 to .52:1.00.
3. There were operating losses for three of the past five years. This may result in a reduction of the Village's ability to withstand financial emergencies and/or the ability to fund major expenses or capital purchases without having to borrow.
4. There has been a negative working capital position for the last four years. At September 30, 2004, the County Club's liquid assets were \$126,818. The average monthly cash requirement for operations is \$213,000.

Financial Indicator #1	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Net Assets	\$2,126,172	\$2,099,593	\$1,974,296	\$2,044,028
Percentage Increase (Decrease)	1.27%	(3.14)%	(3.41)%	(5.54)%

Financial Indicator #2				
Cash and Investments	\$65,413	\$128,924	\$156,020	\$114,861
Current Liabilities	149,679	324,499	390,171	247,324
	.52:1.00	.40:1.00	.40:1.00	.46:1.00
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>

Financial Indicator #3

Operating Income (Loss)	\$40,131	\$(22,146)	\$1,973	\$(65,883)
Operating Revenues	2,590,819	2,631,509	2,570,649	2,492,894
	1.5%	(0.84)%	0.08%	(2.60)%

Financial Indicator #4

Net assets	\$2,126,172	\$2,099,593	\$1,974,286	\$2,044,028
Total Operating Revenues	2,590,819	2,631,509	2,570,649	2,492,894
	82%	79%	77%	82%

Financial Indicator #5

Net Working Capital (Deficiency)	\$(22,860)	\$(122,487)	\$(140,018)	\$(205,884)
Percentage Increase/(Decrease)	81%	12%	32%	39%

Perspective

The financial condition of the enterprise fund may require the general fund to subsidize operations and may prevent the ability to finance needed improvements.

Recommendation

We recommend that management:

1. Continue to review the revenue structures to determine stability, equity, efficiency and capacity to finance operations.
2. Use long-term financial plans that include revenue and expenditure trend studies, capital, and debt management plans.

Management Response

The Village Council has agreed with the Administration's recommendation to engage a financial advisor for developing a set of business plans for the Country Club under various development and operating scenarios. The advisor will assist in a review and forecasting of Country Club financial operations and assist in identifying capital debt capacity for Country Club improvements. The Administration will collaborate with the Village's Country Club Advisory Board in reviewing and possibly adjusting annual Club fees, vendor contracts relating to outside vending machines, golf course beverage services, driving range fees and various other Club revenue enhancement opportunities.

This management letter is intended solely for the information and use of the Village of North Palm Beach, Florida's management, and the State of Florida Office of the Auditor General, and is not intended to be and should be used by anyone other than these specified parties.

Cherry, Bekant & Holland, L.L.P.

West Palm Beach, Florida
March 4, 2005