



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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2005

The Village of North Palm Beach, Florida



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2005

**Prepared by:
Finance Department**

**Trey Sizemore
Director of Finance**

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

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FINANCIAL STATEMENTS

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INTRODUCTORY SECTION



THE VILLAGE OF
North Palm Beach
Department of Finance

Village Hall • 501 U.S. Highway 1 • North Palm Beach, FL 33408 • (561) 841-3360 • Fax (561) 881-7469

March 4, 2006

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, 2005.

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, 2005.

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 2006.

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, 2004. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.



Trey Sizemore
Director of Finance



Mark Bates
Village Manager

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

PRINCIPAL VILLAGE OFFICIALS

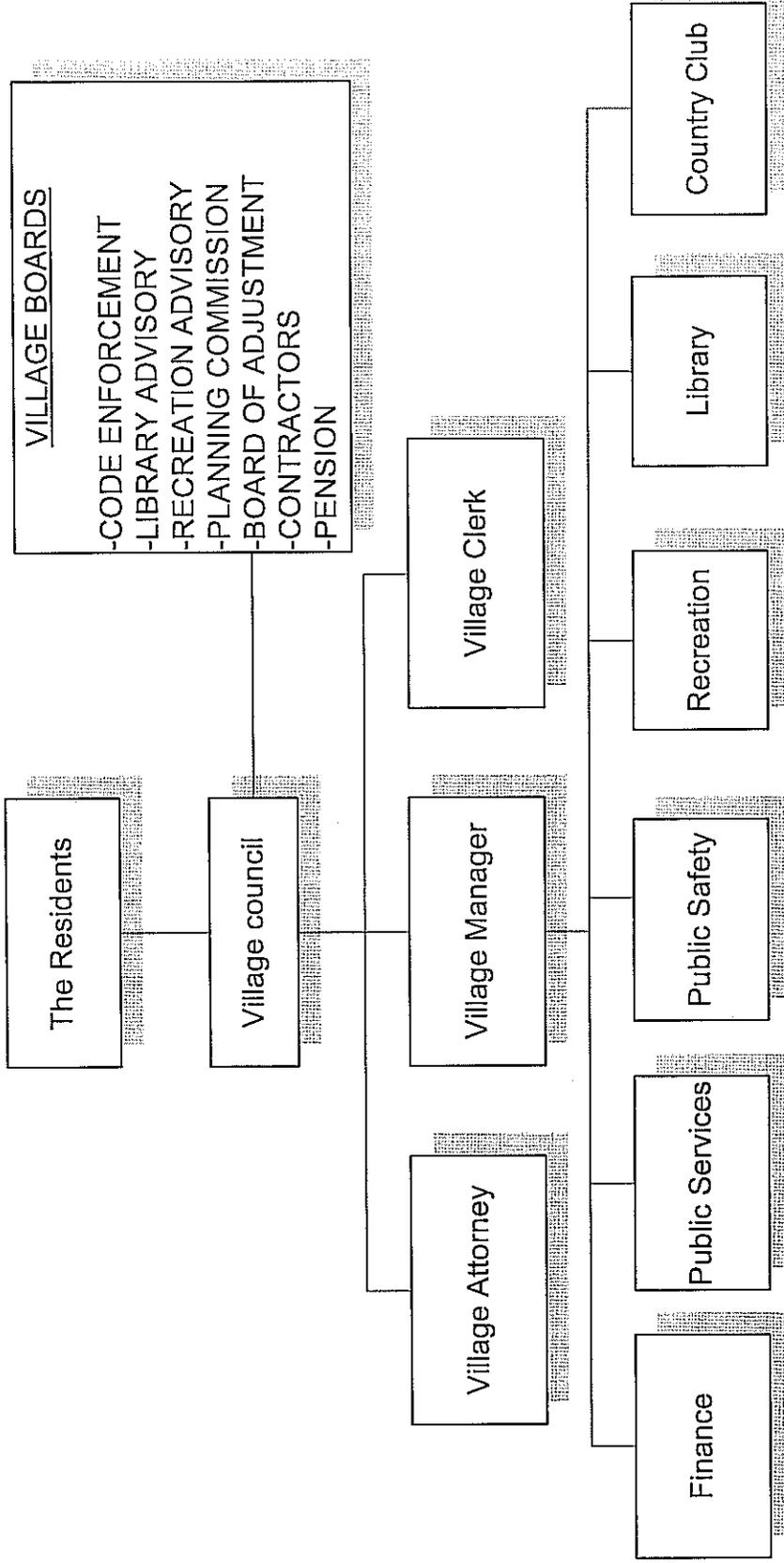
SEPTEMBER 30, 2005

<u>Title</u>	<u>Name</u>
Mayor	Edward E. Eissey
Vice Mayor	David B. Norris
President Pro Tem	Rob Rennebaum
Council Member	Donald G. Noel
Council Member	Charles R. O'Meilia
Village Manager	Mark Bates
Director of Finance	Trey Sizemore
Village Clerk	Melissa Teal

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, 2004

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, 2005, 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 4, 2006, 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. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. This schedule is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Cherry, Bebaert & Holland, L.L.P.

West Palm Beach, Florida
March 4, 2006

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, 2005. Please read it in conjunction with the accompanying transmittal letter beginning on page i, and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

	September 30,		Increase/ (Decrease)	Statement Page #
	2005	2004		
Total net assets	\$12.4 million	\$9.90 million	\$2.50 million	11
Unrestricted net assets available for future use	\$6.24 million	\$3.10 million	\$3.14 million	11
Governmental net assets	\$10.2 million	\$7.80 million	\$2.40 million	11
Total revenues from all sources	\$21.0 million	\$17.1 million	\$3.90 million	12
Governmental revenues	\$18.3 million	\$14.6 million	\$3.70 million	12
Total cost of all Village programs	\$18.5 million	\$15.9 million	\$2.60 million	12
Governmental revenues over (under) expenses	\$2.42 million	\$1.00 million	\$1.42 million	15
General fund revenues over (under) expenses	\$2.87 million	\$1.10 million	\$1.77 million	15
General fund unreserved fund balance	\$5.77 million	\$2.90 million	\$2.87 million	13
As a percent of general fund expenditures	37.11%	21.00%	16.11%	
Country Club revenues over (under) expenses	63,000	27,000	36,000	18
Decrease in total long-term debt for the Village	\$(.65 million)	\$0.7 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 expand upon information reported in the government-wide and governmental fund statements.

REPORTING THE VILLAGE AS A WHOLE

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

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

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

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

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

REPORTING THE VILLAGE'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

- **Governmental funds** - Most of the Village's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out, with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Village's general government operations and the basic services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. The 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 \$12.4 million at the close of the most recent fiscal year.

A significant portion of the Village's net assets (44.0%) 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	Activities	Activities		
	2005	2004	2005	2004	2005	2004
Assets:						
Current and other assets	\$ 7,608	\$ 4,912	\$ 453	\$ 127	\$ 8,061	\$ 5,039
Capital assets	10,467	11,341	2,373	2,543	12,840	13,884
Total assets	18,075	16,253	2,827	2,670	20,902	18,923
Liabilities:						
Current liabilities	933	914	122	57	1,056	971
Long-term debt outstanding	6,932	7,578	515	487	7,446	8,065
Total liabilities	7,865	8,492	637	544	8,502	9,036
Net assets:						
Invested in capital assets, net of debt	3,536	3,763	1,919	2,131	5,455	5,894
Restricted	706	895	-	-	706	895
Unrestricted	5,969	3,103	270	(5)	6,239	3,098
Total net assets	\$ 10,210	\$ 7,761	\$ 2,190	\$ 2,126	\$ 12,400	\$ 9,887

An additional portion of the Village's net assets (5.69%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$6.2million) 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 \$270,373 at fiscal year end.

There was an increase of \$2.5 million in the government's net assets during the current fiscal year. Governmental activities accounted for 97% of the total increase.

Governmental Activities

Governmental activities increased the Village's net assets by \$2.45 million, thereby accounting for 97% 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	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 2,020	\$ 1,672	\$ 2,658	\$ 2,548	\$ 4,678	\$ 4,220
Operating grants and contributions	1,393	89	-	-	1,393	89
General revenues:						
Property taxes	10,071	8,452	-	-	10,071	8,452
Utility service taxes	1,955	1,830	-	-	1,955	1,830
Sales and use taxes	1,277	1,231	-	-	1,277	1,231
Franchise fees	890	861	-	-	890	861
Grants and contributions not restricted to specific programs	421	292	-	-	421	292
Investment earnings	197	53	13	3	209	56
Miscellaneous	112	92	-	43	112	135
Gain (loss) on asset disposals	-	-	-	-	-	-
Total revenues	\$ 18,336	\$ 14,572	\$ 2,671	\$ 2,594	\$ 21,007	\$ 17,166

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

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

	Governmental Activities		Business Activities		Total	
	2005	2004	2005	2004	2005	2004
Expenses:						
Program expenses:						
General government	\$ 2,127	\$ 2,133	\$ -	\$ -	\$ 2,127	\$ 2,133
Public safety	6,039	5,294	-	-	6,039	5,294
Public services	5,091	3,549	-	-	5,091	3,549
Leisure services	1,636	1,280	-	-	1,636	1,280
Hurricane expenses	-	-	-	-	-	-
Reserves and other	843	-	-	-	-	-
Depreciation expense	-	1,041	-	-	-	-
Interest on long-term debt	151	41	-	-	151	41
Country Club	-	-	-	2,568	-	2,568
Total expenses	15,887	13,338	-	2,568	15,044	14,865
Increase (decrease) in net assets						
	2,449	1,234	2,671	26	5,963	2,301
Net assets - beginning of year	7,761	6,527	2,126	2,100	9,887	8,627
Net assets - end of year	\$ 10,210	\$ 7,761	\$ 4,797	\$ 2,126	\$ 15,850	\$ 10,928

	2005		2004	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 2,127	\$ (1,842)	\$ 3,174	\$ (2,819)
Public safety	6,039	(5,653)	5,294	(4,942)
Public services	5,091	(2,441)	3,549	(2,653)
Leisure services	1,636	(1,545)	1,280	(1,121)
Reserves and other	843	(843)	-	-
Interest on long-term debt	151	(151)	41	(41)
Total	\$ 15,887	\$ (12,474)	\$ 13,338	\$ (11,576)

The cost of all governmental activities this year was \$15.9 million. As shown on the Statement of Activities, those who directly benefited from the programs paid for \$2.0 million of this cost and \$14.9 million was financed through general revenues. The Village added \$2.45 million to fund balance during 2005.

Business Type Activities

Net assets of the Proprietary Fund (Country Club) at September 30, 2005, were \$2.2 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 \$2.7 million, leaving a surplus of \$2.1 million. Investment and miscellaneous

income of \$12,600 helped generate the surplus. The income from operations was \$50,800. Net assets increased by \$63,400.

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 \$5.97 million, a \$2.87 million increase over the 2004 fund balance of \$3.10 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 98% of the combined ending fund balance (\$5.77 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance (.20 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 \$5.77 million, while total fund balance was \$5.97 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 37% of total general fund expenditures, while total fund balance represents 38% of that same amount.

The capital projects fund has a total fund balance of \$20,000, 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 \$.45 million, and is the result of expenditures for capital outlay/maintenance (\$.49 million) that were greater than revenues and transfers in from the general fund (\$39,700).

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$918,354 and can be briefly summarized as follows:

- Funding for hurricane expenditures. FEMA reimbursement recorded for the year was \$1.32 million. Expenditures for the current year were \$0.84 million. Expenditures incurred in the prior year ending were \$0.48 million.
- Revenues from building permits were \$0.9 million compared to a budget of \$0.5 million.

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, 2005 and 2004 amounts to \$12.84 million and \$13.88 million (net of accumulated depreciation). The total decrease in the Village's investment in capital assets for the current fiscal year was \$1.04 million.

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

	Governmental		Business		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Land	\$ 2,056	\$ 2,056	\$ 1,051	\$ 1,051	\$ 3,107	\$ 3,107
Buildings and improvements	10,441	10,570	1,477	1,477	11,918	12,047
Improvements other than buildings	-	-	574	574	574	574
Improvements - golf course	-	-	1,604	1,604	1,604	1,604
Furniture, fixtures and equipment	5,943	6,108	718	714	6,662	6,822
Total assets	18,440	18,734	5,425	5,420	23,865	24,154
Less accumulated depreciation	(7,973)	(7,393)	(3,051)	(2,877)	(11,024)	(10,270)
Net assets	\$ 10,467	\$ 11,341	\$ 2,373	\$ 2,543	\$ 12,840	\$ 13,884

Additional information on the Village's capital assets can be found in Note 4 on page 36 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 \$6.5 million. None of this amount comprises debt backed by the full faith and credit of the government. Of the \$6.5 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			
	2005	2004	2005	2004	2005	2004
Loans payable	\$ 5,755	\$ 6,376	\$ 454	\$ 412	\$ 6,209	\$ 6,788
Capital leases	276	434	-	-	276	434
Total	\$ 6,031	\$ 6,810	\$ 454	\$ 412	\$ 6,485	\$ 7,222

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

Unreserved general fund balance increased to \$5.77 million during the current 2005 fiscal year. As last year, the Village did not appropriate any of this unreserved fund balance for spending in the 2005/2006 fiscal year budget. The Village is now ready to address the economic challenges anticipated in the next few years. This would include a further lowering of the millage rate which was decreased from 7.27 mills in 2004-05 to 6.8 in 2005-06.

In considering the Village's fiscal year 2005/2006 budgets, the Village Council and management were cautious as to revenue and expenditure growth. The budget for investment income was appropriately increased. Court fine revenues increased by 135% over the prior year. Building permit fees increased by 86% in 2004/2005 but may be expected to decline in coming years due to the lack of new developments.

The cost increases identified by Village administration last year are being dealt with appropriately. Health insurance cost containment measures were implemented by the Village abandoning the self insurance pool. In July 1 of 2005, the Village initiated health coverage for its employees through a fully insured program.

Continuing increases in cost of employee pension benefits continues to be a major economic challenge that Village Administration is addressing. The most recent actuarial calculations have determined the unfunded portion of the General Pension's actuarial liability to be in excess of \$5 million (see page 55). This year the Village adopted a change in the methodology of calculating lump sum benefits for retirees in the General Pension Plan. It also eliminated the lump sum option for new employees.

Federal FEMA reimbursement for 2004's hurricane damages exceeded \$1.3 million for hurricanes Jeanne and Francis. Identifiable Village costs related to the two storms exceed \$1.6 million incurred in both of the last two fiscal years. One seawall bulkhead repair was not complete by year end. Hurricane expenditures could play 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, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 5,866,155	\$ 396,656	\$ 6,262,811
Accounts receivable, net	827,574	36,365	863,939
Inventories	26,556	20,267	46,823
Other assets	33,642	-	33,642
Restricted assets:			
Cash and cash equivalents	167,936	-	167,936
Net pension assets	686,142	-	686,142
Capital assets:			
Nondepreciable	2,055,891	1,051,311	3,107,202
Depreciable:			
Buildings and improvements	10,441,029	1,476,711	11,917,740
Improvements other than buildings	-	574,318	574,318
Improvements - golf course	-	1,603,940	1,603,940
Furniture, fixtures and equipment	5,943,376	718,251	6,661,627
Less: accumulated depreciation	(7,973,168)	(3,051,207)	(11,024,375)
Total assets	<u>18,075,133</u>	<u>2,826,612</u>	<u>20,901,745</u>
Liabilities			
Accounts payable and other current liabilities	772,577	115,390	887,967
Other liabilities	160,611	7,000	167,611
Noncurrent liabilities:			
Due within one year	1,459,807	110,981	1,570,788
Due in more than one year	5,471,725	403,673	5,875,398
Total liabilities	<u>7,864,720</u>	<u>637,044</u>	<u>8,501,764</u>
Net Assets			
Invested in capital assets, net of related debt	3,535,596	1,919,194	5,454,790
Net pension assets	686,142	-	686,142
Restricted for:			
Capital Projects	19,828	-	19,828
Unrestricted	5,968,847	270,374	6,239,221
Total net assets	<u>\$ 10,210,413</u>	<u>\$ 2,189,568</u>	<u>\$ 12,399,981</u>

See accompanying notes to basic financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
STATEMENT OF ACTIVITIES
Year Ended September 30, 2005

Functions/Programs	Program Revenues			Net Expense (Revenue) and Changes in Net Assets			
	Expenses	Charges for Activities	Operating Grants and Contributions	Governmental Activities	Business-type Activities		Total
					Governmental Activities	Business-type Activities	
Government:							
Governmental activities				\$ (1,841,623)	\$ -	\$ -	(1,841,623)
General government	\$ 2,127,009	\$ 285,386	-	(5,652,616)	-	-	(5,652,616)
Public safety	6,038,846	329,081	57,149	(2,441,364)	-	-	(2,441,364)
Public services	5,091,305	1,326,820	1,323,121	(1,544,850)	-	-	(1,544,850)
Leisure services	1,635,784	78,475	12,459	(842,561)	-	-	(842,561)
Reserves and other	842,561	-	-	(151,233)	-	-	(151,233)
Interest on long-term debt	151,233	-	-	(12,474,247)	-	-	(12,474,247)
Total governmental activities	15,886,738	2,019,762	1,392,729	-	-	-	50,756
Business-type activities - country club	2,607,712	2,658,468	-	-	50,756	-	50,756
Total business-type activities	2,607,712	2,658,468	-	-	50,756	-	50,756
Total government	\$ 18,494,450	\$ 4,678,230	\$ 1,392,729	(12,474,247)	50,756	-	(12,423,491)
General Revenues:							
Taxes:							
Property taxes				10,070,977	-	-	10,070,977
Utility service taxes				1,955,403	-	-	1,955,403
Sales and use taxes				1,277,124	-	-	1,277,124
Franchise fees				890,297	-	-	890,297
Grants and contributions not restricted to specific purposes				421,254	-	-	421,254
Investment income				196,699	12,640	-	209,339
Miscellaneous				111,927	-	-	111,927
Total general revenues				14,923,681	12,640	-	14,936,321
Change in net assets				2,449,434	63,396	-	2,512,830
Net assets, beginning of year				7,760,979	2,126,172	-	9,887,151
Net assets, end of year				\$ 10,210,413	\$ 2,189,568	\$ -	\$ 12,399,981

See accompanying notes to the basic financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
BALANCE SHEET
Governmental Funds
September 30, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 6,043,743	\$ -	\$ 6,043,743
Accounts receivable, net	827,574	-	827,574
Inventories	26,556	-	26,556
Other assets	3,642	30,000	33,642
Total assets	<u>\$ 6,901,515</u>	<u>\$ 30,000</u>	<u>\$ 6,931,515</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and other current liabilities	\$ 772,057	\$ 10,172	\$ 782,229
Deferred revenues	160,611	-	160,611
Total liabilities	<u>932,668</u>	<u>10,172</u>	<u>942,840</u>
Fund balances			
Reserved for:			
Reserved for inventories	26,556	-	26,556
Reserved for prepaid items and deposits	2,672	-	2,672
Reserved for restricted assets	167,935	-	167,935
Reserved for capital outlay	-	19,828	19,828
Unreserved, undesignated	5,771,684	-	5,771,684
Total fund balances	<u>5,968,847</u>	<u>19,828</u>	<u>5,988,675</u>
Total liabilities and fund balances	<u>\$ 6,901,515</u>	<u>\$ 30,000</u>	<u>\$ 6,931,515</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 September 30, 2005

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

Ending fund balance - governmental funds		\$ 5,988,675
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Cost of assets	\$ 18,440,296	
Accumulated Depreciation	<u>(7,973,168)</u>	10,467,128
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.		
		686,142
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	(5,754,677)	
Capital leases payable	(275,840)	
Accrued compensated absences	<u>(901,015)</u>	<u>(6,931,532)</u>
Net assets of governmental activities		<u>\$ 10,210,413</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended September 30, 2005

	General	Capital Projects	Total Governmental Funds
Revenues:			
Taxes	\$ 13,236,952	\$ -	\$ 13,236,952
Licenses and permits	1,131,903	-	1,131,903
Intergovernmental	2,804,985	-	2,804,985
Charges for services	647,915	-	647,915
Fines and forfeitures	234,513	-	234,513
Investment income	187,161	9,538	196,699
Miscellaneous	83,025	180	83,205
Total revenues	<u>18,326,454</u>	<u>9,718</u>	<u>18,336,172</u>
Expenditures:			
Current:			
General government	1,571,500	490,045	2,061,545
Public safety	5,713,904	-	5,713,904
Public services	5,019,739	-	5,019,739
Leisure services	1,376,950	-	1,376,950
Other government	817,293	-	817,293
Debt service			
Principal payments	903,225	-	903,225
Interest paid on debt	151,233	-	151,233
Total expenditures	<u>15,553,844</u>	<u>490,045</u>	<u>16,043,889</u>
Excess of revenues over/ (under) expenditures	2,772,610	(480,327)	2,292,283
Other financing sources/ (uses):			
Proceeds from debt issuance	123,500	-	123,500
Transfers to other funds	(30,000)	30,000	-
Total other financing sources (uses)	<u>93,500</u>	<u>30,000</u>	<u>123,500</u>
Net change in fund balances	2,866,110	(450,327)	2,415,783
Fund balances, beginning of year	<u>3,102,737</u>	<u>470,155</u>	<u>3,572,892</u>
Fund balances, end of year	<u>\$ 5,968,847</u>	<u>\$ 19,828</u>	<u>\$ 5,988,675</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
Year Ended September 30, 2005**

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

Net change in fund balances - total governmental funds		\$ 2,415,783
<p>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.</p>		
Expenditures for capital assets	\$ 273,449	
Less: current year depreciation	(994,255)	
Less: asset dispositions	<u>(153,196)</u>	
		(874,002)
<p>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.</p>		
		903,225
<p>Proceeds from issuance of debt are reported as other financing sources and uses in the governmental funds. However, these transactions are not reported in the statement or activities. Instead, they are recognized in the statement of net assets as changes to liabilities.</p>		
Proceeds from debt issuance	(123,500)	
Change in long-term compensated absences	<u>(133,086)</u>	
		(256,586)
<p>Expenses that do not use current financial resources are not reported on the Governmental Funds but are included in the Statement of Activities.</p>		
Change in net pension asset of defined benefit pension plans	<u>261,014</u>	
Total		261,014
		<u>\$ 2,449,434</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
September 30, 2005

	Country Club
Assets	
Current assets	
Cash and cash equivalents	\$ 396,656
Accounts receivable, net	36,365
Inventories	20,267
Total current assets	453,288
Capital assets:	
Land, buildings and equipment, net	2,373,324
Total assets	2,826,612
Liabilities	
Current liabilities:	
Accounts payable and other current liabilities	115,390
Compensated absences payable	35,000
Deposits	7,000
Loans payable - current portion	75,981
Total current liabilities	233,371
Noncurrent liabilities:	
Compensated absences payable	25,524
Loans payable	378,149
Total liabilities	637,044
Net assets	
Investment in capital assets, net of related debt	1,919,194
Unrestricted	270,374
Total net assets	\$ 2,189,568

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended September 30, 2005

	Golf	Tennis	Pool	Food and Beverage	Administra- tion	Country Club
Operating revenues:						
Greens fees/cart rentals/membership fees	\$ 1,953,389	\$ -	\$ -	\$ -	\$ -	\$ 1,953,389
Tennis revenues	-	82,659	-	-	-	82,659
Pool revenues	-	-	109,158	-	-	109,158
Golf shop revenues	127,343	-	-	-	-	127,343
Driving range revenues	265,782	-	-	-	-	265,782
Miscellaneous	-	-	-	-	49,777	49,777
Restaurant revenues	-	-	-	70,360	-	70,360
Total operating revenues	<u>2,346,514</u>	<u>82,659</u>	<u>109,158</u>	<u>70,360</u>	<u>49,777</u>	<u>2,658,468</u>
Operating expenses:						
Golf course maintenance expenses	1,080,961	-	-	-	-	1,080,961
Clubhouse grounds expenses	139,226	-	-	-	-	139,226
Tennis expenses	-	163,881	-	-	-	163,881
Pool expenses	-	-	214,637	-	-	214,637
Golf shop expenses	570,423	-	-	-	-	570,423
Food & beverage expenses	-	-	-	38,730	-	38,730
Administrative and general expenses	-	-	-	-	167,917	167,917
Insurance	-	-	-	-	29,254	29,254
Depreciation	-	-	-	-	176,244	176,244
Total operating expenses	<u>1,790,510</u>	<u>163,881</u>	<u>214,637</u>	<u>38,730</u>	<u>373,415</u>	<u>2,581,273</u>
Income from operations	<u>555,904</u>	<u>(81,222)</u>	<u>(105,479)</u>	<u>31,630</u>	<u>(323,638)</u>	<u>77,195</u>
Nonoperating revenues (expenses):						
Interest income	-	-	-	-	12,640	12,640
Interest expense	-	-	-	-	(26,439)	(26,439)
Total nonoperating revenues (expense)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,799)</u>	<u>(13,799)</u>
Change in net assets	<u>555,904</u>	<u>(81,222)</u>	<u>(105,479)</u>	<u>31,630</u>	<u>(337,437)</u>	<u>63,396</u>
Net assets, beginning of year						<u>2,126,172</u>
Net assets, end of year						<u>\$ 2,189,568</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended September 30, 2005

	Country Club
Cash flows from operating activities	
Cash received from customers	\$ 2,653,017
Cash payments to suppliers for goods and services	(1,042,703)
Cash payments to employees for services	(973,828)
Cash payments for payroll taxes	(75,193)
Cash payments for employee benefits	(252,178)
Net cash provided by operating activities	309,116
 Cash flows from capital and related financing activities	
Principal payments	(57,442)
Proceeds from debt issuance	100,000
Interest paid on debt	(26,439)
Acquisition of capital assets	(6,633)
Net cash provided by capital and related financing activities	9,486
 Cash flows from investing activities	
Interest on investments	12,640
 Net decrease in cash and cash equivalents	331,242
 Cash and cash equivalents, beginning of year	65,414
 Cash and cash equivalents, end of year	\$ 396,656
 Reconciliation of income from operations to net cash provided by operating activities:	
Operating income	\$ 77,195
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	176,244
Decrease in accounts receivable	(5,438)
Decrease in inventory	10,209
Decrease in accounts payable and other current liabilities	65,366
Decrease in compensated absences payable	(14,463)
Total adjustments	231,918
 Net cash provided by operating activities	\$ 309,113
 Noncash capital and financing activities:	
Book value of assets disposed	\$ -

See accompanying notes to basic financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2005

	Employee Retirement Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 2,886,098	\$ 265,476
Investments:		
Common stock	6,744,394	-
U.S. Government securities	1,060,477	-
Corporate bonds	1,713,555	-
Fixed funds	58,539	
Equity funds	7,514	
Interest receivable	18,033	-
Accounts receivable	49,262	638
Total assets	12,537,872	\$ 266,114
LIABILITIES		
Accounts payable and other liabilities	-	-
Due to others	-	266,114
Total liabilities	-	\$ 266,114
NET ASSETS		
Held in trust for pension benefits	12,537,872	
Total net assets	\$ 12,537,872	

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
EMPLOYEE RETIREMENT FUNDS
Year Ended September 30, 2005

	<u>Employee Retirement Funds</u>
Additions:	
Contributions:	
Employer	\$ 1,244,500
State of Florida	209,222
Plan members	245,664
Total contributions	<u>1,699,386</u>
 Investment income:	
Interest	218,783
Net appreciation in fair value of investments	871,970
Investment expense	(68,789)
Total investment income	<u>1,021,964</u>
 Total additions	 <u>2,721,350</u>
 Deductions:	
Benefits	4,034,521
Administration	77,189
Total deductions	<u>4,111,710</u>
 Net decrease	 (1,390,360)
 Net assets held in trust for pension benefits, beginning of year	 <u>13,928,232</u>
 Net assets held in trust for pension benefits, end of year	 <u>\$ 12,537,872</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2005

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 accounting principles generally accepted in the United States of America, 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, 2005

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2005

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:

Employee Retirement Funds

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

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, 2005

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. Investments in the Local Government Surplus Funds Trust are reported as cash and cash equivalents.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Restricted Assets

Cash and cash equivalents are restricted for the following purposes:

	<u>2005</u>
Law enforcement education	\$ 18,408
Dog park	1,199
Village historian	112
Public safety	16,593
Library	103,124
Recreations facilities	<u>28,500</u>
Total restricted assets	<u>\$ 167,936</u>

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

\$1,000 or more and an estimated life in excess of one year. The Village has elected to retroactively apply the capitalization requirements of GASB Statement No. 34 to major general infrastructure assets acquired in fiscal years ending after June 30, 1980, or that were significantly reconstructed or improved during that multi-year period.

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

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

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

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

Buildings and improvements	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, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (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, 2005

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 capital outlay – Restricted for expenditures related to capital projects.
- ❖ Reserved for inventories, prepaid items and deposits - Indicates that a portion of fund balance is segregated since these items do not represent "available spendable resources."
- ❖ Reserved for restricted assets - Restricted for expenditures related solely to law enforcement, library, recreation facilities, and a memorial fund.

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, 2005

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, 2005, 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, 2004, upon which the 2004-05 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, 2005, 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, 2005, 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, 2005

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

As of September 30, 2005, the carrying amount of deposits (including fiduciary funds) is as follows:

Fiduciary funds	\$ 3,151,576
Restricted	167,936
Unrestricted	<u>6,262,809</u>
	<u>\$ 9,582,321</u>

Deposits consist of the following:

Demand deposits	\$ 9,580,616
Petty cash	<u>1,705</u>
	<u>\$ 9,582,321</u>

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. Demand deposits above include amounts on deposit with the Florida State Board of Administration.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2005

NOTE 2. DEPOSITS AND INVESTMENTS (continued)

Investments

As of September 30, 2005, the Village held the following investments in fiduciary funds:

	Credit Rating	Fair Value	Weighted Average Maturity (In Years)
U.S Government debt securities	AAA	\$ 1,060,477	13
Corporate debt securities	AAA	1,713,555	17
Domestic corporate stocks	N/A	6,744,394	N/A
Fixed annuity funds	*	58,539	N/A
Equity funds	*	7,514	
Total fiduciary funds		<u>\$ 9,584,479</u>	

* Not available

Interest rate risk - As a means of limiting its exposure to fair value losses resulting from rising interest rates, the Village's employee retirement funds' investment policy establishes benchmarks based on credit quality and duration. The benchmarks are monitored and changed when warranted by investment market environment. Debt portfolios are structured and managed to produce returns based on risks inherent in the selected benchmarks.

Custodial credit risk:

The Village's employee retirement funds' securities are held in the name of the fund and are held by the funds' custodial bank or third party custodial institution, chartered by the United States or the State of Florida. All securities are registered in the funds' names.

Credit risk and concentrations of credit risk:

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;
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;

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2005

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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.
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:

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2005

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

- 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.

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	\$ 9,582,321
Investments	<u>9,584,479</u>
Total deposits and investments	<u><u>\$ 19,166,800</u></u>

Presented in the statement of net assets

Governmental activities	
Cash and cash equivalents	\$ 5,866,155
Restricted cash	167,936
Business-type activities	
Cash and cash equivalents	<u>396,656</u>
Total statement of net assets	<u><u>6,430,747</u></u>

Presented in the statement of fiduciary net assets

Pension trust funds	
Cash and cash equivalents	2,886,098
Investments	9,584,479
Agency funds	
Cash and cash equivalents	<u>265,476</u>
Total fiduciary funds	<u><u>12,736,053</u></u>
Total deposits and investments	<u><u>\$ 19,166,800</u></u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements Year Ended September 30, 2005

NOTE 3. RECEIVABLES

Receivables at September 30, 2005, were as follows:

	General Fund	Country Club	Total
FEMA reimbursements	\$ 446,927	\$ -	\$ 446,927
Fines	11,693	-	11,693
State shared revenues	164,731	-	164,731
Utility taxes	134,251	-	134,251
Other accounts receivable	16,425	36,365	52,790
Total accounts receivable	<u>774,027</u>	<u>36,365</u>	<u>810,392</u>
Wabash Drive assessment	400		400
Conroy Drive assessment	53,147		53,147
Total accounts receivable	<u>827,574</u>	<u>36,365</u>	<u>863,939</u>
Allowance for doubtful accounts	-	-	-
Net accounts receivable	<u>\$ 827,574</u>	<u>\$ 36,365</u>	<u>\$ 863,939</u>

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2005, was as follows:

	October 1, 2004	Reclass- ifications	Additions	Deletions	September 30, 2005
Governmental activities					
Capital assets not being depreciated:					
Land	\$ 2,055,891	\$ -	\$ -	\$ -	\$ 2,055,891
Capital assets being depreciated:					
Buildings and improvements	10,570,191	-	25,249	(154,411)	10,441,029
Furniture, fixtures, and equipment	6,108,299	-	248,200	(413,123)	5,943,376
Capital assets being depreciated	<u>16,678,490</u>	<u>-</u>	<u>273,449</u>	<u>(567,534)</u>	<u>16,384,405</u>
Less accumulated depreciation for:					
Buildings and improvements	(3,444,084)		(433,112)	2,586	(3,874,610)
Furniture, fixtures, and equipment	(3,949,167)		(561,143)	411,752	(4,098,558)
Total accumulated depreciation	<u>(7,393,251)</u>	<u>-</u>	<u>(994,255)</u>	<u>414,338</u>	<u>(7,973,168)</u>
Governmental activities capital assets, net	<u>\$ 11,341,130</u>	<u>\$ -</u>	<u>\$ (720,806)</u>	<u>\$ (153,196)</u>	<u>\$ 10,467,128</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements Year Ended September 30, 2005

NOTE 4. CAPITAL ASSETS (Continued)

	October 1, 2004	Reclass- ifications	Additions	Deletions	September 30, 2005
Business-type activities					
Capital assets not being depreciated:					
Land	\$ 1,051,311	\$ -	\$ -	\$ -	\$ 1,051,311
Capital assets being depreciated:					
Buildings and improvements	1,476,711				1,476,711
Improvements other than buildings	574,318				574,318
Improvements - golf course	1,603,940				1,603,940
Furniture, fixtures, and equipment	713,743		6,633	(2,125)	718,251
Capital assets being depreciated	\$ 4,368,712	\$ -	\$ 6,633	\$ (2,125)	\$ 4,373,220
Less accumulated depreciation for:					
Buildings and improvements	\$ (1,953,322)	\$ 1,241,591	\$ (59,671)		\$ (771,402)
Improvements other than buildings	(412,859)		(34,059)		(446,918)
Improvements - golf course	(17,256)	(1,241,591)	(21,325)		(1,280,172)
Furniture, fixtures, and equipment	(493,652)		(61,188)	2,125	(552,715)
Total accumulated depreciation	(2,877,089)	-	(176,243)	2,125	(3,051,207)
Business-type activities capital assets, net	\$ 2,542,935	\$ -	\$ (169,610)	\$ -	\$ 2,373,325

NOTE 5. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2005, was as follows:

	Balance			Balance	
	October 1, 2004	Additions	Reductions	September 30, 2005	Amount Due Within One Year
Governmental activities:					
Loans payable	\$ 6,376,387	\$ 123,500	\$ 745,210	\$ 5,754,677	\$ 704,481
Capital leases	433,855	-	158,015	275,840	155,326
Compensated absences payable	767,929	743,799	610,713	901,015	600,000
Total	\$ 7,578,171	\$ 867,299	\$ 1,513,938	\$ 6,931,532	\$ 1,459,807
Business-type activities:					
Loans payable	\$ 411,573	\$ 100,000	\$ 57,442	\$ 454,131	\$ 75,981
Compensated absences payable	74,986	20,038	34,501	60,523	35,000
Total	\$ 486,559	\$ 120,038	\$ 91,943	\$ 514,654	\$ 110,981

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2005

NOTE 5. LONG-TERM DEBT (continued)

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%.

Amounts currently outstanding on the note are as follows:

Purpose	Amount
Governmental activities	\$ 13,951
Business-type activities	<u>354,132</u>
	<u>\$ 368,083</u>

Annual debt service requirements to maturity are as follows:

Governmental activities:

Year Ending	Principal	Interest	Total
2006	\$ 13,951	\$ 792	\$ 14,743

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2005

NOTE 5. LONG-TERM DEBT (continued)

Loans Payable (continued)

Business-type activities:

Year Ending	Principal	Interest	Total
2006	\$ 57,076	\$ 21,428	\$ 78,504
2007	60,114	18,448	78,562
2008	63,314	15,310	78,624
2009	69,684	12,005	81,689
2010	70,234	7,165	77,399
2011	33,709	6,675	40,384
	<u>\$ 354,132</u>	<u>\$ 81,031</u>	<u>\$ 435,163</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:

Governmental activities:

Year Ending	Principal	Interest	Total
2006	\$ 265,133	\$ 66,467	\$ 331,600
2007	274,117	57,537	331,654
2008	283,404	48,306	331,710
2009	293,007	38,860	331,867
2010	302,934	28,892	331,826
2011	374,084	26,829	400,913
	<u>\$ 1,792,679</u>	<u>\$ 266,891</u>	<u>\$ 2,059,570</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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2005

Notes 5 – LONG-TERM DEBT (Continued)

Loans Payable (continued)

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, 2005, 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>3,450,000</u>

Annual debt service requirements to maturity are as follows:

Year Ending	Principal	Interest	Total
2006	\$ 300,000	\$ 41,211	\$ 341,211
2007	300,000	37,847	337,847
2008	300,000	34,483	334,483
2009	300,000	31,119	331,119
20010	300,000	21,026	321,026
2011-2013	1,950,000	160,344	2,110,344
	\$ 3,450,000	\$ 326,030	\$ 3,776,030

\$234,675 Note Payable

The Village Council adopted Resolution No. 03-2005 authorizing the execution of a loan agreement for the purpose of financing the lease-purchase of \$129,675 of equipment for the General Fund and \$105,000 of equipment for the Country Club. The loan is secured by the equipment purchased. Principal and interest payments are due monthly, with a final maturity date of February 15, 2010. The interest rate on the loan is 3.55%.

Amounts currently outstanding on the note are as follows:

Purpose	Amount
Governmental activities	\$123,997
Business-type activities	100,000
	\$223,997

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2005

Note 5 – LONG-TERM DEBT (Continued)

Loans Payable (Continued)

Annual debt service requirements to maturity are as follows:

Governmental activities:

Year Ending	Principal	Interest	Total
2006	\$ 23,442	\$ 3,735	\$ 27,177
2007	24,282	2,895	27,177
2008	25,153	2,024	27,177
2009	26,055	1,122	27,177
2010	25,065	2,112	27,177
	<u>\$ 123,997</u>	<u>\$ 11,888</u>	<u>\$ 135,885</u>

Business-type activities:

Year Ending	Principal	Interest	Total
2006	\$ 18,905	\$ 3,101	\$ 22,006
2007	19,583	2,423	22,006
2008	20,285	1,721	22,006
2009	21,012	994	22,006
2010	20,215	1,791	22,006
	<u>\$ 100,000</u>	<u>\$ 10,030</u>	<u>\$ 110,030</u>

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

In January 2003, the Village Council adopted Resolution No. 8-2003 authorizing the issuance of promissory notes 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
2006	\$ 22,796	\$ 361	\$ 23,158

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2005

NOTE 5. LONG-TERM DEBT (Continued)

Loans Payable (Continued)

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:

Governmental Activities:

Year Ending	Principal	Interest	Total
2006	\$ 42,718	\$ 2,856	\$ 45,574
2007	43,502	2,072	45,574
2008	44,300	1,274	45,574
2009	38,323	333	38,656
	<u>\$ 168,842</u>	<u>\$ 6,536</u>	<u>\$ 175,378</u>

\$230,000 Promissory Note

In January 2005, the Village Council adopted Resolution No. 7-2004 authorizing the issuance of a promissory note to finance various capital expenditures. The note is payable from the Village's non-ad valorem tax revenues and franchise fees. The note bears interest at 1.83% and is payable in five semiannual payments of \$22,787, 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
2006	\$ 36,441	\$ 8,132	\$ 44,573
2007	37,866	6,707	44,573
2008	39,347	5,226	44,573
2009	40,876	3,697	44,573
2010	27,882	2,089	29,971
	<u>\$ 182,412</u>	<u>\$ 25,851</u>	<u>\$ 208,263</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, 2005

NOTE 5. LONG-TERM DEBT (Continued)

Loans Payable (Continued)

The assets acquired through capital leases are as follows:

	Governmental Activities
Assets	
Vehicles	\$ 1,086,567
Less: Accumulated depreciation	(676,981)
Total	\$ 409,586

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2005, were as follows:

Year Ending	Principal	Interest	Total
2006	\$ 155,325	\$ 12,607	\$ 167,932
2007	103,886	7,815	111,701
2008	16,629	1,251	17,880
Total	\$ 275,840	\$ 21,673	\$ 297,513

NOTE 6. RISK MANAGEMENT

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

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

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, 2005, 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, 2005, are as follows:

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2005

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	1,397,715	(1,248,279)	342,000
2005	342,000	-	(261,805)	80,195

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, 2005, 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. The Police and Fire Fund will issue separate financial statements for the year ended September 30, 2005; the General Employees Plan will not issue separate financial statements. Additional information on these plans can be found beginning on page 55.

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.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2005

NOTE 7. PENSION PLANS (Continued)

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

The Florida Constitution requires local governments to make the actuarially determined contribution. The Florida Division of Retirement reviews and approves each local government's actuarial report prior to its being appropriated for use for funding purposes. Additionally, the State collects two locally authorized insurance premium surcharges (one for the Police Pension 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, 2004:

	<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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2005

NOTE 7. PENSION PLANS (CONTINUED)

Membership and Plan Provisions:

Members:

Active Participants	94	38
Retirees and Beneficiaries	13	3
Terminated Vested	35	12

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	22.66%		3.50%
State	n/a		5.09%
Participants	6.00%*		2.00%
Annual Pension Cost	\$ 669,011		\$387,647
Contributions Made	\$ 790,858		\$652,959

*Except for certain members who have elected not to contribute and for other members who have elected to contribute only 2.00% or 4.00%.

	<u>General Employees</u>	<u>Fire and Police</u>
Actuarial Valuation:		
Frequency	Annual	Annual
Latest Valuation	10/1/04	10/1/04
Basis for Contribution	10/1/04	10/1/04
Cost Method	Frozen Entry Age	Aggregate
Amortization:		
Method	Level percent	n/a
Period	29 years	n/a
Open/Closed	Closed	n/a

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2005

NOTE 7. PENSION PLANS (Continued)

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
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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2005

NOTE 7. PENSION PLANS (Continued)

There have been no changes in actuarial assumptions and methods for either plan since the last actuarial valuation (October 1, 2003).

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	Totals
Annual required contribution	\$ 662,237	\$ 509,800	\$ 1,172,037
Interest on net pension asset	(15,458)	(8,578)	(24,036)
Adjustment to annual required contribution	22,232	12,570	34,802
Annual pension cost	669,011	513,792	1,182,803
Contributions made	(790,858)	(652,959)	(1,443,817)
Decrease (increase) in net pension asset	(121,847)	(139,167)	(261,014)
Net pension asset, beginning of year	(181,411)	(243,717)	(425,128)
Net pension asset, end of year	<u>\$ (303,258)</u>	<u>\$ (382,884)</u>	<u>\$ (686,142)</u>

Three-Year Trend Information

	Year Ended	Annual Pension Cost (APC)	Annual Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
General					
Employees	9/30/02	\$ 435,473	\$ 467,750	107.40%	\$ (193,873)
	9/30/03	509,583	503,220	98.75%	(187,510)
	9/30/04	530,099	524,000	98.85%	(181,411)
	9/30/05	**	**	**	**
Fire and Police	9/30/02	133,722	146,277	109.39%	(109,993)
	9/30/03	372,967	369,642	99.11%	(106,668)
	9/30/04	387,647	388,200	100.14%	(107,221)
	9/30/05	**	**	**	**
	**	To be determined by actuary			

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, 2005 were \$47,760. Future minimum lease payments are \$47,760 for the year ending September 30, 2006.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2005

NOTE 8. CONTRACTS AND COMMITMENTS (CONTINUED)

Operating Leases (continued)

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, 2005 were \$6,000. Future minimum lease payments are \$6,000 for the year ended September 30, 2006.

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 \$106,749 for the year ended September 30, 2005 under the terms of this lease agreement. Future minimum lease payments for the year ending September 30, 2006 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 has no participating equity ownership in Seacoast. The Village paid \$73,088 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. VOLUNTEER FIREFIGHTERS PENSION

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Notes To Basic Financial Statements
Year Ended September 30, 2005

NOTE 11. VOLUNTEER FIREFIGHTERS PENSION (CONTINUED)

Members are eligible to participate in the plan after one year of completed service and are entitled to receive benefits at age 65. One hundred percent vesting is achieved after ten years of service, with 40 percent vesting after four years. The monthly retirement benefit is \$10 times each year of completed service, with a maximum monthly benefit of \$300 and a minimum of \$50. The plan contains a death benefit that is the greater of \$30,000 or the accrued benefit due at date of death. Plan assets are held by Hartford Life.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended September 30, 2005

	Budgeted Amounts		Actual on Budgetary Basis (See Note 1)	Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget		
Budgetary fund balance, October 1, 2004	\$ -	\$ -	\$ 1,531,191	\$ 1,531,191
Resources (inflows)				
Taxes	12,767,797	12,767,797	13,236,952	469,155
Licenses and permits	690,020	690,020	1,131,903	441,883
Intergovernmental	1,191,795	1,221,575	1,481,864	260,289
Charges for services	675,980	645,890	647,915	2,025
Fines and forfeitures	84,300	108,890	234,513	125,623
FEMA reimbursements	-	883,000	1,323,121	440,121
Investment income	25,000	25,000	187,161	162,161
Miscellaneous	7,000	12,500	83,025	70,525
Bank loan	123,500	123,500	123,500	-
Due from Recreation Fee Reserve	26,100	26,100	-	(26,100)
	<u>15,591,492</u>	<u>16,504,272</u>	<u>18,449,954</u>	<u>1,945,682</u>
Amounts available for appropriation	<u>15,591,492</u>	<u>16,504,272</u>	<u>19,981,145</u>	<u>3,476,873</u>
Charges to appropriations (outflows)				
Village council expenses				
Salaries and wages	31,200	31,200	32,454	(1,254)
Benefits	4,727	4,727	4,823	(96)
Operating costs	32,435	32,435	30,175	2,260
Advisory Board Dinner	5,500	5,500	3,564	1,936
Accounting and audit	59,000	59,000	35,389	23,611
Repairs and maintenance	500	500	465	35
Total Village Council Expenses	<u>133,362</u>	<u>133,362</u>	<u>106,870</u>	<u>26,492</u>
Village manager expenses				
Salaries and wages	268,738	268,738	272,873	(4,135)
Benefits	109,257	109,257	115,080	(5,823)
Operating costs	44,105	44,105	12,673	31,432
Materials and supplies	6,050	6,050	3,405	2,645
Utilities	8,100	8,100	8,339	(239)
Total Village Manager Expenses	<u>436,250</u>	<u>436,250</u>	<u>412,370</u>	<u>23,880</u>
Village clerk expenses				
Salaries and wages	170,253	170,253	130,938	39,315
Benefits	64,840	64,840	62,143	2,697
Operating costs	10,456	10,456	5,816	4,640
Materials and supplies	3,070	3,070	2,982	88
Repairs and maintenance	1,095	1,095	926	169
Utilities	2,400	2,400	1,802	598
Capital outlay	4,050	4,050	1,735	2,315
Total Village Clerk Expenses	<u>256,164</u>	<u>256,164</u>	<u>206,342</u>	<u>49,822</u>
Finance expenses				
Salaries and wages	308,417	308,417	279,796	28,621
Benefits	124,938	124,938	115,761	9,177
Operating costs	39,350	39,350	30,714	8,636
Materials and supplies	7,000	7,000	10,740	(3,740)
Repairs and maintenance	1,500	1,500	2,621	(1,121)
Utilities	4,300	4,300	3,586	714
Capital outlay	6,600	6,600	9,914	(3,314)
Total Finance Expenses	<u>492,105</u>	<u>492,105</u>	<u>453,132</u>	<u>38,973</u>
				50

See notes to required supplementary information.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended September 30, 2005

	Budgeted Amounts		Actual on Budgetary Basis (See Note 1)	Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget		
Village attorney expenses				
Legal fees	85,000	85,000	73,934	11,066
Special legal services	20,000	20,000	21,525	(1,525)
Labor services	15,000	45,000	42,128	2,872
Total Village Attorney Expenses	120,000	150,000	137,587	12,413
Planning & comm. Devel. Exp				
Operating costs	43,500	53,500	27,478	26,022
Total Planning & Comm. Devel. Exp	43,500	53,500	27,478	26,022
Gen. Serv. Exp.-Vlg hall				
Operating costs	257,600	257,600	176,443	81,157
Materials and supplies	30,750	30,750	21,773	8,977
Repairs and maintenance	2,500	2,500	5,041	(2,541)
Utilities	17,300	17,300	24,464	(7,164)
Capital outlay	1,300	1,300	-	1,300
Total Gen. Serv. Exp.-Vlg Hall	309,450	309,450	227,721	81,729
Gen. Serv. Exp.- P. Saf. Bldg				
Operating costs	11,100	11,100	11,121	(21)
Materials and supplies	14,140	14,140	10,501	3,639
Repairs and maintenance	17,500	17,500	11,207	6,293
Utilities	86,134	86,134	110,566	(24,432)
Capital outlay	2,000	3,129	3,128	1
Total Gen. Serv. Exp.- P. Saf. Bldg	130,874	132,003	146,523	(14,520)
Facilities Maint. Expenses				
Salaries and wages	293,139	293,139	291,500	1,639
Benefits	125,170	145,170	130,168	15,002
Operating costs	3,750	3,750	2,623	1,127
Materials and supplies	9,780	14,780	11,183	3,597
Repairs and maintenance	1,500	1,500	1,650	(150)
Total Facilities Maint. Expenses	433,339	458,339	437,124	21,215
Vehicle maint. Expenses				
Salaries and wages	100,199	108,199	107,915	284
Benefits	43,995	45,995	47,595	(1,600)
Operating costs	4,000	4,000	3,972	28
Materials and supplies	12,375	12,375	13,336	(961)
Repairs and maintenance	5,800	5,800	4,379	1,421
Utilities	6,600	6,600	8,012	(1,412)
Capital outlay	17,000	17,000	-	17,000
Total Vehicle Maint. Expenses	189,969	199,969	185,209	14,760
Reserves expenses				
Salaries and wages - performance raise	320,000	526,350	160,489	365,861
Benefits	286,350	22,000	756	21,244
Group health	650,000	650,000	646,048	3,952
Reserve for gas tanks	50,000	50,000	-	50,000
Council Contingency	72,131	(2,869)	10,000	(12,869)
Transfer to Capital Proj	-	30,000	30,000	-
Village Manager Contingency	10,000	10,000	-	10,000
Other	22,000	883,000	840,007	42,993
Total Reserves Expenses	1,410,481	2,168,481	1,687,300	481,181

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended September 30, 2005

	Budgeted Amounts		Actual on Budgetary Basis (See Note 1)	Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget		
Police expenses				
Salaries and wages	2,243,795	2,283,795	2,340,550	(56,755)
Benefits	851,939	861,939	863,874	(1,935)
Operating costs	153,872	153,872	97,082	56,790
Materials and supplies	96,196	96,196	95,252	944
Repairs and maintenance	57,440	57,440	47,123	10,317
Utilities	8,000	8,000	6,088	1,912
Capital outlay	204,600	203,471	126,680	76,791
Total Police Expenses	3,615,842	3,664,713	3,576,649	88,064
Fire prevention expenses				
Salaries and wages	545,387	545,387	553,221	(7,834)
Benefits	211,220	211,220	216,550	(5,330)
Operating costs	49,564	49,564	34,860	14,704
Materials and supplies	21,390	21,390	13,591	7,799
Repairs and maintenance	12,100	12,100	13,172	(1,072)
Utilities	720	720	(418)	1,138
Capital outlay	86,500	86,500	-	86,500
Total Fire Prevention Expenses	926,881	926,881	830,976	95,905
Development, licensing & code admin				
Salaries and wages	380,013	380,013	358,340	21,673
Benefits	143,343	143,343	135,694	7,649
Operating costs	33,350	33,350	76,404	(43,054)
Materials and supplies	14,500	14,500	13,607	893
Repairs and maintenance	2,000	2,000	-	2,000
Utilities	16,000	16,000	15,937	63
Capital outlay	-	-	-	-
Total Public Serv. Admin. Expenses	589,206	589,206	599,982	(10,776)
Emer. Med. Serv. Expenses				
Salaries and wages	728,939	728,939	743,309	(14,370)
Benefits	274,147	274,147	282,251	(8,104)
Operating costs	62,328	62,328	48,027	14,301
Materials and Supplies	43,714	43,714	33,493	10,221
Repairs and Maintenance	11,250	11,250	9,249	2,001
Utilities	9,892	9,892	7,967	1,925
Capital outlay	5,800	35,580	35,460	120
Total Emer. Med. Serv. Expenses	1,136,070	1,165,850	1,159,756	6,094
Sanitation expenses				
Salaries and wages	678,873	678,873	665,946	12,927
Benefits	302,730	302,730	311,020	(8,290)
Operating costs	153,300	153,300	131,847	21,453
Materials and Supplies	89,700	89,700	112,520	(22,820)
Repairs and Maintenance	10,200	10,200	8,915	1,285
Capital outlay	120,000	120,000	-	120,000
Total Sanitation Expenses	1,354,803	1,354,803	1,230,248	124,555

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended September 30, 2005

	Budgeted Amounts		Actual on Budgetary Basis (See Note 1)	Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget		
Street maint. Expenses				
Salaries and wages	399,182	399,182	381,770	17,412
Benefits	176,945	176,945	188,552	(11,607)
Operating costs	26,300	26,300	16,955	9,345
Materials and Supplies	78,700	78,700	78,090	610
Repairs and Maintenance	247,000	247,000	445,384	(198,384)
Utilities	77,000	77,000	88,201	(11,201)
Capital outlay	62,000	62,000	61,822	178
Total Street Maint. Expenses	1,067,127	1,067,127	1,260,774	(193,647)
Library expenses				
Salaries and wages	402,056	402,056	345,660	56,396
Benefits	147,002	147,002	139,784	7,218
Operating costs	10,218	10,218	46,810	(36,592)
Materials and Supplies	11,525	11,525	9,064	2,461
Repairs and Maintenance	9,075	9,075	5,083	3,992
Utilities	27,700	27,700	30,494	(2,794)
Capital outlay	88,807	88,807	85,813	2,994
Total Library Expenses	696,383	696,383	662,708	33,675
Park maint. Expenses				
Salaries and wages	227,643	227,643	231,566	(3,923)
Benefits	109,821	109,821	117,582	(7,761)
Operating costs	14,050	14,050	11,114	2,936
Materials and Supplies	65,700	65,700	59,407	6,293
Repairs and Maintenance	5,500	5,500	4,883	617
Utilities	3,500	3,500	4,246	(746)
Capital outlay	38,376	38,376	37,597	779
Total Park Maint. Expenses	464,590	464,590	466,395	(1,805)
Recreation expenses				
Salaries and wages	347,164	347,689	344,595	3,094
Benefits	116,352	115,827	117,154	(1,327)
Operating costs	27,160	27,160	31,516	(4,356)
Materials and Supplies	35,000	35,000	24,000	11,000
Repairs and Maintenance	34,000	34,000	17,909	16,091
Utilities	92,000	92,000	92,709	(709)
Capital outlay	40,920	40,920	18,466	22,454
Total Recreation Expenses	692,596	692,596	646,349	46,247
Special events expense				
Operating costs	60,000	60,000	57,783	2,217
Materials and Supplies	3,100	3,100	2,092	1,008
Capital outlay	10,200	10,200	7,882	2,318
Total Special Events Expense	73,300	73,300	67,757	5,543
Village Pool				
Salaries and wages	-	-	100	(100)
Benefits	-	-	8	(8)
Utilities	-	-	28	(28)
Total Village Pool Expense	-	-	136	(136)
Debt service expenses				
Debt service payments	1,019,200	1,019,200	1,054,458	(35,258)
Total Debt Service Expenses	1,019,200	1,019,200	1,054,458	(35,258)

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
 Year Ended September 30, 2005

	Budgeted Amounts		Actual on Budgetary Basis (See Note 1)	Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget		
Total expenditures/charges to appropriations	15,591,492	16,504,272	15,583,844	920,428
Non-Revenue				
Bank loan				-
Due from Recreation fee Reserve	-	-		
Total Non-Revenue	-	-		
Total expenditures/charges to appropriations	15,591,492	16,504,272	15,583,844	920,428
Budgetary fund balance, September 30, 2005	\$ -	\$ -	\$ 4,397,301	\$ 4,397,301

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
10/1/1999	5,179,781	5,943,849	764,068	87.1%	2,543,984	30.0%
10/1/2000	5,732,329	7,508,961	1,776,632	76.3%	2,761,773	64.3%
10/1/2001	6,312,447	8,150,125	1,837,678	77.5%	3,127,313	58.8%
10/1/2002	6,193,676	8,594,442	2,400,766	72.1%	3,076,493	78.0%
10/1/2003	6,759,012	10,404,349	3,645,337	65.0%	3,443,843	105.9%
10/1/2004	6,578,832	12,084,785	5,505,953	54.4%	4,275,981	128.8%

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				
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%
2005	662,237	790,858	n/a	119.5%
Fire and Police Retirement Fund*				
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	369,089	235,339	159,943	107.1%
2004	383,891	250,000	203,317	118.1%
2005	509,800	443,737	159,961	118.4%

* 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, 2005

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	\$19,981,145
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	(1,531,191)
Total revenues as reported on the statements of revenue, expenditures and changes in fund balances - governmental funds	\$18,449,954
Uses/Outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$15,583,844
Total expenditures, as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$15,583,844
Budgetary fund balance:	
Actual fund balance (budgetary basis) from the budgetary comparison schedule	\$4,397,301
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	(1,531,191)
Net change in fund balances, as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	\$ 2,866,110

The Village of North Palm Beach, Florida

Notes to Required Supplementary Information
Year Ended September 30, 2005

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	10/1/04	10/1/04
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, 2005**

	Employee Retirement Funds				Agency Funds		
	Volunteer Fire Pension	General Employees Pension	Fire and Police Officers Pension	Total Employee Retirement Funds	Manatee Protection Agency	Northlake Boulevard Task Force	Total Agency Funds
ASSETS							
Cash and cash equivalents	\$ -	\$ 520,861	\$ 2,365,237	\$ 2,886,098	\$ 238,341	\$ 27,135	\$ 265,476
Investments:							
Common stock	-	2,293,122	4,451,272	6,744,394	-	-	-
U.S. Government securities	-	-	1,060,477	1,060,477	-	-	-
Corporate bonds	-	1,172,375	541,180	1,713,555	-	-	-
Fixed funds	58,539	-	-	58,539	-	-	-
Equity funds	7,514	-	-	7,514	-	-	-
Interest receivable	-	-	18,033	18,033	-	-	-
Accounts Receivable	-	-	49,262	49,262	-	638	638
Total assets	<u>66,053</u>	<u>3,986,358</u>	<u>8,485,461</u>	<u>12,537,872</u>	<u>\$ 238,341</u>	<u>\$ 27,773</u>	<u>\$ 266,114</u>
LIABILITIES							
Due to Others	-	-	-	-	238,341	27,773	266,114
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 238,341</u>	<u>\$ 27,773</u>	<u>\$ 266,114</u>

Net Assets	
Held in trust for pension benefits	\$ 66,053
	\$ 3,986,358
	\$ 8,485,461
	\$ 12,537,872

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
COMBINING STATEMENT OF CHANGES IN NET ASSETS
EMPLOYEE RETIREMENT FUNDS
Year Ended September 30, 2005

	Employee Retirement Funds			
	Volunteer Fire Pension	General Employees Pension	Fire and Police Officers Pension	Total Employee Retirement Funds
Additions:				
Contributions:				
Employer	\$ 9,905	\$ 790,858	\$ 443,737	\$ 1,244,500
State of Florida	-	-	209,222	209,222
Plan members	-	168,101	77,563	245,664
Total contributions	<u>9,905</u>	<u>958,959</u>	<u>730,522</u>	<u>1,699,386</u>
Investment income:				
Interest and dividends	2,199	6,761	209,823	218,783
Net appreciation in fair value of investments	46	473,016	398,908	871,970
Investment expense	-	(31,024)	(37,765)	(68,789)
Total investment income	<u>2,245</u>	<u>448,753</u>	<u>570,966</u>	<u>1,021,964</u>
Total additions	<u>12,150</u>	<u>1,407,712</u>	<u>1,301,488</u>	<u>2,721,350</u>
Deductions:				
Administration	-	23,814	53,375	77,189
Benefits	-	4,002,794	31,727	4,034,521
Total deductions	<u>-</u>	<u>4,026,608</u>	<u>85,102</u>	<u>4,111,710</u>
Net increase (decrease)	12,150	(2,618,896)	1,216,386	(1,390,360)
Net assets held in trust for pension benefits, beginning of year	<u>53,903</u>	<u>6,605,254</u>	<u>7,269,075</u>	<u>13,928,232</u>
Net assets held in trust for pension benefits, end of year	<u>\$ 66,053</u>	<u>\$ 3,986,358</u>	<u>\$ 8,485,461</u>	<u>\$ 12,537,872</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 Agency Funds
 September 30, 2005

	October 1, 2004	Additions	Deductions	September 30, 2005
Manatee Protection Agency				
Assets				
Cash and Cash Equivalents	\$ 232,010	\$ 6,330	\$ -	\$ 238,340
Total assets	\$ 232,010	\$ 6,330	\$ -	\$ 238,340
Liabilities				
Due to Others	\$ 232,010	\$ 6,330	\$ -	\$ 238,340
Total liabilities	\$ 232,010	\$ 6,330	\$ -	\$ 238,340
Northlake Boulevard Task Force				
Assets				
Cash and Cash Equivalents	\$ 40,074	\$ 20,182	\$ 33,120	\$ 27,136
Accounts receivable	-	638	-	638
Total assets	\$ 40,074	\$ 20,820	\$ 33,120	\$ 27,774
Liabilities				
Accounts Payable	\$ -	-	-	\$ -
Due to Others	40,074	-	12,300	27,774
Total liabilities	\$ 40,074	\$ -	\$ 12,300	\$ 27,774
Total All Agency Funds				
Assets				
Cash and Cash Equivalents	\$ 272,084	\$ 26,512	\$ 33,120	\$ 265,476
Accounts receivable	-	638	-	638
Total assets	\$ 272,084	\$ 27,150	\$ 33,120	\$ 266,114
Liabilities				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Others	272,084	6,330	12,300	266,114
Total liabilities	\$ 272,084	\$ 6,330	\$ 12,300	\$ 266,114

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					Leisure Services	Other	Interest on	
		Public Safety	Public Services	Public Services	Leisure Services	Long-term Debt			Country Club	
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		
2005	18,494,450	2,127,009	6,038,846	5,091,305	1,635,784	151,233	842,561	2,607,712		

(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
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
2005	21,007,280	4,678,230	1,392,729	-	14,193,801	421,254	209,339	111,927

(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
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
2005	1,571,500	5,713,904	5,019,739	1,376,950	-	1,054,458	817,293	15,553,844

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	Investment Income	Miscellaneous	Total
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
2005	13,236,952	1,131,903	2,804,985	647,915	234,513	187,161	83,025	18,326,454

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
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%
2005	10,463,873	10,059,478	96.14%	9,476	10,070,969	96.25%

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	
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
2005	1,388,268,923	49,767,286	1,438,036,209

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
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
2005	7.27	2.526	8.432	4.768	22.996

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, 2005

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 2003 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, 2005

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			Total Coverage
				Principal	Interest	Total	
1996	*	*	*	*	*	*	*
1997	*	*	*	*	*	*	*
1998	*	*	*	*	*	*	*
1999	*	*	*	*	*	*	*
2000	*	*	*	*	*	*	*
2001	*	*	*	*	*	*	*
2002	*	*	*	*	*	*	*
2003	*	*	*	*	*	*	*
2004	*	*	*	*	*	*	*
2005	*	*	*	*	*	*	*

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	
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
2005	155,572,238	1,730,289,367	*	*	11,004,970

(1) Estimated

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

* unavailabe

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, 2005

Taxpayer	2005 Assessed Valuation	Percentage of Total Assessed Valuation
Olen Residential Realty	\$ 12,900,000	1.53%
Sanctuary Bay Trust Corporation	11,000,300	1.15%
Crystal Tree NPB	10,254,184	0.87%
Wolfchase Associates, L.L.C.	10,500,000	0.76%
Greater Florida Investment Co.	5,840,000	0.51%
631 Atrium LLC	4,500,000	0.40%
Village Shoppes at US 1 LLC	6,316,477	0.36%
Riverside National Bank of Florida	4,639,339	0.35%
Old Port Cove Dev.	3,724,667	0.28%
Developers of Northlake, Inc.	4,245,662	0.27%
Wikell Joel &	4,356,074	0.25%
	\$ 78,276,703	6.73%

Source: Palm Beach County Property Appraiser.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

Miscellaneous Statistics

September 30, 2005

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, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated March 4, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2006.

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, Berkant & Wallard, L.L.P.

West Palm Beach, Florida
March 4, 2006



Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance In Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the Village of North Palm Beach, Florida ("Village") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2005. The Village's major federal programs are identified in the summary of audit results section of the schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of The Village's management. Our responsibility is to express an opinion on The Village's compliance based on our audit.

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

In our opinion, The Village complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

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

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

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 awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Berkant + Holland, L.L.P.

West Palm Beach, Florida
March 4, 2006

The Village of North Palm Beach, Florida

Schedule of Expenditures of Federal Awards Year Ended September 30, 2005

Federal/State Agency, Pass-through entity Federal Program/State Project	CFDA Number	Contract Number	Federal Expenditures
Federal Agency Name			
Department of Homeland Security			
Federal Emergency Management Agency, Passed through Florida Department of Community Affairs:			
Disaster Grants – Public Assistance:			
Presidentially Declared Disasters	97.056	N/A	\$ <u>834,008</u>
Total Department of Homeland Security			<u>834,008</u>
 Department of Justice			
Passed through Florida Department of Law Enforcement:			
Law Enforcement Block Grants	16.592		<u>4,496</u>
Total federal awards			<u>\$ 838,504</u>

Basis of presentation

The schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the Village and is presented on the accrual basis of accounting.

The Village of North Palm Beach, Florida

Schedule of Findings and Questioned Costs
Year Ended September 30, 2005

Summary of audit results

1. The auditors report expresses an unqualified opinion on the financial statements of The Village of North Palm Beach, Florida ("Village").
2. No reportable conditions were reported as a result of the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of The Village were disclosed during the audit.
4. No reportable conditions were reported during the audit of the major federal award programs.
5. The auditors report on compliance for the major federal award programs for The Village expresses an unqualified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for The Village are reported in this schedule.
7. The program tested as a major program included Federal Emergency Management Agency, Disaster Grants – Public Assistance (Presidentially Declared Disasters), CFDA #97.056.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The Village was determined to be a low-risk auditee.

The Village of North Palm Beach, Florida

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN FOR THE YEAR ENDED SEPTEMBER 30, 2005

Prior Audit Findings:

There were no prior audit findings for the year ended September 30, 2005, relative to federal awards requiring action on the part of the auditee for that fiscal year.

Corrective Action Plan:

There was no corrective action plan necessary for the year ended September 30, 2005, since there were no audit findings in the auditor's report for that fiscal year.

The Village of North
Palm Beach, Florida

By  3/21
Mark Bates, Village Manager

Date: March 4, 2006



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, 2005, and have issued our report thereon dated March 4, 2006. 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, 2006 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, 2005, 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 2005, 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, 2005, 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. Based on procedures performed in connection with our audit, we noted no findings regarding deteriorating financial conditions.

FINANCIAL REPORTING FINDING 05-1

Criteria

An effective system of internal controls includes procedures that require financial reports be made available to oversight bodies on a regular basis, taking into account technology and the cost/benefit of personnel limitations.

Condition

We noted that internal financial statements are provided to the Village Council quarterly. In the past financial reports were distributed monthly reflecting the Village's cash transactions without regard to review or analysis to prepare accurate and meaningful financial reports.

Perspective/Effect

Infrequent financial reporting can lessen the effectiveness of oversight bodies with respect to monitoring financial operations and making recommendations to management.

Recommendation

We recommend that the Village streamline reporting procedures and supply internal financial statements monthly. Additionally, a classified balance sheet on internal statements might help oversight bodies track the Village's current position on a timelier basis.

Management's response

During the past fiscal year the Village's financial accounting process has been repaired and improved to enable preparation of accurate and meaningful financial reports on a recurring basis. The Village's past "cash basis" monthly printouts did not reflect account analysis, accounting period transaction or meaningful financial information for management's review or Council oversight. While the Village's budget schedules are monitored by the Administration and department directors on a monthly basis, the 5-member Finance Department staff has primarily focused itself toward preparing accurate and meaningful financial reports for the Council each quarter during the past year. The Administration will continue to work toward expanding the preparation of quarterly financial reports toward creation of on-going monthly financial reports by September 30, 2006. This effort will be affected by the many impacts of Village financial operations including expanding grant reporting, capital projects, annual budget preparation, union negotiations and other special projects that may require consideration of an added Financial Accounting position in the coming year's budget.

**FINANCIAL REPORTING
FINDING 05-2**

Criteria

An effective system of internal controls includes procedures that require that records of cash receipts for services be reconciled to the revenue source for the cash received.

Condition

During our inspection of building permits issued during the year ended September 30, 2005, we noted in several instances that, whereas cash received for building permits could be reconciled to cash register tapes, there was no cash receipts log book. Tapes of checks received in payment for building permits were attached to the deposit slips but were not individually listed on bank account deposit slips.

Perspective/Effect

The lack of the above considerations relative to cash and checks received makes it difficult to directly relate permits issued to revenue received.

Recommendation

We recommend that the Village institute a contemporaneous cash receipts log or journal to be completed at the time cash is received for building permits. The log should be prepared by the person who received the cash and should be reviewed by a supervisor and transferred, along with the cash, to the Finance Department. At Finance, the cash and the log should be reconciled again and a deposit slip prepared. Checks received should be individually listed on the deposit slip or on an accompanying attachment.

Management's response

The Administration discussed this improvement with the village Council several times during the past year and also shared this with our external auditors during the course of the fiscal year audit. The Administration will develop and implement written internal control procedures for the handling, control, recording and deposits of Public Services Building Division receipts by July 31, 2006.

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 use 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 desired by its citizens. As part of our 2005, audit, we updated financial indicators that had been calculated in the prior year.

At September 30, 2005, the financial indicators seem to indicate some positive direction in the financial condition for the country club operation. Our observations on this condition are as follows:

1. There has been a two year increase in net assets for the past two years, whereas the five years prior to that experienced a five year decline. Net assets are the cumulative amount by which revenues and operating transfers from other funds have exceeded expenses. For the year 2005, the Country Club experienced an increase of 2.84%.
2. There had been a continuous decline in the current ratio (as measured by cash and investment to current liabilities) for the three years prior to 2004. For the year 2005, there was an increase in the current to 1.70:1.00.
3. There were operating losses for three of the past six 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 four years ended September 30, 2004. As of September 30, 2005, the County Club's liquid assets were \$453,288, of which \$100,000 represents bank loan proceeds that had not been disbursed as of year end. The average monthly cash requirement for operations is \$213,000.

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Financial Indicator #1				
Net Assets	\$2,189,568	\$2,126,172	\$2,099,593	\$1,974,296
Percentage Increase (Decrease)	2.84%	1.27%	(3.14)%	(3.41)%
Financial Indicator #2				
Cash and Investments	\$396,656	\$65,413	\$128,924	\$156,020
Current Liabilities	233,371	149,679	324,499	390, 171

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
	1.70:1.00	.44:1.00	.40:1.00	.40:1.00
Financial Indicator #3				
Operating Income (Loss)	\$63,396	\$40,131	\$(22,146)	\$1,973
Operating Revenues	2,658,468	2,590,819	2,631,509	2,570,649
	2.4%	1.5%	(0.84)%	0.08%
Financial Indicator #4				
Net assets	\$2,189,568	\$2,126,172	\$2,099,593	\$1,974,286
Total Operating Revenues	2,658,468	2,590,819	2,631,509	2,570,649
	82%	82%	79%	77%
Financial Indicator #5				
Net Working Capital (Deficiency)	\$219,917	\$(22,860)	\$(122,487)	\$(140,018)
Percentage Increase/(Decrease)	1,062%	81 %	12%	32%

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. We noted during the course of our audit that a significant redesign of the golf course is slated to begin in the spring of 2006, and that a new accounting system was instituted that is specifically designed for country club operations.

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 Administration has reviewed and prudently adjusted the Country Club's revenue structure during the past year. A new Club financial accounting system has been implemented to better control club activities and revenues. This new system also assists the Administration by providing accurate, detailed information regarding Club operations. The Administration has developed and is closely monitoring the Club's annual financial and operational plans as well as its needs for capital renovation and financing. The financial improvement of the Club this year, despite an extended hurricane closure, reflects the Administration's successful and continuing effort in oversight and management of the Club's operation. Future capital renovation loan financing will be planned to provide that Club user fees are used for loan repayment.

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, Bekaert & Holland, L-L-P.

West Palm Beach, Florida
March 4, 2005