



The Village of
North Palm Beach, Florida
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended September 30, 2007

The Village of North Palm Beach, Florida



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2007

**Prepared by:
Finance Department**

**Samia Janjua
Director of Finance**

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

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THE VILLAGE OF NORTH PALM BEACH, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

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INTRODUCTORY SECTION



THE VILLAGE OF
NORTH PALM BEACH
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March 24, 2008

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, 2007.

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

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

THE REPORT

Nowlen, Holt & Miner, P.A., Certified Public Accountants, have issued an unqualified ("clean") opinion on the Village of North Palm Beach's financial statements for the year ended September 30, 2007. The independent auditor's report is located at the front of the financial section of this report.

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

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

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

VILLAGE PROFILE

The Village

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

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

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

FINANCIAL DATA

Financial Reporting System and Budgetary Controls

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

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

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

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

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

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

ECONOMIC OUTLOOK

Property Values

The Village obtains a major portion of its annual general fund financial resources (60%) from ad valorem property taxes. Gross assessed property values had increased substantially (67%) between the years of 2002 thru 2006 but slowed significantly in 2007. The Village does not anticipate a change in the pace of planned new growth since most vacant property within the municipal limits has already been developed. The Village anticipates a very moderate increase, if any, in annual property values from that of the previous year, resulting primarily from the sale, transfer and redevelopment of existing properties. There is an obvious softening of the real-estate market significantly impacting both home values and sales.

With the passing of *Amendment One* (Property Tax Reform) in January of this year the Village's property tax valuation will assuredly be negatively impacted but to what extent has yet to be fully determined. Three primary factors play a role on the actual impact, doubling the Homestead exemptions to fifty thousand dollars, capping of assessed property values for those homes not currently homesteaded and Portability. The latter two factors can not be easily measured but the doubling of the Homestead Exemption on the Villages Homesteaded properties alone will have a negative consequence of roughly \$673,745 on our annual tax revenues. Political discussions continue regarding other alternative taxations which make future forecasts of Village property tax valuation uncertain. The Village will continue to pursue annexation of surrounding unincorporated areas that complement and enhance the services and values of our existing community. The focus of Village annexation efforts will be toward providing exemplary municipal services that are revenue "neutral" to both the annexed areas and to the Village.

Investment Revenues:

The softening of the Money Markets and the decision to reduce investment in the Local Government Investment Pool following an unprecedented "Run" on that Fund has had significant adverse effects on to the Village's investment revenues for fiscal year 2007/2008. The Village has made a conscious decision to modify its investment strategies towards the Treasury Market to better protect and ensure the availability of Village's investment balances. The Village has adopted a policy to secure 1/12 of its annual operating budget in an interest bearing Commercial Bank account so as not to impede operations should liquidity be temporary reduced.

Personnel Costs

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

Agreements for all three of the Village's collective bargaining units (police, fire, and public service workers) have been successfully negotiated and ratified through vote of the respective Unions and Village Council and will run through September 30th 2009. All three collective bargaining agreements were transitioned from single to three year contracts thus giving the Village a more accurate means by which to calculate future year salaries and benefit costs. The impacts of personnel salaries and benefits in the coming years will have a large and continuing effect on future Village financing and service priorities in areas of staffing, public services and public projects.

INITIATIVES AND FUTURE PROJECTS

Country Club Tennis Facility:

The Village Country Club Tennis Facility has passed its expected useful life. Council has provided for a "temporary" building (trailer) while engaging an architect to design and prepare the necessary construction documents for a permanent facility. As was suggested in last year's report the Tennis component was relocated from the Country Club enterprise fund to the general fund under Parks and Recreation. Under this option the Village is eligible to seek outside grant funding for structural and non-structural improvements, an option that was not available to the Village under the enterprise fund. Village Council has appropriated \$250,000 for the construction of a new facility to be located on the same site. Groundbreaking for the permanent facility is anticipated in early 2008; the Facility will likely not be completed until FY2009.

Public Safety North Substation:

The Village has placed the proposed North Sub-station on hold principally due to increased level of service standards which were imposed and met by partnering with Palm Beach Gardens and Palm Beach County Fire Rescue services. Calls for service and level of care to residents north of the Parker Bridge will continue to be monitored. Administration anticipates discussions during the upcoming budgetary session concerning alternative uses for the newly acquired parcel of land along Carolinda Drive.

Public Safety Radio Communication System:

The Village Public Safety VHF radio communication system is both old and antiquated. The current system does not provide the basic interagency capabilities which are essential in a metropolitan environment. The need for communications interoperability was never more exemplified as during the Gulf Coast hurricane that crippled municipal infrastructure requiring responses from bordering public safety agencies. The migration to the 800 MHz system is a Palm Beach County, State of Florida and Federal initiative. North Palm Beach is currently a member of the Countywide Communications Consortium which has also made way for supplementary funding through revenue from traffic citations. It is anticipated that the Village will begin this migration during FY2008 but will likely not be fully operational until next year.

Northlake Boulevard Corridor Task Force:

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

Prosperity Farms Roadway Improvements:

The Prosperity Farms Road improvement project was funded by a County grant to the Village. The construction project was awarded by the Village to a Broward County firm in June 2005. Work on this project was impacted by the strike of Hurricane Wilma in October 2005. Substantial completion of this roadway project was achieved in December 2005 but the contractor experienced difficulties in both providing and installing the required landscaping materials as specified. This project was expected to be completed during 2006; however contractual disputes placed the Village in litigation which was subsequently settled. The completion of this improvement project should occur prior to the end of fiscal year 2008.

Earman River Water Supply Line:

The existing irrigation system for the Country Club/Golf Course, U.S. 1 Median and Village Parks is supplied by the Earman River. This supply line runs from the Earman River to the Lake on the 13th Fairway and is beginning to show signs of deterioration. Your Village Staff has obtained estimates for replacing a portion of the line that has shown signs of leaking. The initial repairs were provided for in 2007 with the remaining line to be replaced over the next few years. This remains an active and ongoing 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 was developed and implemented as a four-phase program with the first and

second phases being completed in 2004 and phase three reaching completion in 2005. The completion of the remaining two canals has been stalled due to the identification of **Johnson's sea-grass** which is a natural food source for the manatee population and as such is highly regulated by various Federal and State agencies. The Village has and continues to actively pursue the necessary permits required for the dredging of these two remaining canals in hopes that the dredging project will be moved forward and completed.

Lighthouse Road Bridge Refurbishment:

Public Works Staff has worked diligently with Village Engineer Keith Jackson (SFRN) and Allen Gerwig (Structural Engineer contracted by SFRN) on needed repairs to the Lighthouse Road Bridge. Technical specifications for the required work should be forthcoming and the required Bid manual prepared and sent out for contractor proposals. This item was originally anticipated to begin during fiscal year 2006/2007 but has been delayed until fiscal year 2008.

Osborne Park Facility renovations:

The Village in 2006 appropriated \$300,000 for the renovation of the Osborne Park gym facility. Construction Bids for the renovation were solicited, accepted and subsequently awarded to a local construction company. On July 2007 an additional \$53,969 was appropriated for the project by Village Council. In late 2007 the contract between the Village and the contractor had to be terminated due to "failure to perform clauses." The project has since undergone some moderate structural modifications and necessitated re-bidding. On Wednesday March 12th 2008 eleven submissions were received and as of this writing staff is performing comparative analysis so that the appropriate recommendation can be made to Council. It is anticipated that construction will begin sometime toward the end of May 2008.

Parks and Recreation/Village Facility Improvement Grants:

The Village has been awarded grants for projects at Anchorage Park, Village Pool and Lakeside Park. The Anchorage Park Improvements project has been awarded a total of \$1,600,000 in grant funds to which the Village will match \$800,000 for a total of \$2,400,000. The grant project funds awarded for Lakeside Park total \$105,000 and will include a Village match of \$105,000 for a total of \$210,000. For Village Pool Improvements, The Village has been awarded \$50,000 from Palm Beach County for Village Pool improvements with no match required by the Village. The Village has also been awarded a FRDAP Pool grant in the amount of \$200,000, which the Village will match with \$200,000 for a total of \$400,000.

OTHER INFORMATION

Independent Audit

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

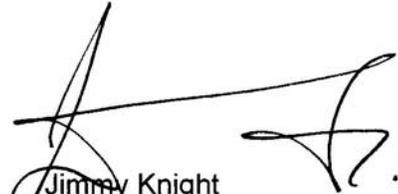
Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the Village of North Palm Beach for its Comprehensive Annual Financial Report for the fiscal year ending September 30, 2006. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

Respectfully submitted,



Samia Janjua
Director of Finance



Jimmy Knight
Village Manager

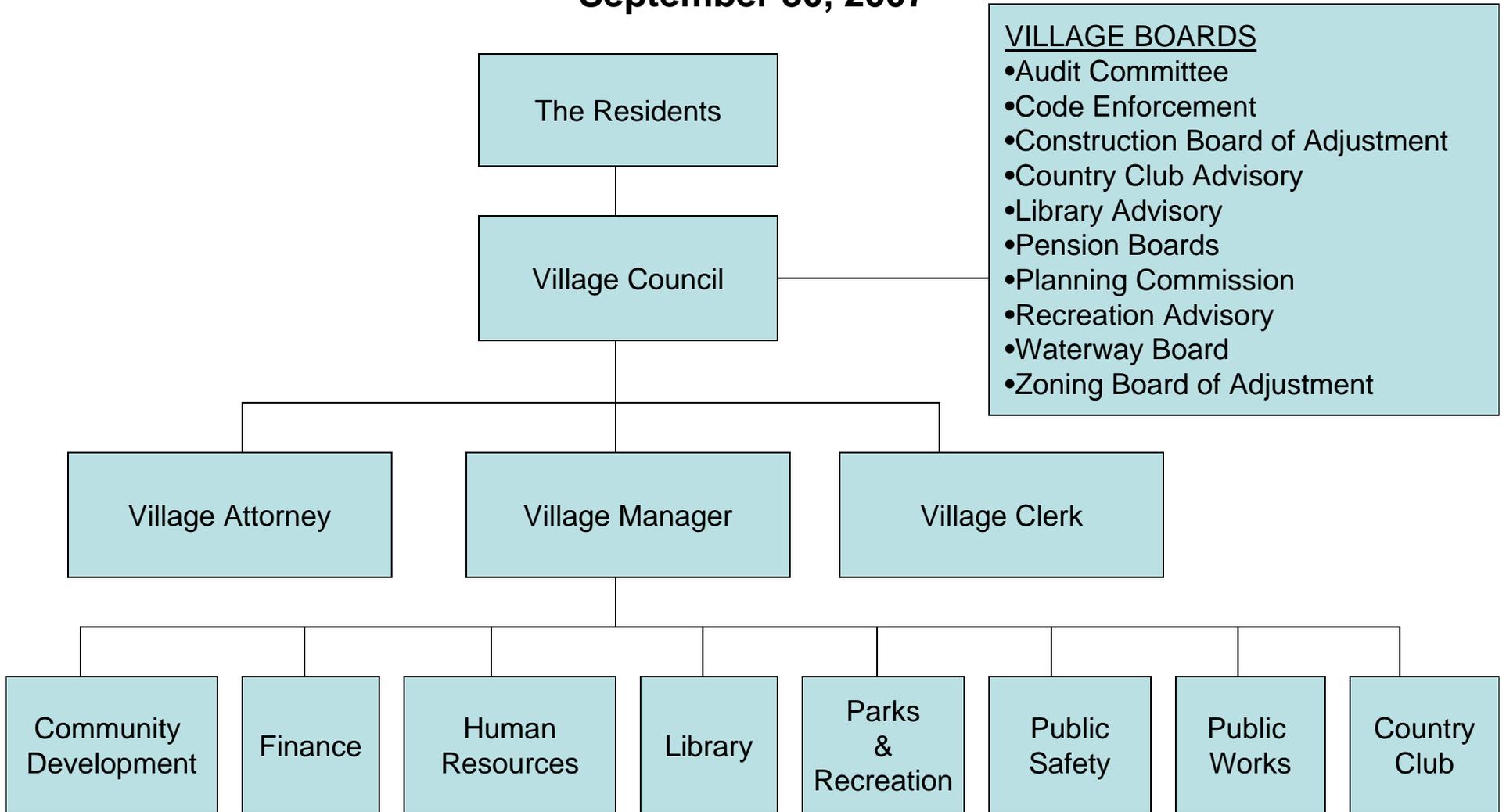
THE VILLAGE OF NORTH PALM BEACH, FLORIDA

PRINCIPAL VILLAGE OFFICIALS

SEPTEMBER 30, 2007

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Organization Chart
September 30, 2007



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, 2006

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.



Oliver S. Cox

President

Jeffrey R. Enow

Executive Director

FINANCIAL SECTION



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of North Palm Beach, Florida as of and for the year ended September 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of North Palm Beach, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of North Palm Beach, Florida as of September 30, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2008, on our consideration of the Village of North Palm Beach, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 3 through 10 and the required supplementary information on pages 61 through 65 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of North Palm Beach, Florida's basic financial statements. The introductory section, other supplemental information, and statistical data listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Village of North Palm Beach, Florida. The other supplemental 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. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Newton Holt & Miner P. A.

March 24, 2008
West Palm Beach, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Village of North Palm Beach, Florida (Village) Administration offers readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended September 30, 2007. Please read it in conjunction with the accompanying transmittal letter beginning on page i, and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

(in millions)

	September 30,		Increase/ (Decrease)	Statement Page #
	2007	2006		
Total net assets	\$22.28	\$17.83	\$4.45	11
Unrestricted net assets available for future use	\$9.43	\$7.55	\$1.88	11
Governmental net assets	\$19.93	\$15.42	\$4.51	11
Total revenues from all sources	\$24.85	\$22.48	\$2.37	12
Governmental revenues	\$21.34	\$20.13	\$1.21	12
Total cost of all Village programs	\$20.40	\$18.53	\$1.87	12
Governmental revenues over (under) expenses	\$4.52	\$3.76	\$0.76	13
General fund revenues over (under) expenses	\$2.39	\$2.67	(\$0.28)	16
General fund unreserved fund balance	\$8.18	\$7.02	\$1.16	14
As a percent of general fund expenditures	46.50%	41.96%	4.54%	
Country Club revenues over (under) expenses	(\$0.07)	\$0.19	(\$0.26)	19

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 14-17 of this report.
- Proprietary funds - The Village's only proprietary fund is the Country Club fund, which charges customers for the services it provides. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The basic proprietary fund financial statements can be found on pages 18-20 of this report.
- Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 21-22 of this report.
- Special Revenue funds - Special Revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The Village has four

funds in this category: Public Safety Fund, Northlake Boulevard Fund, On-Behalf Pension Contribution Fund and the Recreation Fund. The basic fund financial statements can be found on pages 14-17 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 \$22.28 million at the close of the most recent fiscal year.

A significant portion of the Village's net assets (57.16%) 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			
	2007	2006	2007	2006	2007	2006
Assets:						
Current and other assets	\$ 12,160	\$ 9,138	\$ 1,078	\$ 2,658	\$ 13,238	\$ 11,796
Capital assets	14,906	13,270	7,275	6,690	22,181	19,960
Total assets	<u>27,066</u>	<u>22,408</u>	<u>8,353</u>	<u>9,348</u>	<u>35,419</u>	<u>31,756</u>
Liabilities:						
Current liabilities	1,306	859	914	1,613	2,220	2,472
Long-term debt outstanding	5,822	6,127	5,092	5,320	10,914	11,447
Total liabilities	<u>7,128</u>	<u>6,986</u>	<u>6,006</u>	<u>6,933</u>	<u>13,134</u>	<u>13,919</u>
Net assets:						
Invested in capital assets, net of debt	10,544	8,119	2,196	1,999	12,740	10,118
Restricted	113	160			113	160
Unrestricted	9,281	7,143	151	416	9,432	7,559
Total net assets	<u>\$ 19,938</u>	<u>\$ 15,422</u>	<u>\$ 2,347</u>	<u>\$ 2,415</u>	<u>\$ 22,285</u>	<u>\$ 17,837</u>

Governmental Activities

Governmental activities increased the Village's net assets by \$4.51 million, thereby accounting for 100% of the total increase in the net assets of the Village. An increase in Governmental Capital Assets (\$1.63m) is due to an increase in capital improvement projects.

Key elements of this increase are as follows:

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

	Governmental Activities		Business Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 2,121	\$ 2,392	\$ 3,464	\$ 2,167	\$ 5,585	\$ 4,559
Operating grants and contributions	170	998	-	68	170	1,066
Capital grants and contributions	1,455	462	-	-	1,455	462
General revenues:						
Property taxes	12,076	10,882			12,076	10,882
Local option gas taxes	292	307			292	307
Utility service taxes	2,001	2,001			2,001	2,001
Sales and use taxes	1,208	1,416			1,208	1,416
Franchise taxes	1,340	1,151			1,340	1,151
Grants and contributions not restricted to specific programs						
Investment earnings	650	477	44	113	694	590
Miscellaneous	9	53			9	53
Contribution-Support Our Troops	15	-			15	-
Gain (loss) on asset disposals		(7)			-	(7)
Total revenues	<u>\$ 21,337</u>	<u>\$ 20,132</u>	<u>\$ 3,508</u>	<u>\$ 2,348</u>	<u>\$ 24,845</u>	<u>\$ 22,480</u>

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

Village of North Palm Beach
Changes in Net Assets

(In Thousands)

	Governmental Activities		Business Activities		Total	
	2007	2006	2007	2006	2007	2006
Expenses:						
Program expenses:						
General government	\$ 2,698	\$ 1,777	\$	\$	\$ 2,698	\$ 1,777
Public safety	6,671	7,036			6,671	7,036
Public Works	3,733	4,131			3,733	4,131
Community development and planning	737	657			737	657
Leisure services	2,782	2,563			2,782	2,563
Reserves and other	-	2			-	2
Interest on long-term debt	205	242			205	242
Country club			3,571	2,125	3,571	2,125
Total expenses	<u>16,826</u>	<u>16,408</u>	<u>3,571</u>	<u>2,125</u>	<u>20,397</u>	<u>18,533</u>
Transfers	5	36	(5)	(36)		
Increase (decrease) in net assets	4,516	3,760	(68)	187	4,448	3,947
Net assets - beginning of year	15,422	11,662	2,414	2,228	17,836	13,890
Net assets - end of year	<u>\$ 19,938</u>	<u>\$ 15,422</u>	<u>\$ 2,346</u>	<u>\$ 2,415</u>	<u>\$ 22,284</u>	<u>\$ 17,837</u>

	2007		2006	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 2,698	\$ (2,475)	\$ 1,777	\$ (1,619)
Public safety	6,671	(6,240)	7,036	(6,337)
Public works	3,733	(3,510)	4,131	(2,840)
Community development and planning	737	234	657	518
Leisure services	2,782	(885)	2,563	(2,034)
Reserves and other	-		2	(2)
Interest on long-term debt	205	(205)	242	(242)
	<u>\$ 16,826</u>	<u>\$ (13,081)</u>	<u>\$ 16,408</u>	<u>\$ (12,556)</u>

The cost of all governmental activities this year was \$16.8 million. Costs for the Public Safety Department decreased by \$0.36 million due to the implementation of a step plan and reduced pension cost. Costs for the Public Works Department decreased by \$0.39 million due to the realignment of administrative responsibilities and flattening of the organization hierarchy. The Leisure Services department experienced an increase of \$0.21 million due to the transfer of the pool from the Business-Type Activities to the Leisure Services Department. As shown on the Statement of Activities, those who directly benefited from the programs paid for \$2.12 million of this cost and \$17.59 million was financed through general revenues. The Village added \$4.51 million to fund balance during 2007.

Business Type Activities

Business Type Activities were affected due to the Golf Course Renovation. Charges for Services increased from the prior year by \$1.3m and the expenses increased by \$1.44m due to the re-opening of the Golf Course. Net assets of the Proprietary Fund (Country Club) at September 30, 2007, were \$2.34 million. Net assets decreased by \$68,353.

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 \$9.12 million, a \$1.79 million increase over the 2006 fund balance of \$7.33 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 91% of the combined ending fund balance (\$9.08 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance (\$0.94 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 \$8.18 million, while total fund balance was \$9.12 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 46% of total general fund expenditures, while total fund balance represents 52% of that same amount.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$979,053 and can be briefly summarized as follows:

- Funding for capital projects (\$591,865)
- Grant Match (\$105,000)
- Library Gift Account Appropriation (\$28,697)
- Fiscal Year 2005-2006 General Employees Pension under-funding (\$100,454)
- Fiscal Year 2005-2006 Open Purchase Order Carryover (\$153,037)

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, 2007 and 2006 amounts to \$22.18 million and \$19.96 million (net of accumulated depreciation). The total increase in the Village's investment in capital assets for the current fiscal year was \$2.22 million.

Village of North Palm Beach Capital Assets (In Thousands)

	Governmental Activities		Business Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 2,151	\$ 2,151	\$ 1,051	\$ 1,051	\$ 3,202	\$ 3,202
Construction in progress	2,143	2,530	-	4,382	2,143	6,912
Buildings and improvements	13,422	11,107	1,701	1,500	15,123	12,607
Improvements other than buildings	6,960	6,375	407	407	7,367	6,782
Improvements - golf course			6,725	1,604	6,725	1,604
Furniture, fixtures and equipment			580	741	580	741
Total assets	24,676	22,163	10,464	9,685	35,140	31,848
Less accumulated depreciation	(9,770)	(8,893)	(3,189)	(2,995)	(12,959)	(11,888)
Net assets	<u>\$ 14,906</u>	<u>\$ 13,270</u>	<u>\$ 7,275</u>	<u>\$ 6,690</u>	<u>\$ 22,181</u>	<u>\$ 19,960</u>

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

Debt

Currently, the Village uses debt financing on an as needed basis each year. At the end of the current fiscal year, the Village had total debt of \$9.44 million. None of this amount comprises debt backed by the full faith and credit of the government.

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

	Governmental Activities		Business Activities		Total	
	2007	2006	2007	2006	2007	2006
Loans payable	\$ 4,281	\$ 4,942	\$ 5,027	\$ 5,186	\$ 9,308	\$ 10,128
Capital leases	81	209	52	72	133	281
Total	<u>\$ 4,362</u>	<u>\$ 5,151</u>	<u>\$ 5,079</u>	<u>\$ 5,258</u>	<u>\$ 9,441</u>	<u>\$ 10,409</u>

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

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The Village's Unappropriated Fund Balance is viewed by the Administration as a measurement of Village financial stability. Unreserved general fund balance increased to \$8.18 million during the current 2007 fiscal year. The Village is now ready to address the economic challenges anticipated in the next few years.

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

Further reductions of ad valorem revenues have been mandated for budget years beyond 2008 resulting from an agenda pursued by the State legislature to create more tax breaks for homeowners and cap local government spending. On January 29, 2008, the Florida electorate approved an amendment (referred to as Amendment 1) to the Florida Constitution relative to property taxation. Amendment 1 becomes effective October 1, 2008. (See Note 18 on subsequent events in the notes to the financial statements for more details on Amendment 1).

To address the impact of the legislation and continuing increases in the cost of employee compensation and benefits, the Village will need to continue to prioritize essential services and desired levels of service to allocate sufficient funding in future budget years.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Net Assets
September 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 9,668,408	\$ 1,014,221	\$ 10,682,629
Accounts receivable	534,338	52,093	586,431
Inventories	18,855	12,115	30,970
Prepays	619,492		619,492
Due from other governments	848,261		848,261
Restricted assets:			
Cash and cash equivalents	113,269		113,269
Net pension assets	358,096		358,096
Capital assets:			
Nondepreciable	4,294,361	1,051,311	5,345,672
Depreciable (net of depreciation)	10,611,368	6,223,410	16,834,778
Total assets	<u>27,066,448</u>	<u>8,353,150</u>	<u>35,419,598</u>
Liabilities			
Accounts payable	712,649	84,592	797,241
Accrued liabilities	357,412		357,412
Accrued interest payable	40,200	102,120	142,320
Deposits		17,500	17,500
Deferred revenue	186,543	709,676	896,219
Retainage payable	9,207		9,207
Noncurrent liabilities:			
Due within one year	1,664,004	298,970	1,962,974
Due in more than one year	4,158,206	4,793,657	8,951,863
Total liabilities	<u>7,128,221</u>	<u>6,006,515</u>	<u>13,134,736</u>
Net Assets			
Invested in capital assets, net of related debt	10,543,788	2,195,630	12,739,418
Restricted for:			
Library	26,275		26,275
Recreation	28,500		28,500
Public safety	43,781		43,781
Other purposes	14,713		14,713
Unrestricted	9,281,170	151,005	9,432,175
Total net assets	<u>\$ 19,938,227</u>	<u>\$ 2,346,635</u>	<u>\$ 22,284,862</u>

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Activities
For the Year Ended September 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Activities</u>
Government:		
Governmental activities		
General government	\$ 2,698,187	\$ 122,455
Public safety	6,671,490	345,731
Public works	3,733,815	217,972
Community development and planning	737,165	938,188
Leisure services	2,781,658	496,679
Interest on long-term debt	204,666	
Total governmental activities	<u>16,826,981</u>	<u>2,121,025</u>
Business-type activities - country club	<u>3,570,683</u>	<u>3,463,524</u>
Total business-type activities	<u>3,570,683</u>	<u>3,463,524</u>
Total government	<u><u>\$ 20,397,664</u></u>	<u><u>\$ 5,584,549</u></u>

Program Revenues		Net Expense (Revenue) and Changes in Net Assets		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ 100,182	\$	\$ (2,475,550)	\$	\$ (2,475,550)
36,793	48,534	(6,240,432)		(6,240,432)
	5,552	(3,510,291)		(3,510,291)
33,414		234,437		234,437
	1,400,440	(884,539)		(884,539)
		(204,666)		(204,666)
<u>170,389</u>	<u>1,454,526</u>	<u>(13,081,041)</u>		<u>(13,081,041)</u>
			(107,159)	(107,159)
			(107,159)	(107,159)
<u>\$ 170,389</u>	<u>\$ 1,454,526</u>	<u>(13,081,041)</u>	<u>(107,159)</u>	<u>(13,188,200)</u>

General Revenues:

Taxes:				
Property taxes		12,076,184		12,076,184
Local option gas taxes		292,332		292,332
Utility service taxes		2,001,443		2,001,443
Franchise taxes		1,207,552		1,207,552
Sales and use taxes		1,339,893		1,339,893
Investment income		650,022	43,917	693,939
Miscellaneous		8,836		8,836
Contributions for support our troops		15,502		15,502
Transfers		5,111	(5,111)	
Total general revenues and transfers		<u>17,596,875</u>	<u>38,806</u>	<u>17,635,681</u>
Change in net assets		4,515,834	(68,353)	4,447,481
Net assets, beginning of year		<u>15,422,393</u>	<u>2,414,988</u>	<u>17,837,381</u>
Net assets, end of year		<u>\$ 19,938,227</u>	<u>\$ 2,346,635</u>	<u>\$ 22,284,862</u>

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2007

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 8,725,670	\$ 942,738	\$ 9,668,408
Accounts receivable	534,338		534,338
Inventories	18,855		18,855
Prepays	619,492		619,492
Due from other funds	31,094		31,094
Due from other governments	77,096	771,165	848,261
Restricted cash and cash equivalents	113,269		113,269
Total assets	\$ 10,119,814	\$ 1,713,903	\$ 11,833,717
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 373,212	\$ 339,437	\$ 712,649
Accrued liabilities	357,412		357,412
Due to other funds		31,094	31,094
Deferred revenue	263,640	445,203	708,843
Total liabilities	994,264	815,734	1,809,998
Fund balances			
Reserved for:			
Inventories and prepaids	638,346		638,346
Encumbrances	194,276		194,276
Library	26,275		26,275
Recreation	28,500		28,500
Public safety	43,781		43,781
Other purposes	14,713		14,713
Unreserved			
Special revenue funds		224,937	224,937
Undesignated	8,179,659	673,232	8,852,891
Total fund balances	9,125,550	898,169	10,023,719
Total liabilities and fund balances	\$ 10,119,814	\$ 1,713,903	\$ 11,833,717

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Reconciliation of the Balance Sheet – Governmental Funds
to the Statement of Net Assets
Governmental Funds
September 30, 2007

Fund balances - total governmental funds \$ 10,023,719

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:

Governmental capital assets	\$ 24,675,732	
Less accumulated depreciation	<u>(9,770,003)</u>	
		14,905,729

Revenue is recognized when earned in the government-wide statements, regardless of activity. Governmental funds report based on modified accrual, i.e., both measurable and available

Grant revenues	522,300
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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.

358,096

Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. Long term liabilities at year-end consist of:

Accrued interest payable	(40,200)	
Retainage payable	(9,207)	
Notes payable	(4,280,842)	
Capital leases payable	(81,100)	
Claims settlement	(250,000)	
Insurance liability	(174,821)	
Accrued compensated absences	<u>(1,035,447)</u>	
		<u>(5,871,617)</u>

Net assets of governmental activities	<u><u>\$ 19,938,227</u></u>
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See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2007

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 15,577,511	\$	\$ 15,577,511
Licenses and permits	880,266		880,266
Intergovernmental	1,465,713	1,284,308	2,750,021
Charges for services	1,082,569		1,082,569
Fines and forfeitures	132,158		132,158
Interest	650,022		650,022
Miscellaneous	194,716		194,716
Total revenues	<u>19,982,955</u>	<u>1,284,308</u>	<u>21,267,263</u>
Expenditures			
Current			
General government	2,304,654		2,304,654
Public safety	6,235,305	374,496	6,609,801
Public works	3,558,264		3,558,264
Community development & planning	735,155		735,155
Leisure services - recreation	2,356,971	73,432	2,430,403
Capital outlay	1,408,478	1,329,327	2,737,805
Debt service			
Principal payments	789,048		789,048
Interest paid on debt	207,088		207,088
Total expenditures	<u>17,594,963</u>	<u>1,777,255</u>	<u>19,372,218</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,387,992</u>	<u>(492,947)</u>	<u>1,895,045</u>
Other financing sources (uses)			
Transfers in		593,884	593,884
Transfer out	(593,884)		(593,884)
Total other financing sources (uses)	<u>(593,884)</u>	<u>593,884</u>	
Net change in fund balances	1,794,108	100,937	1,895,045
Fund balances			
Beginning of year	7,331,442	797,232	8,128,674
End of year	<u>\$ 9,125,550</u>	<u>\$ 898,169</u>	<u>\$ 10,023,719</u>

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of the Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2007

Net change in fund balances - total governmental funds \$ 1,895,045

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

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

Expenditures for capital assets	\$ 2,825,943	
Transfer of assets from country club	5,111	
Less: current year depreciation	<u>(1,134,832)</u>	1,696,222

Gains and losses on disposal of capital assets are reported in the statement of activities, whereas in the governmental funds the proceeds from the sale increases financial resources. The difference is the net book value of the assets retired. (60,256)

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

Palm Beach County Pool Improvement grant	50,000	
Palm Beach County Northlake Boulevard grant	180,629	
Florida Recreation Development Assistance Program grant	260,000	
FEMA grant	<u>31,671</u>	522,300

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. 789,047

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

Change in accrued interest expense	2,423	
Change in long-term compensated absences	<u>(59,741)</u>	(57,318)

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

Change in net pension asset of defined benefit pension plans	164,822	
Retainage payable	(9,207)	
Claims settlement	(250,000)	
Insurance liability	<u>(174,821)</u>	<u>(269,206)</u>

Change in net assets \$ 4,515,834

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Net Assets
Proprietary Fund
September 30, 2007

	Enterprise
Assets	
Current assets	
Cash and cash equivalents	\$ 1,014,221
Accounts receivable	52,093
Inventories	12,115
Total current assets	1,078,429
Non-current assets	
Land, buildings, and equipment, net	7,274,721
Total assets	8,353,150
Liabilities	
Current liabilities	
Accounts payable and other liabilities	84,592
Accrued interest	102,120
Deposits	17,500
Deferred income	709,676
Compensated absences - current portion	12,173
Capital leases - current portion	20,329
Loans payable - current portion	266,468
Total current liabilities	1,212,858
Non-current liabilities	
Compensated absences	1,362
Capital leases	31,868
Loans payable	4,760,427
Total non-current liabilities	4,793,657
Total liabilities	6,006,515
Net Assets	
Invested in capital assets, net of related debt	2,195,630
Unrestricted	151,005
Total net assets	\$ 2,346,635

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended September 30, 2007

	Enterprise
Operating revenue	
Greens fee/cart rentals/membership fees	\$ 2,610,674
Tennis revenues	306,066
Golf shop revenues	167,161
Driving range revenues	192,407
Restaurant revenues	118,000
Miscellaneous	69,216
Total operating revenues	3,463,524
Operating expenses	
Golf course maintenance expenses	1,433,777
Clubhouse grounds expenses	158,224
Tennis expenses	322,417
Golf shop expenses	668,682
Food & beverage expenses	50,089
Administrative and general	257,824
Insurance	100,608
Depreciation	391,954
Total operating expenses	3,383,575
Operating income (loss)	79,949
Nonoperating revenues (expenses)	
Interest revenue	43,917
Interest expense	(187,070)
Loss on disposal of fixed assets	(38)
Total nonoperating revenues (expenses)	(143,191)
Transfers out	(5,111)
Change in net assets	(68,353)
Net assets - beginning	2,414,988
Net assets - ending	\$ 2,346,635

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2007

	Enterprise
Cash flows from operating activities:	
Receipts from customers	\$ 3,528,026
Payments to suppliers for goods or services	(1,402,359)
Payments to employees for services	(1,592,868)
Net cash provided (used) by operating activities	532,799
Cash flows from capital and related financing activities:	
Principal paid on long term debt	(178,707)
Interest paid on debt	(213,798)
Acquisition of capital assets	(1,737,459)
Net cash provided (used) by capital and related financing activities	(2,129,964)
Cash flows from investing activities:	
Interest and dividends on investments	43,917
Net increase (decrease) in cash and cash equivalents	(1,553,248)
Cash and cash equivalents at beginning of year	2,567,469
Cash and cash equivalents at end of year	\$ 1,014,221
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income	\$ 79,949
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	391,954
Non-cash donations	(21,500)
Change in assets and liabilities	
Decrease in accounts receivable	17,857
Decrease in inventory	8,152
(Decrease) in accounts payable	(4,792)
(Decrease) in compensated absences payable	(48,326)
Increase in deferred revenue	109,505
Total adjustments	452,850
Net cash provided by operating activities	\$ 532,799
Non cash capital and financing activities:	
Contributions of capital assets to governmental funds	\$ 5,111

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2007

	Employee Retirement Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 913,493	\$ 329,549
Investments:		
Corporate stock	6,599,258	
U.S. Government and agency securities	1,263,951	
Corporate bonds	864,456	
Asset backed securities	1,023,528	
Equity mutual funds	876,517	
Common trust funds	5,735,814	
Fixed annuity funds	67,005	
Equity annuity funds	8,285	
Interest receivable	50,533	
Accounts receivable	528,439	
Total assets	17,931,279	329,549
Liabilities		
Deferred village contributions	138,200	
Due to others		329,549
Total liabilities	138,200	329,549
Net Assets		
Held in trust for pension benefits	\$ 17,793,079	\$

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended September 30, 2007

	<u>Employee Retirement Funds</u>
Additions	
Contributions	
Employer	\$ 1,449,818
Plan members	234,078
State on-behalf payments	<u>325,962</u>
Total contributions	<u>2,009,858</u>
Investment income	
Interest	344,449
Net increase in fair value of investments	<u>1,621,657</u>
Total investment income	1,966,106
Investment expenses	<u>(88,229)</u>
Total net investment income	<u>1,877,877</u>
Total additions	<u>3,887,735</u>
Deductions	
Benefits	625,558
Administrative expense	<u>107,642</u>
Total deductions	<u>733,200</u>
Net increase	3,154,535
Net assets held in trust for pension benefits	
Net assets - beginning	<u>14,638,544</u>
Net assets - ending	<u><u>\$ 17,793,079</u></u>

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Village. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Village reports the following major governmental funds:

General Fund

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

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

Country Club Enterprise Fund

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

Additionally, the Village reports the following fund types:

Capital Projects Fund

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

Special Revenue Funds

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

Employee Retirement Funds

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Agency Funds

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Accounts Receivable

Accounts receivable of the General Fund consists of billed and unbilled receivables.

Concentration of Credit Risk

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

Investments

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

Interfund Transactions

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

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

Inventories

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets and Depreciation

Capital assets, which include property, plant, infrastructure, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The Village defines capital assets as assets with an initial individual cost of \$2,500 or more and an estimated life in excess of one year. The Village has elected to retroactively apply the capitalization requirements of GASB Statement No. 34 to major general infrastructure assets acquired in fiscal years ending after June 30, 1980, or that were significantly reconstructed or improved during that multi-year period. Infrastructure is reported in buildings and improvements.

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

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

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

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

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred Revenue

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

Compensated Absences

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

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

Long-Term Obligations

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Long-Term Obligations (Continued)

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

Net Assets

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

Fund Equity

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

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

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

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Use of Estimates

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

Statement of Cash Flows

For purposes of the statement of cash flows, the Village considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to a known amount of cash, and at the day of purchase, have a maturity date no longer than three months.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

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

The procedures for establishing budgetary data are as follows:

- In July of each year, the Village Manager submits a proposed operating budget to the Council for the next fiscal year commencing the following October 1st. The proposed budget includes expenditures and the means of financing them.
- During the third week of July, the Council holds public meetings to obtain taxpayer comments.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

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

A. Budgetary Data (Continued)

- Upon completion of the public hearings and prior to October 1, a final operating budget is legally enacted through the passage of an ordinance. Estimated beginning fund balances are considered in the budgetary process.
- The Village Manager is authorized to transfer budgeted amounts up to \$5,000 within a department. Any change to capital outlay or to the total departmental expenses, excluding capital outlay, must be approved by the Village Council.
- Appropriations along with encumbrances lapse on September 30th.

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

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

B. Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and the County Tax Collector. All property is reassessed according to its fair market value on January 1 of each year and each assessment roll is submitted to the State Department of Revenue for review to determine if the assessment rolls meet all of the appropriate requirements of State law. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills.

The tax levy of the Village is established by the Council prior to October 1 of each year during the budget process. The Palm Beach County Property Appraiser incorporates the Village's millage into the total tax levy, which includes the County, County School Board, and special district tax requirements. The millage rate assessed by the Village for the year ended September 30, 2007, was 6.3000 (\$6.30 for each \$1,000 of assessed valuation).

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

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

B. Property Taxes (Continued)

After sale, tax certificates bear interest at 18% per year or at any lower rate bid by the buyer. The certificate holder may make application for a tax deed on any unredeemed tax certificate after a period of two years. The County holds unsold certificates. Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations. At September 30, 2007, unpaid delinquent taxes are not material and have not been recorded by the Village.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2007, the carrying amount of deposits (including fiduciary funds) were \$553,841 and the bank balances were \$196,011. The Village also had \$2,765 of petty cash. In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or other banking institution eligible collateral. In the event of failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The Village's deposits at year end are considered insured for custodial credit risk purposes.

The Village pools idle cash from all funds for the purpose of increasing income through investment activities. Investment income from the pool is allocated back to the respective funds based on each fund's equity in the pool with the exception of the capital projects fund and the special revenue funds.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments

As of September 30, 2007, the Village held the following investments:

	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
State Board of Administration Investment Pool	N/R	\$10,587,757	34 days
Repurchase agreements	N/R	173,000	3 days
Money market funds	Aaa	601,746	N/A
Money market funds	N/R	119,831	N/A
U.S. Gov. Notes & Bonds	Aaa	415,247	26.02 yrs.
U.S. Gov. Agency Notes	Aaa	848,704	7.98 yrs.
Corporate debt securities	Aaa to A3	864,456	7.83 yrs.
Asset backed securities	N/R	1,023,528	17.86 yrs.
Domestic corporate stocks	N/R	6,599,258	N/A
Equity mutual funds	N/R	876,517	N/A
Common trust funds	N/R	5,735,814	N/A
Fixed annuity funds	N/R	67,005	N/A
Equity funds	N/R	8,285	N/A
Total investments		<u>\$27,921,148</u>	

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

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Custodial credit risk – For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments that are in the possession of an outside party. At September 30, 2007 all investments were insured or collateralized, except the Village's three pension funds, in which the underlying securities are held by counterparty, or by its trust department or agent but not in the Village's name and is uninsured and unregistered. However, all securities are registered in the funds' names.

Concentrations of credit risk – Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single user. The Village places no limit on the amount they may invest in any one issuer, except those in the Fire and Police Retirement Fund. Not more than ten (10) percent of the Fund's assets shall be invested in the common stock or capital stock of any one issuing company, nor shall more than five (5) percent of the Fund's assets shall be invested in U.S. government and agency securities, money market mutual funds, bonds, stocks, asset backed securities and mutual and common trust funds are owned by the Pension Trust Funds.

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

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

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

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

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

By Category:

Deposits	\$ 553,841
Petty cash	2,765
Investments	27,921,148
Total deposits and investments	\$28,477,754

Presented in the statement of net assets

Governmental activities	
Cash and cash equivalents	\$9,668,408
Restricted cash and cash equivalents	113,269
Business-type activities	
Cash and cash equivalents	1,014,221
Total statements of net assets	10,795,898

Presented in the statement of fiduciary net assets

Pension trust funds	
Cash and cash equivalents	913,493
Investments	16,438,814
Agency funds	
Cash and cash equivalents	329,549
Total fiduciary funds	17,681,856
Total deposits and investments	\$28,477,754

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 4 – RECEIVABLES

Receivables at September 30, 2007, were as follows:

	<u>General Fund</u>	<u>Country Club</u>	<u>Total</u>
Fines	\$ 4,823	\$	\$ 4,823
State shared revenues	169,808		169,808
Utility Taxes	309,594		309,594
Other accounts receivable	<u>13,323</u>	<u>52,093</u>	<u>65,416</u>
Total accounts receivable	497,548	52,093	549,641
Wabash Drive assessment	400		400
Conroy Drive assessment	<u>36,390</u>		<u>36,390</u>
Total accounts receivable	<u>\$534,338</u>	<u>\$ 52,093</u>	<u>\$586,431</u>

NOTE 5 – CAPITAL ASSETS

Capital Assets activity for the year ended September 30, 2007, was as follows:

Primary Government

Governmental Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 2,151,089	\$	\$	\$ 2,151,089
Construction in progress	2,529,831	930,693	(1,317,252)	2,143,272
Capital assets being depreciated:				
Buildings	9,011,387	6,651		9,018,038
Improvements and infrastructure	2,094,919	2,309,888	(1,500)	4,403,307
Machinery and equipment	2,850,845	569,117	(222,454)	3,197,508
Vehicles	<u>3,524,375</u>	<u>366,976</u>	<u>(128,833)</u>	<u>3,762,518</u>
Total at historical cost:	22,162,446	4,183,325	(1,670,039)	24,675,732
Less accumulated depreciation for:				
Buildings	(3,158,049)	(300,173)		(3,458,222)
Improvements	(1,324,900)	(301,230)	1,500	(1,624,630)
Machinery and equipment	(2,236,072)	(239,089)	193,030	(2,282,131)
Vehicles	<u>(2,173,663)</u>	<u>(329,357)</u>	<u>98,000</u>	<u>(2,405,020)</u>
Total accumulated depreciation	<u>(8,892,684)</u>	<u>(1,169,849)</u>	<u>292,530</u>	<u>(9,770,003)</u>
Governmental activities capital assets, net	<u>\$ 13,269,762</u>	<u>\$ 3,013,476</u>	<u>(\$ 1,377,509)</u>	<u>\$ 14,905,729</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 5 – CAPITAL ASSETS (Continued)

Business-type activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,051,311	\$	\$	\$ 1,051,311
Construction in progress	4,381,814	739,478	(5,121,292)	
Capital assets being depreciated:				
Buildings and improvements	1,906,551	201,009		2,107,560
Improvements – golf course	1,603,940	5,121,292		6,725,232
Machinery and equipment	619,145	41,399	(165,782)	494,762
Vehicles	121,961		(37,126)	84,835
Total at historical cost:	<u>9,684,722</u>	<u>6,103,178</u>	<u>(5,324,200)</u>	<u>10,463,700</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,144,975)	(122,921)		(1,267,896)
Improvements – golf course	(1,301,497)	(212,158)		(1,513,655)
Machinery and equipment	(470,285)	(46,984)	171,331	(345,938)
Vehicles	(78,026)	(9,891)	26,427	(61,490)
Total accumulated depreciation	<u>(2,994,783)</u>	<u>(391,954)</u>	<u>197,758</u>	<u>(3,188,979)</u>
Business-type activities capital assets, net	<u>\$6,689,939</u>	<u>\$ 5,711,224</u>	<u>(\$ 5,126,442)</u>	<u>\$ 7,274,721</u>

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

Governmental activities:	
General government	\$ 119,219
Public safety	455,932
Public services	197,559
Community development	
Leisure services	362,122
Total depreciation expense, governmental activities	1,134,832
Accumulated depreciation of assets transferred from the Country Club fund	35,017
Total additions to accumulated depreciation	<u>\$1,169,849</u>

For the year ended September 30, 2007, the Village had \$32,437 of capitalized interest cost in the Country Club fund. The total interest expense incurred for the Country Club fund for the year ended September 30, 2007, was \$219,507.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 5 – CAPITAL ASSETS (Continued)

Construction Commitments

Contracts awarded but not yet completed were as follows:

Project Description	Estimated Cost
Governmental activities	
Osborne Park	\$ 344,119
Seawall repairs	106,283
Lakeside Park	61,343
Anchorage Park	55,002
Prosperity Farms Road	51,963
Northlake Boulevard	<u>20,450</u>
Total Primary Government	639,160
Country Club Golf Course Cart Path	<u>159,947</u>
Total construction commitments	<u>\$ 799,107</u>

NOTE 6 – LONG TERM LIABILITIES

Change in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2007, was as follows:

	Balance October 1, 2006	Additions	Reductions	Balance September 30, 2007	Amount Due Within One Year
Governmental activities					
Loans payable	\$4,941,765	\$	(\$ 660,923)	\$4,280,842	\$675,204
Capital leases	209,224		(128,124)	81,100	41,738
Claims and settlements		424,821		424,821	250,000
Compensated absences payable	<u>975,706</u>	<u>632,333</u>	<u>(572,592)</u>	<u>1,035,477</u>	<u>697,062</u>
Total	<u>\$6,126,695</u>	<u>\$1,057,154</u>	<u>(\$1,361,639)</u>	<u>\$5,822,210</u>	<u>\$1,664,004</u>
Business-type activities:					
Loans payable	\$ 5,185,977	\$	(\$ 159,082)	\$5,026,895	\$ 266,468
Capital leases	71,822		(19,625)	52,197	20,329
Compensated absences payable	<u>61,861</u>	<u>12,173</u>	<u>(60,499)</u>	<u>13,535</u>	<u>12,173</u>
Total	<u>\$ 5,319,660</u>	<u>\$ 12,173</u>	<u>(\$ 239,206)</u>	<u>\$5,092,627</u>	<u>\$298,970</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 6 – LONG TERM LIABILITIES (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. The general fund portion has been repaid. Franchise fees and public service taxes of the Village secure the loan. Principal and interest payments are due quarterly, with a final maturity date of November 15, 2010. The interest rate on the loan is 5.22%. The interest rate will be adjusted by either of the following events: a change in the maximum corporate tax rate, or the event of taxability of the interest on this note. As of September 30, 2007, the principal amount outstanding was \$228,990 and was for the purpose of business-type activities.

Annual debt service requirements to maturity are as follows:

Business-type activities:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 66,684	\$ 10,842	\$ 77,526
2009	70,234	7,215	77,449
2010	73,972	3,425	77,397
2011	18,100	241	18,341
	<u>\$228,990</u>	<u>\$ 21,723</u>	<u>\$ 250,713</u>

\$2,800,000 Promissory Note

The Village Council adopted Resolution No. 46-2001 authorizing the execution of a note in the principal amount of \$2,800,000 to finance the construction of various capital projects. Franchise fees and public service taxes secure the promissory note. Principal and interest payments are due semi-annually, with a final maturity date of May 31, 2011. The note bears interest at a variable rate, adjusted semi-annually, equal to the London InterBank Offered Rate (“LIBOR”) plus .585%. The interest rate will be adjusted by either of the following events: a change in the maximum corporate tax rate, or the event of taxability of the interest on this note. The effective rate at September 30, 2007 was 4.89% and this approximates the rate that was used to calculate the debt service requirements to maturity. As of September 30, 2007, the principal amount outstanding was \$1,232,949 and was for the purpose of government activities.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 6 – LONG TERM LIABILITIES (Continued)

\$2,800,000 Promissory Note (Continued)

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 293,007	\$ 42,871	\$ 335,878
2009	302,934	31,954	334,888
2010	313,198	20,667	333,865
2011	323,810	8,998	332,808
	<u>\$ 1,232,949</u>	<u>\$ 104,490</u>	<u>\$ 1,337,439</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”), and adjusted as of the first day of each month. The interest rate will be adjusted by either of the following events: a change in the maximum corporate tax rate, or the event of taxability of the interest on this note. The effective rate at September 30, 2007 was 4.16% and this approximates the rate that was used to calculate the debt service requirements to maturity. As of September 30, 2007, the principal amount outstanding was \$2,850,000 and was for the purpose of government activities.

Annual debt service requirements to maturity are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 300,000	\$ 114,818	\$ 414,818
2009	300,000	102,408	402,408
2010	300,000	89,998	389,998
2011	300,000	77,588	377,588
2012	300,000	65,178	365,178
2013-2017	1,350,000	139,740	1,489,740
	<u>\$ 2,850,000</u>	<u>\$ 589,730</u>	<u>\$ 3,439,730</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 6 – LONG TERM LIABILITIES (Continued)

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

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

The \$132,000 note had a final maturity in January 2007 and was paid off by the Country Club. The \$271,000 note bears interest at 3.82% and is payable in 14 semi-annual payments of \$22,286, beginning July 2003 and with final maturity in January 2010. As of September 30, 2007, the principal amount outstanding was \$105,229. Annual debt service requirements to maturity for this note, which are payable from the general fund, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 40,943	\$ 3,630	\$ 44,573
2009	42,521	2,051	44,572
2010	21,765	413	22,178
	<u>\$ 105,229</u>	<u>\$ 6,094</u>	<u>\$ 111,323</u>

\$230,000 Promissory Note

In January 2005, the Village Council adopted Resolution No. 7-2004 authorizing the issuance of a promissory note to finance various capital expenditures. The note is payable from the Village's non-ad valorem tax revenues and franchise fees. The note bears interest at a fluctuating rate at all times equal to the London InterBank Offered Rate ("LIBOR") that is defined as 75% of the rate of interest published as one-month LIBOR on the first day of each month, plus 73 basis points and is payable in five semi-annual payments of \$22,787, beginning August 2004 and with final maturity in January 2009. The effective rate at September 30, 2007 was 6.2% and this approximates the rate that was used to calculate the debt service requirements to maturity. As of September 30, 2007, the principal amount outstanding was \$92,664 and was for the purpose of government activities. Annual debt service requirements to maturity for this note, which are payable by the general fund, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 41,254	\$ 4,320	\$ 45,574
2009	43,470	2,104	45,574
2010	7,940	154	8,094
	<u>\$ 92,664</u>	<u>\$ 6,578</u>	<u>\$ 99,242</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 6 – LONG TERM LIABILITIES (Continued)

\$4,893,673 Promissory Notes

The Village Council adopted Resolution No. 23-2006 authorizing the issuance of a note in the amount of \$4,893,673 to finance certain capital expenditures relating to the municipal golf course and country club. Pledged revenues secure the loan. Principal and interest payments are due semi-annually in the amount of \$197,450, with a final maturity date of April 1, 2024. The interest rate on the loan is 4.11% and is subject to adjustment in the event of taxability of the interest on this note. As of September 30, 2007, the principal amount outstanding was \$4,797,905 and was for the purpose of business-type activities.

Annual debt service requirements to maturity are as follows:

Business-type activities:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 199,784	\$ 195,116	\$ 394,900
2009	208,080	186,820	394,900
2010	216,720	178,180	394,900
2011	225,718	169,182	394,900
2012	235,091	159,809	394,900
2013-2018	1,630,326	739,074	2,369,400
2019-2024	2,082,186	288,332	2,370,518
	<u>\$ 4,797,905</u>	<u>\$ 1,916,513</u>	<u>\$ 6,714,418</u>

\$588,000 Capital Leases

The Village entered into a seven year \$588,000 capital lease agreement as lessee for financing the acquisition of machinery and equipment for governmental activities with a purchase price of \$640,332 in 2002. There are fourteen semi-annual payments required of principal and interest beginning September 22, 2002. Interest will be a fluctuating rate at all times equal to 111% of the London InterBank Offered Rate (“LIBOR”) that is defined as 75% of the rate of interest published as one-month LIBOR on the first day of each month. The lease contains a purchase option. At September 30, 2007, the net book value of machinery and equipment was \$317,088. Lease payments will be made from the general fund. The rate used to impute interest was 3.8%.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2007 is \$16,629.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 16,629	\$ 182	\$ 16,811

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 6 – LONG TERM LIABILITIES (Continued)

\$223,500 Capital Leases

The Village Council adopted Resolution No. 03-2005 authorizing the execution of a five year capital lease agreement for the purpose of financing the lease-purchase of \$123,500 of equipment for the General Fund and \$100,000 of equipment for the Country Club. Principal and interest payments are due semi-annually, with a final maturity date of February 15, 2010. At September 30, 2007, the net book value of the equipment was \$94,181. The rate used to impute interest was 3.55%.

Amounts currently outstanding on the note are as follows:

<u>Purpose</u>	<u>Amount</u>
Governmental activities	\$ 64,471
Business-type activities	<u>52,197</u>
	<u>\$116,668</u>

Annual debt service requirements to maturity are as follows:

Governmental activities:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 25,109	\$ 2,070	\$ 27,179
2009	26,009	1,170	27,179
2010	<u>13,353</u>	<u>237</u>	<u>13,590</u>
	<u>\$ 64,471</u>	<u>\$ 3,477</u>	<u>\$ 67,948</u>

Business-type activities:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 20,329	\$ 1,676	\$ 22,005
2009	21,058	947	22,005
2010	<u>10,810</u>	<u>192</u>	<u>11,002</u>
	<u>\$ 52,197</u>	<u>\$ 2,815</u>	<u>\$ 55,012</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 6 – LONG TERM LIABILITIES (Continued)

Claims and Settlements

Subsequent to year end, the Village settled a dispute with Florida Blacktop, Inc., and paid \$250,000 on February 15, 2008. The liability for the settlement is included in the current portion of long term governmental liabilities. (See related Note 17.)

Effective October 1, 2006, the Village discontinued its participation in the Southeast Risk Management Association (SERMA) and joined the Florida Municipal Insurance Trust (FMIT). However, as a former participant in SERMA, the Village is liable for claims incurred through September 30, 2006. At September 30, 2007, there is a long-term governmental liability of \$174,821 for pending claims activity for SERMA. (See related Note 7.) The liability is based on a recent (unaudited) valuation, which indicated that the reserve for incurred but not yet reported losses is inadequately funded and an additional contribution is required. The liability is payable in December 2008 and is included in governmental noncurrent liabilities due in more than one year in the Statement of Net Assets.

SERMA, a quasi-governmental agency, was created by an interlocal agreement, as authorized by Chapter 163, Florida Statutes. Participating members pool their resources so as to provide a comprehensive risk management program, including insurance coverage, whose cost is less than the cost of each municipality obtaining insurance separately. The members are subject to supplemental assessments in the event of deficiencies, except to the extent that deficiencies result from a specific claim against a member in excess of the reinsurance available, such deficiency is solely the responsibility of that member. SERMA reinsures for workers compensation and property claims in excess of \$250,000. Activity in the pool is allocated to participating members based upon the cumulative contributions to the pool. The amount of settlements in SERMA exceeded insurance coverage in the current fiscal year.

NOTE 7 – RISK MANAGEMENT

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

The Village 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.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 7 – RISK MANAGEMENT (Continued)

Employee Benefits Group

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

The liability for unpaid claims, if any, is estimated using an industry average that is based on actual claims paid. At September 30, 2007, the Village is no longer liable for claims stemming from this policy. The following is a reconciliation of changes in the aggregate liability for the current and prior fiscal years.

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>
2006	\$80,195	\$	(\$34,643)	\$45,552
2007	\$45,552	(\$45,552)	\$	\$

Property and Casualty Group

Effective October 1, 2006, the Village discontinued its participation in the Southeast Risk Management Association (SERMA) and joined the Florida Municipal Insurance Trust (FMIT). However, as a former participant in SERMA, the Village is liable for claims incurred through September 30, 2006. At September 30, 2007, there is a long-term governmental liability of \$174,821 for pending claims activity for SERMA. (See related Note 6.)

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.

NOTE 8 – EMPLOYEE RETIREMENT PLANS

The Village maintains the following two separate single employer defined benefit plans: Village of North Palm Beach Fire and Police Retirement Fund, covering firefighters and police officers, and Village of North Palm Beach General Employees Retirement Fund, covering substantially all other full-time Village employees. The report may be obtained from the Village Clerk. 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, 2007; the General Employees Plan will not issue separate financial statements. Additional information on these plans can be found beginning on page 61.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 8 – EMPLOYEE RETIREMENT 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 on casualty insurance policies and one for the Fire Pension Plan on certain real and personal property insurance policies within the corporate limits) which can only be distributed after the State has ascertained that the local government has met its actuarial funding requirement for the then most recently completed fiscal year.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Retirement Plans

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

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

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

General Employees Retirement Fund

No nongovernmental investments exceed 5% of net plan assets.

Fire and Police Retirement Fund

No nongovernmental investments exceed 5% of net plan assets.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

The following schedule is provided for general information purposes only and is derived from the respective actual reports and Village information for the two retirement plans as of October 1, 2006, the date of the latest actuarial valuation. Plan participants should refer to the appropriate source documents for more complete information on the plans.

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

Membership of each plan consisted of the following at October 1, 2006, the date of the latest actuarial valuation:

	<u>GERF</u>	<u>F&P</u>
Active Participants:		
Vested	60	15
Non-vested	30	29
Retirees and Beneficiaries receiving benefits	10	5
Terminated vested members receiving benefits	<u>46</u>	<u>12</u>
Total	<u>146</u>	<u>61</u>

General Employees' Retirement System

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

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

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

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

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

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

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS (Continued)

Fire and Police Retirement System

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

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

All Retirement Plans

Annual Pension Cost and Net Pension Obligation. The Village's 2007 annual pension cost and actual contributions for each plan are shown below. The required contributions were determined as part of the October 1, 2006 actuarial valuation for each plan. State law allows the Village to use a portion of the State contribution to offset the Village's pension cost.

	<u>Annual Pension Cost</u>	<u>Required Village Contribution</u>	<u>Eligible State Contribution</u>
General Employees Retirement Fund	\$871,123	\$866,069	N/A
Fire and Police Retirement Fund	547,304	539,651	138,200

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

Components of Annual Pension Cost and Net Pension Obligation

The following schedule was determined as part of the October 1, 2006, actuarial valuation for the General and Fire and Police Retirement Plans.

	General <u>Employees</u>	<u>Fire and Police</u>
Annual required contribution (ARC)	\$ 866,069	\$ 539,651
Interest on net pension obligation (NPO)	(13,473)	(15,567)
Adjustment to ARC	<u>18,527</u>	<u>23,220</u>
Annual pension cost	871,123	547,304
Actual contributions(1)	<u>873,872</u>	<u>539,651</u>
Increase in NPO	(2,749)	7,653
NPO at beginning of year, revised(1)	<u>(168,413)</u>	<u>(194,587)</u>
NPO at end of year	<u><u>\$(171,162)</u></u>	<u><u>\$(186,934)</u></u>

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

Three-Year Trend Information

	<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Annual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
General					
Employees	9/30/04	\$ 529,645	\$ 524,000	98.9%	\$ (181,854)
	9/30/05	669,011	662,237	99.0%	(175,080)
	9/30/06	1,014,362	1,007,695	99.3%	(168,413)
Fire and					
Police	9/30/04	\$ 387,647	\$ 388,200	100.1%	\$ (107,221)
	9/30/05	513,792	610,064	118.7%	(203,493)
	9/30/06	699,092	690,186	98.7%	(194,587)

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

The following are the actuarial methods and significant actuarial assumptions:

	<u>General Employees</u>	<u>Fire and Police</u>
Valuation date	10/1/2006	10/1/2006
Actuarial Cost Method	Frozen Entry Age	Aggregate
Amortized Method	Level percent closed	N/A (1)
Remaining Amortization Period	30 years	N/A (1)
Asset Valuation Method	Difference between actual and expected return recognized over five years.	Five year smooth market.
Administrative Costs	Expenses paid out of the fund other than investment related expenses are assumed to be equal to the average of actual expenses over the previous two years.	Expenses paid out of the fund other than investment related expenses are assumed to be equal to the average of actual expenses over the previous two years.
Investment rate of return*	8% up to retirement, 5.25% thereafter.	8%
Projected salary increase*	5.5%	6%
*Includes inflation at	4%	4%
Cost of living adjustments	3% for those retired before 2/1/82 or who contribute an extra 2%.	3%

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 9 – PENSION PLAN FINANCIAL INFORMATION

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

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
SEPTEMBER 30, 2007

	<u>Volunteer Fire Pension</u>	<u>General Employees Pension</u>	<u>Total Employee Retirement Funds</u>
ASSETS			
Cash and cash equivalents	\$	\$ 119,831	\$ 119,831
Investments:			
Equity mutual funds		876,517	876,517
Common trust funds		5,735,814	5,735,814
Fixed annuity funds	67,005		67,005
Equity annuity funds	8,285		8,285
Accrued interest and dividends		379	379
Accounts receivable		58,522	58,522
Total assets	<u>75,290</u>	<u>6,791,063</u>	<u>6,866,353</u>
 Net Assets			
Held in trust for pension benefits	<u>\$ 75,290</u>	<u>\$ 6,791,063</u>	<u>\$ 6,866,353</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 9 – PENSION PLAN FINANCIAL INFORMATION (Continued)

COMBINING STATEMENT OF CHANGES IN NET ASSETS
EMPLOYEE RETIREMENT FUNDS
For the Fiscal Year Ended September 30, 2007

	Volunteer Fire Pension	General Employees Pension	Total Employee Retirement Funds
Additions:			
Contributions:			
Employer	\$ 4,537	\$ 987,440	\$ 991,977
Plan members		171,126	171,126
Total contributions	4,537	1,158,566	1,163,103
Investment income:			
Interest and dividends	3,062	19,584	22,646
Net appreciation in fair value of Investments	530	733,250	733,780
Investment expense		(42,488)	(42,488)
Total investment income	3,592	710,346	713,938
Total additions	8,129	1,868,912	1,877,041
Deductions:			
Administration	2,987	10,872	13,859
Benefits		227,092	227,092
Total deductions	2,987	237,964	240,951
Net increase (decrease)	5,142	1,630,948	1,636,090
Net assets held in trust for pension benefits, beginning of year	70,148	5,160,115	5,230,263
Net assets held in trust for pension benefits, end of year	\$ 75,290	\$ 6,791,063	\$ 6,866,353

NOTE 10 – ON-BEHALF PAYMENTS

The state makes a contribution to the Fire and Police Officers' Retirement System from the firefighters' and police officers' Insurance Premium Tax. For the fiscal year ended September 30, 2007, \$ 325,962 was recorded as revenues and expenditures in the On-Behalf Pension Contribution Special Revenue Fund relating to on-behalf payments received from the state.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 11 – DEFINED CONTRIBUTION PLAN

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

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

The Village contributes 15% of participant earnings for the plan year. Earnings include regular and bonus compensation, but do not include overtime or commissions. Employee contributions are voluntary, after-tax contributions that are not matched by the Village. Employees may contribute 3%, 5%, 10%, or 15% of earnings to the plan. Contributions are remitted to the trusts every payroll period. The plan administration fee is .55% per annum of the amount of plan assets invested in the trust, based on average daily net plan assets. However, there was no administration fee for 2007.

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

At September 30, 2007, payroll expense for all employees was \$9,286,649. Plan detail for participating employees at September 30, 2007 is listed below:

	<u>Director's</u>	<u>General Employees</u>	<u>Municipal Employees</u>	<u>Total</u>
Covered Payroll	\$268,129	\$367,047	\$293,796	\$928,972
Required employer contributions	40,219	55,057	44,069	139,345
Actual Village contributions	42,604	60,565	50,365	153,534
Village contributions as a % of covered payroll	15.9%	16.5%	17.1%	16.6%
Employee contributions	11,056	13,948	12,196	37,200

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 12 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

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

NOTE 13 – VOLUNTEER FIREFIGHTERS PENSION

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

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

NOTE 14 – JOINTLY GOVERNED ORGANIZATION

The Village, through an interlocal agreement with certain other municipalities and Palm Beach County, created the Seacoast Utility Authority ("Seacoast") which provides water and sewer service to the citizens of each of the participating municipalities and a portion of Palm Beach County. Seacoast's governing board consists of one member from each participating entity. Seacoast is an Independent Authority organized under the laws of the State of Florida, and the Village has no participating equity ownership in Seacoast. The Village paid \$160,309 to Seacoast during the fiscal year for water and sewer service.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 15 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at September 30, 2007, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Northlake Boulevard Special Revenue Fund	\$31,094

The outstanding balance is the result of a deficit in the special revenue fund which will be funded by the general fund in the subsequent fiscal year.

Interfund transfers during the year ended September 30, 2007 are as follows:

	Governmental Activities: Capital Assets	Transfer In: Non-major Governmental Funds
Transfer out General Fund		\$593,884
Country Club Fund	\$5,111	

The transfers from the General Fund to the non-major governmental funds were to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs. The transfer into the general fund was the net book value of assets transferred from the Country Club to governmental capital assets.

NOTE 16 – DEFICIT FUND BALANCE

The Northlake Boulevard Special Revenue Fund had a deficit fund balance of \$31,094 at September 30, 2007. This deficit will be covered by a transfer in the subsequent year.

NOTE 17 – CONTRACTS, COMMITMENTS AND CONTINGENCIES

Operating Leases

The Village is committed under a lease agreement as lessor of the food and beverage operators at the North Palm Beach Country Club. The lease is considered for accounting purposes to be an operating lease. As part of the lease agreement, the Village receives a percentage of sales of the lessee and reimbursements for utilities and financed assets. The Village received \$159,360 for the year ended September 30, 2007 under the terms of this lease agreement. Future minimum lease payments for the year ending September 30, 2008 are contingent upon sales and expenses of the operations of the lessee. At September 30, 2007, the cost of the leased assets was \$74,896, net book value was \$13,428 and depreciation expense was \$5,166.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 17 – CONTRACTS, COMMITMENTS AND CONTINGENCIES (Continued)

Contingencies

The Village is involved in various litigations and claims arising in the course of operations. It is the opinion of legal counsel that the likelihood of unfavorable outcome and the amounts of potential losses cannot be reasonably determined for all claims at this time. However, in a subsequent event, the Village reached a settlement with Florida Blacktop, Inc. and agreed to pay a sum of \$250,000. Accordingly, a provision for the liability has been made in the accompanying financial statements. (See related Note 6.)

NOTE 18– SUBSEQUENT EVENTS

Property tax reform

On January 29, 2008, the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. This amendment (referred to as Amendment 1) was placed on the ballot by the Florida Legislature at a special session held in October 2007. With respect to homestead property, Amendment 1 increases the current \$25,000 homestead exemption by another \$25,000 (for property values between \$50,000 and \$75,000), except for school district taxes. Since the new \$25,000 homestead exemption does not apply to school district taxes, this effectively amounts to a \$15,000 increase to the existing homestead exemption, resulting in an estimated annual savings of \$240 for an average homeowner. Amendment 1 also allows property owners to transfer (make portable) up to \$500,000 of their Save Our Homes benefits to their next homestead when they move. Save Our Homes became effective in 1995 and limits (caps) the annual increase in assessed value for homestead property to three percent (3%) or the percentage change in the Consumer Price Index, whichever is less.

With respect to non-homestead property, Amendment 1 limits (caps) the annual increase in assessed value for non-homestead property (businesses, industrial property, rental property, second homes, etc.) to ten percent (10%), except for school district taxes. The Amendment also provides a \$25,000 exemption for tangible personal property.

Amendment 1 becomes effective on October 1, 2008, with the exception of the ten percent (10%) assessment cap on non-homestead property which becomes effective on January 1, 2009.

Based on information received from the Palm Beach County Property Appraiser's Office, the estimated annual loss of property tax revenues for the Village from the additional homestead exemption and the \$25,000 exemption for tangible personal property is approximately \$673,745. At present, there is no accurate way to determine the impact of the portability and assessment cap on non-homestead property provisions in terms of potential loss of property tax revenues.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2007

NOTE 18– SUBSEQUENT EVENTS (Continued)

Investments

As discussed in Note 3, at September 30, 2007, the Village had \$10,587,757 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

Currently, Pool A participants may withdraw 37% of their balance or \$4 million, whichever is greater, without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. New investments in Pool A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Pool A.

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool and a formal withdrawal policy has not yet been developed. Market valuations of the assets held in Pool B are not readily available. In addition, full realization of the principle value of Pool B assets is not readily determinable.

As of February 28, 2008, the Village has \$8,062,238 and \$1,147,848 invested in Pool A and B, respectively. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

FIDUCIARY FUNDS

Pension Trust Funds

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Required Supplemental Information
September 30, 2007

Schedule of Funding Progress

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 a Percentage of Covered Payroll ((b-a)/c)
<u>General Employees Retirement Fund</u>						
10/01/01	6,312,447	8,150,125	1,837,678	77.45%	3,127,313	58.76%
10/01/02	6,193,676	8,594,442	2,400,766	72.07%	3,076,493	78.04%
10/01/03	6,759,012	10,404,349	3,645,337	64.96%	3,443,843	105.85%
10/01/04	6,578,832	12,084,785	5,505,953	54.44%	4,275,981	128.76%
10/01/05	3,817,605	9,116,599	5,298,994	41.88%	3,220,258	164.55%
10/01/06	5,283,023	10,490,332	5,207,309	50.36%	3,680,960	141.47%
<u>Fire and Police Retirement Fund (1)</u>						
10/01/01	5,718,291	5,304,774	(413,517)	107.80%	1,517,524	-27.25%
10/01/02	5,963,256	6,565,654	602,398	90.83%	1,921,532	31.35%
10/01/03	6,635,342	7,616,168	980,826	87.12%	2,312,228	42.42%
10/01/04	6,771,959	8,546,754	1,774,795	79.23%	2,627,239	67.55%
10/01/05	7,600,134	8,692,747	1,092,613	87.43%	2,405,634	45.42%
10/01/06	8,312,363	10,294,848	1,982,485	80.74%	2,798,919	70.83%

Fire and Police Retirement Fund (1)

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Required Supplemental Information
September 30, 2007

Schedule of Employer and State Contributions

<u>Fiscal Year</u> <u>Ended</u> <u>September 30</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>State</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
<u>General Employees Retirement Fund</u>				
2002	430,411	467,750	N/A	108.7%
2003	502,855	503,220	N/A	100.1%
2004	523,127	524,000	N/A	100.2%
2005	662,237	662,237	N/A	100.0%
2006	1,007,695	1,007,695	N/A	100.0%
2007	866,069	873,872 (1)	N/A	100.9%
<u>Fire and Police Retirement Fund</u>				
2002	130,305	57,825	88,452	112.3%
2003	369,089	235,339	134,303	100.1%
2004	383,891	250,000	138,200	101.1%
2005	509,800	471,864	138,200	119.7%
2006	690,186	551,986	138,200	100.0%
2007	539,651	401,451 (1)	138,200	100.0%

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Trend Data
September 30, 2007

	General Employees Retirement Fund	Police and Retirement Fund
Contribution rates as of 9/30/06:		
Village	22.86%	24.59%
Plan Members	6.00%	2.00%
Actuarially Determined Contribution	1,007,695	551,986
Contributions Made	1,007,695	551,986
Valuation date	10/01/06	10/01/06
Actuarial Cost Method	Frozen Entry Age	Aggregate
Amortized Method	Level percent closed	N/A (1)
Remaining Amortization Period	30 years	N/A (1)
Asset Valuation Method	Difference between actual and expected return recognized over five years.	Five year smooth market
Administrative Costs	Expenses paid out of the fund other than investment related expenses are assumed to be equal to the average of actual expenses over the previous two years.	Expenses paid out of the fund other than investment related expenses are assumed to be equal to the average of actual expenses over the previous two years.
Actuarial Assumption:		
Investment rate of return *	8% up to retirement 5.25% thereafter.	8%
Projected salary increase *	5.5%	6%
*Includes inflation at	4%	4%
Cost of living adjustments	3% for those retired before 2/1/82 or who contribute an extra 2%.	3%

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

GENERAL FUND

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For the Year Ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ 15,247,998	\$ 15,247,998	\$ 15,577,511	\$ 329,513
Licenses and permits	1,177,000	1,177,000	880,266	(296,734)
Intergovernmental	1,299,619	1,299,619	1,465,713	166,094
Charges for services	1,140,975	1,140,975	1,082,569	(58,406)
Fines and forfeitures	121,913	121,913	132,158	10,245
Interest	381,750	381,750	650,022	268,272
Miscellaneous	19,378	36,478	194,716	158,238
Total revenues	<u>19,388,633</u>	<u>19,405,733</u>	<u>19,982,955</u>	<u>577,222</u>
Expenditures				
Current				
General government	2,364,459	2,394,179	2,277,831	116,348
Public safety	6,848,635	6,800,900	6,235,305	565,595
Public service	4,620,764	4,684,957	3,558,264	1,126,693
Community development & planning	894,425	914,992	735,155	179,837
Leisure services - recreation	2,583,356	2,641,415	2,356,971	284,444
Other government	169,139	115,170	26,823	88,347
Capital outlay	1,008,427	1,293,153	1,408,478	(115,325)
Debt service				
Principal payments	759,228	772,228	789,048	(16,820)
Interest paid on debt	190,200	223,908	207,088	16,820
Total expenditures	<u>19,438,633</u>	<u>19,840,902</u>	<u>17,594,963</u>	<u>2,245,939</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(50,000)</u>	<u>(435,169)</u>	<u>2,387,992</u>	<u>2,823,161</u>
Other financing sources (uses)				
Transfer out		(593,884)	(593,884)	
Total other financing sources (uses)		<u>(593,884)</u>	<u>(593,884)</u>	
Net change in fund balances	<u>\$ (50,000)</u>	<u>\$ (1,029,053)</u>	1,794,108	<u>\$ 2,823,161</u>
Fund Balances				
Beginning of year			7,331,442	
End of year			<u>\$ 9,125,550</u>	

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Budgetary
Required Supplementary Information (RSI)
General Fund
September 30, 2007

Note 1 - Basis of Accounting

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

OTHER SUPPLEMENTARY INFORMATION

GENERAL FUND

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Schedule of Departmental Expenditures - Budget and Actual
General Fund
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Percent Variance</u>
Village Council					
Personal services	\$ 43,633	\$ 43,633	\$ 42,236	\$ 1,397	3.20%
Operating expenses	89,820	89,820	85,482	4,338	4.83
Total Village Council	<u>133,453</u>	<u>133,453</u>	<u>127,718</u>	<u>5,735</u>	<u>4.30</u>
Village Manager					
Personal services	268,618	346,161	344,213	1,948	0.56
Operating expenses	26,050	12,050	11,836	214	1.78
Total Village Manager	<u>294,668</u>	<u>358,211</u>	<u>356,049</u>	<u>2,162</u>	<u>0.60</u>
Village Finance					
Personal services	424,076	382,632	363,479	19,153	5.01
Operating expenses	59,610	59,610	51,488	8,122	13.63
Total Village Finance	<u>483,686</u>	<u>442,242</u>	<u>414,967</u>	<u>27,275</u>	<u>6.17</u>
Village Attorney					
Operating expenses	<u>170,000</u>	<u>170,000</u>	<u>151,924</u>	<u>18,076</u>	<u>10.63</u>
Village Clerk					
Personal services	201,649	206,726	206,726		0.00
Operating expenses	37,855	36,345	19,891	16,454	45.27
Total Village Clerk	<u>239,504</u>	<u>243,071</u>	<u>226,617</u>	<u>16,454</u>	<u>6.77</u>
Information Technology					
Personal services	204,116	206,260	196,561	9,699	4.70
Operating expenses	28,600	28,600	23,731	4,869	17.02
Total Information Technology	<u>232,716</u>	<u>234,860</u>	<u>220,292</u>	<u>14,568</u>	<u>6.20</u>
Human Resources					
Personal services	178,145	180,055	175,119	4,936	2.74
Operating expenses	42,400	42,400	21,494	20,906	49.31
Contingencies	2,250	2,250		2,250	100.00
Total Human Resources	<u>222,795</u>	<u>224,705</u>	<u>196,613</u>	<u>28,092</u>	<u>12.50</u>
Police					
Personal services	3,870,301	3,794,798	3,508,052	286,746	7.56
Operating expenses	282,013	282,578	278,404	4,174	1.48
Total Police	<u>4,152,314</u>	<u>4,077,376</u>	<u>3,786,456</u>	<u>290,920</u>	<u>7.13</u>
Fire Rescue					
Personal services	2,371,595	2,398,798	2,145,978	252,820	10.54
Operating expenses	197,421	190,806	168,951	21,855	11.45
Total Fire Rescue	<u>2,569,016</u>	<u>2,589,604</u>	<u>2,314,929</u>	<u>274,675</u>	<u>10.61</u>
Public Works / Streets and Grounds					
Personal services	302,871	305,756	261,123	44,633	14.60
Operating expenses	31,900	34,385	19,760	14,625	42.53
Total Public Works	<u>334,771</u>	<u>340,141</u>	<u>280,883</u>	<u>59,258</u>	<u>17.42</u>

(Continued)

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Schedule of Departmental Expenditures - Budget and Actual
General Fund
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Percent Variance</u>
(Continued)					
Building					
Personal services	\$ 388,313	\$ 391,704	\$ 348,195	\$ 43,509	11.11%
Operating expenses	81,300	77,062	39,045	38,017	49.33
Total Public Works	<u>469,613</u>	<u>468,766</u>	<u>387,240</u>	<u>81,526</u>	<u>17.39</u>
Sanitation					
Personal services	1,418,661	1,435,990	1,305,287	130,703	9.10
Operating expenses	398,960	398,960	262,935	136,025	34.09
Total Sanitation	<u>1,817,621</u>	<u>1,834,950</u>	<u>1,568,222</u>	<u>266,728</u>	<u>14.54</u>
Facility Services					
Personal services	347,815	352,938	305,679	47,259	13.39
Operating expenses	208,865	216,540	187,432	29,108	13.44
Total Facility Services	<u>556,680</u>	<u>569,478</u>	<u>493,111</u>	<u>76,367</u>	<u>13.41</u>
Street Maintenance					
Personal services	787,178	798,747	683,609	115,138	14.41
Operating expenses (1)	813,083	813,083	722,574	90,509	11.13
Total Street Maintenance	<u>1,600,261</u>	<u>1,611,830</u>	<u>1,406,183</u>	<u>205,647</u>	<u>12.76</u>
Park Maintenance					
Personal services	510,289	519,813	507,090	12,723	2.45
Operating expenses	117,916	117,916	71,816	46,100	39.10
Total Park Maintenance	<u>628,205</u>	<u>637,729</u>	<u>578,906</u>	<u>58,823</u>	<u>9.22</u>
Development, Licensing & Code Admin.					
Personal services	356,612	359,588	289,435	70,153	19.51
Operating expenses	68,200	86,638	58,481	28,157	32.50
Total Development, Licensing & Code	<u>424,812</u>	<u>446,226</u>	<u>347,916</u>	<u>98,310</u>	<u>22.03</u>
Vehicle Maintenance					
Personal services	284,616	288,794	225,100	63,694	22.06
Operating expenses	26,815	26,815	23,696	3,119	11.63
Total Vehicle Maintenance	<u>311,431</u>	<u>315,609</u>	<u>248,796</u>	<u>66,813</u>	<u>21.17</u>
Reserves					
Contingency	169,139	128,119	40,977	87,142	68.02
Total Reserves	<u>169,139</u>	<u>128,119</u>	<u>40,977</u>	<u>87,142</u>	<u>68.02</u>
Leisure Services-Recreation					
Personal services	604,732	612,972	576,903	36,069	5.88
Operating expenses (2)	286,059	287,320	273,413	13,907	4.84
Total Leisure Services-Recreation	<u>890,791</u>	<u>900,292</u>	<u>850,316</u>	<u>49,976</u>	<u>5.55</u>
Library					
Personal services	611,874	613,484	528,802	84,682	13.80
Operating expenses	100,940	134,061	134,277	(216)	(0.16)
Total Library	<u>712,814</u>	<u>747,545</u>	<u>663,079</u>	<u>84,466</u>	<u>11.30</u>

(Continued)

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Schedule of Departmental Expenditures - Budget and Actual
General Fund
For the Year Ended September 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Percent Variance</u>
(Continued)					
Pool					
Personal services	\$ 191,643	\$ 192,720	\$ 190,168	\$ 2,552	1.32%
Operating expenses	78,603	78,603	44,576	34,027	43.29
Total Pool	<u>270,246</u>	<u>271,323</u>	<u>234,744</u>	<u>36,579</u>	<u>13.48</u>
Debt Service	<u>949,428</u>	<u>996,136</u>	<u>996,136</u>		
Other					
Operating expenses	714,942	721,557	717,571	3,986	0.55
	<u>714,942</u>	<u>721,557</u>	<u>717,571</u>	<u>3,986</u>	<u>0.55</u>
Non-Departmental					
Operating expenses	81,300	84,526	84,525	1	
	<u>81,300</u>	<u>84,526</u>	<u>84,525</u>	<u>1</u>	
Capital Outlay					
Finance	9,000	1,500	1,492	8	0.53
Information Technology	49,000	17,000	16,448	552	3.25
Human Resources	9,000	9,000	7,782	1,218	13.53
Police	203,327	220,427	207,063	13,364	6.06
Fire Rescue	2,500	2,500	2,500		
Building	12,500	25,519	22,596	2,923	11.45
Sanitation	135,000	155,000	145,068	9,932	6.41
Development, Licensing, & Code Admin.	5,500	5,500	1,647	3,853	70.05
Street Maintenance (1)	40,000	135,259	121,401	13,858	10.25
Park Maintenance	252,000	421,150	118,777	302,373	71.80
Vehicle Maintenance	46,000	46,000	44,522	1,478	3.21
Leisure Services	57,000	68,300	47,566	20,734	30.36
Pool	83,600	83,600	77,084	6,516	7.79
Library (2)	91,000	91,000	85,170	5,830	6.41
Other		1,624		1,624	100.00
Non-Departmental	13,000	9,774	1,677	8,097	82.84
Total Capital outlay	<u>1,008,427</u>	<u>1,293,153</u>	<u>900,793</u>	<u>392,360</u>	<u>30.34</u>
Total expenditures	<u>\$ 19,438,633</u>	<u>\$ 19,840,902</u>	<u>\$ 17,594,963</u>	<u>\$ 2,245,939</u>	<u>11.32%</u>

(1) Adjusted for \$453,085 of capital expenditures budgeted under operating expenditures.

(2) Adjusted for \$54,600 of capital expenditures budgeted under operating expenditures.

COMBINING FINANCIAL STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

Capital Projects Fund

Special Revenue Funds

Public Safety Fund

Northlake Boulevard Fund

Recreation Fund

On-Behalf Pension Contributions

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2007

	Capital Projects Fund	Special Revenue Funds			On-Behalf Pension Contributions	Total Nonmajor Governmental Funds
		Public Safety Fund	Northlake Boulevard Fund	Recreation Fund		
Assets						
Cash and cash equivalents	\$ 674,237	\$	\$	\$ 268,501	\$	\$ 942,738
Due from other governments	380,629			64,574	325,962	771,165
Total assets	<u>\$ 1,054,866</u>	<u>\$</u>	<u>\$</u>	<u>\$ 333,075</u>	<u>\$ 325,962</u>	<u>\$ 1,713,903</u>
Liabilities						
Accounts Payable	\$ 1,005	\$	\$	\$ 12,470	\$ 325,962	\$ 339,437
Due to other funds			31,094			31,094
Deferred Revenue	380,629			64,574		445,203
Total liabilities	<u>381,634</u>	<u></u>	<u>31,094</u>	<u>77,044</u>	<u>325,962</u>	<u>815,734</u>
Fund balances						
Unreserved						
Undesignated	673,232		(31,094)	256,031		898,169
Total fund balances (Deficit)	<u>673,232</u>	<u></u>	<u>(31,094)</u>	<u>256,031</u>	<u></u>	<u>898,169</u>
Total liabilities and fund balances	<u>\$ 1,054,866</u>	<u>\$</u>	<u>\$</u>	<u>\$ 333,075</u>	<u>\$ 325,962</u>	<u>\$ 1,713,903</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2007

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Capital Projects Fund	Public Safety Fund	Northlake Boulevard Fund	Recreation Fund	On-Behalf Pension Contributions	
Revenues						
Intergovernmental revenues	\$ 872,206	\$ 48,534	\$ 37,606	\$	\$ 325,962	\$ 1,284,308
Total revenues	<u>872,206</u>	<u>48,534</u>	<u>37,606</u>	<u>\$</u>	<u>325,962</u>	<u>1,284,308</u>
Expenditures						
Current						
Public safety		48,534			325,962	374,496
Leisure Services				73,432		73,432
Capital outlay	1,085,090		68,700	175,537		1,329,327
Total expenditures	<u>1,085,090</u>	<u>48,534</u>	<u>68,700</u>	<u>248,969</u>	<u>325,962</u>	<u>1,777,255</u>
Excess of revenues over (under) expenditures	<u>(212,884)</u>	<u></u>	<u>(31,094)</u>	<u>(248,969)</u>	<u></u>	<u>(492,947)</u>
Other financing sources (uses)						
Transfers in	488,884			105,000		593,884
Total other financing sources (uses)	<u>488,884</u>	<u></u>	<u></u>	<u>105,000</u>	<u></u>	<u>593,884</u>
Net changes in fund balances	276,000		(31,094)	(143,969)		100,937
Fund balances - Beginning	<u>397,232</u>	<u></u>	<u></u>	<u>400,000</u>	<u></u>	<u>797,232</u>
Fund balances - Ending (Deficit)	<u>\$ 673,232</u>	<u>\$</u>	<u>\$ (31,094)</u>	<u>\$ 256,031</u>	<u>\$</u>	<u>\$ 898,169</u>

FIDUCIARY FUNDS

Pension Trust Funds

Volunteer Fire Pension Trust Fund

General Employees Pension Trust Fund

Fire and Police Officers Pension Trust Fund

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Combining Statement of Net Assets - Fiduciary Funds
September 30, 2007

	Volunteer Fire Pension	General Employees Pension	Fire and Police Officers Pension	Total Employee Retirement Funds
ASSETS				
Cash and cash equivalents	\$	\$ 119,831	\$ 793,662	\$ 913,493
Investments:				
Corporate stock			6,599,258	6,599,258
U.S. Government and agency securities			1,263,951	1,263,951
Corporate bonds			864,456	864,456
Asset backed securities			1,023,528	1,023,528
Equity mutual funds		876,517		876,517
Common trust funds		5,735,814		5,735,814
Fixed annuity funds	67,005			67,005
Equity annuity funds	8,285			8,285
Accrued interest and dividends		379	50,154	50,533
Accounts Receivable		58,522	469,917	528,439
Total assets	<u>75,290</u>	<u>6,791,063</u>	<u>11,064,926</u>	<u>17,931,279</u>
LIABILITIES				
Deferred village contributions			138,200	138,200
Total liabilities			<u>138,200</u>	<u>138,200</u>
Net Assets				
Held in trust for pension benefits	<u>\$ 75,290</u>	<u>\$ 6,791,063</u>	<u>\$ 10,926,726</u>	<u>\$ 17,793,079</u>

(1) A schedule of funding progress for the General Employees and Fire and Police Officers plans is presented on page 61.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Combining Statement of Changes in Net Assets
Employee Retirement Funds
For the Year Ended September 30, 2007

	<u>Volunteer Fire Pension</u>	<u>General Employees Pension</u>	<u>Fire and Police Officers Pension</u>	<u>Total Employee Retirement Funds</u>
Additions:				
Contributions:				
Village	\$ 4,537	\$ 987,440	\$ 457,841	\$ 1,449,818
State of Florida			325,962	325,962
Plan members		171,126	62,952	234,078
Total contributions	<u>4,537</u>	<u>1,158,566</u>	<u>846,755</u>	<u>2,009,858</u>
Investment income:				
Interest and dividends	3,062	19,584	321,803	344,449
Net appreciation in fair value of investments	530	733,250	887,877	1,621,657
Investment expense		(42,488)	(45,741)	(88,229)
Total investment income	<u>3,592</u>	<u>710,346</u>	<u>1,163,939</u>	<u>1,877,877</u>
Total additions	<u>8,129</u>	<u>1,868,912</u>	<u>2,010,694</u>	<u>3,887,735</u>
Deductions:				
Administration	2,987	10,872	93,783	107,642
Benefits		227,092	398,466	625,558
Total deductions	<u>2,987</u>	<u>237,964</u>	<u>492,249</u>	<u>733,200</u>
Net increase (decrease)	5,142	1,630,948	1,518,445	3,154,535
Net assets held in trust for pension benefits, Beginning of year	<u>70,148</u>	<u>5,160,115</u>	<u>9,408,281</u>	<u>14,638,544</u>
Net assets held in trust for pension benefits, End of year	<u>\$ 75,290</u>	<u>\$ 6,791,063</u>	<u>\$ 10,926,726</u>	<u>\$ 17,793,079</u>

AGENCY FUNDS

*Manatee Protection Agency
Northlake Boulevard Task Force*

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Combining Statement of Agency Net Assets
September 30, 2007

	Agency Funds		
	Manatee Protection Agency	Northlake Boulevard Task Force	Total Agency Funds
ASSETS			
Cash and cash equivalents	\$ 263,028	\$ 66,521	\$ 329,549
 LIABILITIES			
Due to others	\$ 263,028	\$ 66,521	\$ 329,549

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Combining Schedule of Changes in Agency Net Assets and Liabilities
For the Year Ended September 30, 2007

	<u>October 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>September 30, 2007</u>
<u>Manatee Protection Agency</u>				
Assets				
Cash and cash equivalents	\$ 249,863	\$ 13,165	\$	\$ 263,028
Liabilities				
Due to others	\$ 249,863	\$ 13,165	\$	\$ 263,028
<u>Northlake Boulevard Task Force</u>				
Assets				
Cash and cash equivalents	\$ 54,907	\$ 28,714	\$ 17,100	\$ 66,521
Liabilities				
Due to others	\$ 54,907	\$ 28,714	\$ 17,100	\$ 66,521
<u>Total All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 304,770	\$ 24,779	\$ 17,100	\$ 312,449
Total assets	\$ 304,770	\$ 24,779	\$ 17,100	\$ 312,449
Liabilities				
Due to others	\$ 304,770	\$ 41,879	\$ 17,100	\$ 329,549

PROPRIETARY FUND
(ENTERPRISE FUND)

Country Club Fund

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Schedule of Departmental Expenses - Budget and Actual
Country Club Fund - Budgetary Basis
For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Percent Variance
Golf Maintenance					
Personal services	\$ 802,335	\$ 802,335	\$ 837,596	\$ (35,261)	-4.39%
Operating expenses	537,732	537,732	542,173	(4,441)	-0.83
Capital outlay	99,100	99,100		99,100	100.00
Total Golf Maintenance	<u>1,439,167</u>	<u>1,439,167</u>	<u>1,379,769</u>	<u>59,398</u>	<u>4.13</u>
Golf Pro Shop and Range					
Personal services	357,245	357,245	329,742	27,503	7.70
Operating expenses	467,054	467,054	336,010	131,044	28.06
Capital outlay	10,000	10,000	2,931	7,069	70.69
Total Golf Pro Shop and Range	<u>834,299</u>	<u>834,299</u>	<u>668,683</u>	<u>165,616</u>	<u>19.85</u>
Tennis					
Personal services	95,501	95,501	103,838	(8,337)	(8.73)
Operating expenses	88,136	88,136	218,579	(130,443)	(148.00)
Total Tennis	<u>183,637</u>	<u>183,637</u>	<u>322,417</u>	<u>(138,780)</u>	<u>(75.57)</u>
Food and Beverage					
Operating expenses	37,605	37,605	50,089	(12,484)	-33.20
Capital outlay	15,000	15,000	4,250	10,750	71.67
Total Food and Beverage	<u>52,605</u>	<u>52,605</u>	<u>54,339</u>	<u>(1,734)</u>	<u>(3.30)</u>
Administration					
Personal services	181,398	181,398	185,290	(3,892)	-2.15
Operating expenses	90,309	90,309	72,534	17,775	19.68
Capital outlay	7,643	7,643	91,095	(83,452)	-1091.87
Total Administration	<u>279,350</u>	<u>279,350</u>	<u>348,919</u>	<u>(69,569)</u>	<u>-24.90</u>
Clubhouse and Grounds					
Personal services	113,238	113,238	88,075	25,163	22.22
Operating expenses	71,457	71,457	70,148	1,309	1.83
Capital outlay	6,500	6,500	132,627	(126,127)	(1940.42)
Total Clubhouse and Grounds	<u>191,195</u>	<u>191,195</u>	<u>290,850</u>	<u>(99,655)</u>	<u>(52.12)</u>
Insurance and General Liability					
Operating expenses	<u>100,000</u>	<u>100,000</u>	<u>100,608</u>	<u>(608)</u>	<u>(0.61)</u>
Reserves					
Operating	7,000	7,000	12,688	(5,688)	(81.26)
Contingency	283,934	283,934	49,319	234,615	82.63
Total Reserves	<u>290,934</u>	<u>290,934</u>	<u>62,007</u>	<u>228,927</u>	<u>78.69</u>
 Total expenses on the budgetary basis	 <u>\$ 3,371,187</u>	 <u>\$ 3,371,187</u>	 3,227,592	 <u>\$ 143,595</u>	 <u>4.26%</u>
Adjustments to reconcile to the GAAP Basis					
Less capital outlay costs capitalized			(235,971)		
Add depreciation expense			391,954		
Total operating expenses			<u>\$ 3,383,575</u>		

STATISTICAL SECTION

STATISTICAL SECTION

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

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<i>These schedules contain trend information to help the reader understand how the Village's financial performance and well-being have changed over time. These schedules include:</i>	
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Revenue Capacity	
<i>These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax.</i>	
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Property Tax Levies and Collections	84
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<i>These schedules present information to help the reader assess the affordability of the Village's current levels of outstanding debt and the Village's ability to issue additional debt in the future.</i>	
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<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village's financial activities take place.</i>	
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<i>These schedules contain service and infrastructure data to help understand how the information in the Village's financial report relates to the services the Village provides and the activities it performs.</i>	
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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental Activities:					
Invested in capital assets, net of related debt	\$ 3,563,142	\$ 3,762,961	\$ 3,535,596	\$ 8,118,773	\$ 10,543,788
Restricted	613,459	470,155	19,828	154,073	113,269
Unrestricted	2,350,342	3,527,865	6,654,989	7,143,452	9,281,170
Total governmental activities net assets	<u>6,526,943</u>	<u>7,760,981</u>	<u>10,210,413</u>	<u>15,416,298</u>	<u>19,938,227</u>
Business-Type Activities:					
Invested in capital assets, net of related debt	2,165,529	2,131,367	1,919,194	1,999,123	2,195,630
Restricted					
Unrestricted	(65,937)	(5,195)	270,374	415,865	151,005
Total business-type activities net assets	<u>2,099,592</u>	<u>2,126,172</u>	<u>2,189,568</u>	<u>2,414,988</u>	<u>2,346,635</u>
Primary government:					
Invested in capital assets, net of related debt	5,728,671	5,894,328	5,454,790	10,117,896	12,739,418
Restricted	613,459	470,155	19,828	154,073	113,269
Unrestricted	2,284,405	3,522,670	6,925,363	7,559,317	9,432,175
Total primary government net assets	<u>\$ 8,626,535</u>	<u>\$ 9,887,153</u>	<u>\$ 12,399,981</u>	<u>\$ 17,831,286</u>	<u>\$ 22,284,862</u>

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

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

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses					
Governmental activities:					
General government	\$ 2,781,333	\$ 3,174,460	\$ 2,127,009	\$ 1,784,528	2,698,187
Public safety	5,195,338	5,294,399	6,038,846	7,036,117	6,671,490
Public works	3,482,975	3,549,178	5,091,305	4,131,500	3,733,815
Community development and planning	-	-	-	657,112	737,165
Leisure services	1,539,771	1,280,483	1,635,784	2,562,627	2,781,658
Other government	-	-	842,561	2,049	-
Interest on long-term debt	128,507	40,580	151,233	241,995	204,666
Total governmental activities expenses	<u>13,127,924</u>	<u>13,339,100</u>	<u>15,886,738</u>	<u>16,415,928</u>	<u>16,826,981</u>
Business-type activities:					
Country club	2,676,883	2,567,690	2,607,712	2,124,927	3,570,683
Total business-type activities	<u>2,676,883</u>	<u>2,567,690</u>	<u>2,607,712</u>	<u>2,124,927</u>	<u>3,570,683</u>
Total primary government expenses	<u>\$ 15,804,807</u>	<u>\$ 15,906,790</u>	<u>\$ 18,494,450</u>	<u>\$ 18,540,855</u>	<u>\$ 20,397,664</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 342,936	\$ 355,118	\$ 285,386	\$ 158,160	\$ 122,455
Public safety	258,723	273,391	329,081	388,671	345,731
Public services	727,016	895,291	1,326,820	140,923	217,975
Community development and planning	-	-	-	1,175,252	938,188
Leisure services	174,589	147,773	78,475	528,983	496,679
Other government	-	-	-	-	-
Operating grants and contributions	82,134	89,362	1,392,729	998,573	170,389
Capital grants and contributions	102,560	-	-	462,394	1,454,526
Total governmental activities program revenues	<u>1,687,958</u>	<u>1,760,935</u>	<u>3,412,491</u>	<u>3,852,956</u>	<u>3,745,943</u>
Business-type activities:					
Charges for services:					
Country club	2,510,258	2,548,259	2,658,468	2,167,089	3,463,524
Operating grants and contributions	-	-	-	68,883	-
Capital grants and contributions	10,000	-	-	-	-
Total business-type activities program revenues	<u>2,520,258</u>	<u>2,548,259</u>	<u>2,658,468</u>	<u>2,235,972</u>	<u>3,463,524</u>
Total primary government program revenues	<u>\$ 4,208,216</u>	<u>\$ 4,309,194</u>	<u>\$ 6,070,959</u>	<u>\$ 6,088,928</u>	<u>\$ 7,209,467</u>

(continued)

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

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Net (Expense)/Revenue					
Governmental activities	\$ (11,439,966)	\$ (11,578,165)	\$ (12,474,247)	\$ (12,562,972)	\$ (13,081,041)
Business-type activities	(156,625)	(19,431)	50,756	111,045	(107,159)
Total primary government net expense	<u>\$ (11,596,591)</u>	<u>\$ (11,597,596)</u>	<u>\$ (12,423,491)</u>	<u>\$ (12,451,927)</u>	<u>\$ (13,188,200)</u>
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Property taxes	\$ 6,365,000	\$ 8,451,783	\$ 10,070,977	\$ 10,881,501	\$ 12,076,184
Local option gas taxes	-	-	-	307,043	292,332
Utility service taxes	1,755,153	1,830,339	1,955,403	2,001,164	2,001,443
Franchise taxes	890,285	861,708	890,297	1,150,974	1,207,552
Sales and use taxes	1,148,210	1,230,803	1,277,124	1,415,917	1,339,893
Unrestricted grants and contributions	276,302	291,710	421,254	-	-
Investment earnings	75,023	53,600	196,699	477,420	650,022
Miscellaneous	54,875	92,260	111,927	53,264	8,836
Contributions for Support Our Troops	-	-	-	-	15,502
Transfers	-	-	-	36,445	5,111
Total governmental activities	<u>10,564,848</u>	<u>12,812,203</u>	<u>14,923,681</u>	<u>16,323,728</u>	<u>17,596,875</u>
Business-type activities:					
Investment earnings	4,586	3,450	12,640	112,841	43,917
Miscellaneous	99,553	42,560	-	-	-
Transfers	-	-	-	(36,445)	(5,111)
Total business-type activities	<u>104,139</u>	<u>46,010</u>	<u>12,640</u>	<u>76,396</u>	<u>38,806</u>
Total primary government	<u>\$ 10,668,987</u>	<u>\$ 12,858,213</u>	<u>\$ 14,936,321</u>	<u>\$ 16,400,124</u>	<u>\$ 17,635,681</u>
Change in net assets					
Governmental activities	\$ (875,118)	\$ 1,234,038	\$ 2,449,434	\$ 3,760,756	\$ 4,515,834
Business-type activities	(52,486)	26,579	63,396	187,441	(68,353)
Total primary government	<u>\$ (927,604)</u>	<u>\$ 1,260,617</u>	<u>\$ 2,512,830</u>	<u>\$ 3,948,197</u>	<u>\$ 4,447,481</u>

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

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund					
Reserved	\$ 354,396	\$ 218,882	\$ 197,163	\$ 308,836	\$ 945,891
Unreserved	1,654,593	2,883,855	5,771,684	7,022,606	8,179,659
Total general fund	<u>\$ 2,008,989</u>	<u>\$ 3,102,737</u>	<u>\$ 5,968,847</u>	<u>\$ 7,331,442</u>	<u>\$ 9,125,550</u>
All other Governmental Funds					
Reserved	\$ 613,459	\$ 470,155	\$ 19,828	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	-	-	-	400,000	224,937
Capital projects funds	-	-	-	397,233	673,232
Total all other governmental funds	<u>\$ 613,459</u>	<u>\$ 470,155</u>	<u>\$ 19,828</u>	<u>\$ 797,233</u>	<u>\$ 898,169</u>

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

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

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

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

Fiscal Year Ended Sept 30	Tax Role Year	Real Property			Total Net Market - Assessed Value	Total Direct Tax Rate
		Residential Property	Commercial Property	Personal Property		
1998	1997	620,048,032	97,758,105	35,879,717	753,685,854	5.40
1999	1998	625,385,715	109,456,299	35,742,548	770,584,562	5.60
2000	1999	653,605,011	113,851,156	36,071,964	803,528,131	5.60
2001	2000	745,237,484	122,793,250	40,169,760	908,200,494	5.75
2002	2001	823,286,154	124,216,202	42,791,419	990,293,775	5.60
2003	2002	963,091,506	128,216,552	44,276,499	1,135,584,557	5.80
2004	2003	1,092,433,722	147,927,933	44,914,124	1,285,275,779	6.80
2005	2004	1,180,028,585	208,240,338	49,767,286	1,438,036,209	7.27
2006	2005	1,441,249,707	179,827,665	44,422,817	1,665,500,189	6.80
2007	2006	1,700,678,282	235,776,768	45,084,335	1,981,539,385	6.30

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

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

Source: Palm Beach County Property Appraiser

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

Fiscal Year	Tax Roll Year	Village of N. Palm Beach General Operations	Overlapping Rates (1)			Total Direct and Overlapping Rates
			Palm Beach County School District	Palm Beach County	Special Districts	
1998	1997	5.400	9.557	4.867	2.360	22.184
1999	1998	5.600	9.682	4.858	2.234	22.374
2000	1999	5.600	8.918	4.936	2.262	21.716
2001	2000	5.750	8.918	4.936	2.263	21.867
2002	2001	5.600	8.948	4.935	2.456	21.939
2003	2002	5.800	8.779	4.808	2.488	21.875
2004	2003	6.800	8.571	4.791	2.556	22.718
2005	2004	7.270	8.432	4.768	2.526	22.996
2006	2005	6.800	8.106	4.719	2.504	22.129
2007	2006	6.300	7.870	4.480	2.325	20.975

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

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

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

VILLAGE OF NORTH PALM BEACH

PRINCIPAL PROPERTY TAX PAYERS

CURRENT YEAR AND 1998

Unaudited

<u>Taxpayers</u>	<u>2007</u>			<u>1998</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Village Net Taxable Assessed Value</u>	<u>Taxable Assessed Value 1999</u>	<u>Rank</u>	<u>Percentage of Total Village Net Taxable Assessed Value</u>
Domani Development, LLC	\$ 19,818,175	1	1.00%	\$		
Crystal Tree NPB	17,681,121	2	0.89%			
Olen Residential Realty	16,800,000	3	0.85%	10,732,383	1	1.41%
CF02 Palm Beach III LP	14,273,652	4	0.72%			
Sanctuary Bay Trust Corporation	13,200,300	5	0.67%			
Greater Fla Inv Co &	11,080,697	6	0.56%			
Village Shoppers at US 1 LLC	9,325,955	7	0.47%			
Riverside National Bank of Florida	8,058,994	8	0.41%			
Old Port Cove Holding, Inc	7,702,923	9	0.39%			
PaineWebber Equity Partners 1				7,600,000	2	1.00%
MacArthur, John D. & Catherine				6,110,455	3	0.80%
Community Federal Savings & Loan Assoc				6,088,124	4	0.80%
Greater Fla Investment Company				5,840,000	5	0.77%
Northlake Storage, LLC	5,655,868	10	0.29%			
U.S. Technology Trading, Ltd.				3,600,000	6	0.47%
Morse, Edward J., Inc				3,514,096	7	0.46%
MacArthur, J.D. & Catherine T				2,940,000	8	0.39%
American Property Investors IX				2,898,101	9	0.38%
DeSantis, Conrad J. R				2,787,181	10	0.37%
Total	\$ 123,597,685		6.25%	\$ 52,110,340		6.85%

Source: Palm Beach Country Appraiser

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

VILLAGE OF NORTH PALM BEACH
PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN CALENDAR YEARS

Unaudited

Fiscal Year Ending Sept 30,	Tax Roll Year	Total Taxes Levied for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percent of Levy		Amount	Percent of Levy
1998	1997	4,105,193	3,961,574	96.50%	5,861	3,967,435	96.64%
1999	1998	4,327,943	4,166,035	96.26%	6,721	4,172,756	96.41%
2000	1999	4,512,027	4,335,668	96.09%	23,074	4,358,742	96.60%
2001	2000	5,196,021	5,013,269	96.48%	4,687	5,017,956	96.57%
2002	2001	5,562,239	5,357,206	96.31%	12,175	5,369,381	96.53%
2003	2002	6,597,909	6,359,478	96.39%	5,522	6,365,000	96.47%
2004	2003	8,825,061	8,441,383	95.65%	10,401	8,451,784	95.77%
2005	2004	10,463,873	10,059,478	96.14%	9,476	10,068,954	96.23%
2006	2005	11,329,648	10,690,869	94.36%	172,744	10,863,613	95.89%
2007	2006	12,624,307	11,802,457	93.49%	228,352	12,030,809	95.30%

Source: Palm Beach Country Property Appraiser

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

Fiscal Year Ended <u>September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		Percent of Personal Income (1)	Per Capita (1)
	<u>Loans Payable</u>	<u>Capital Leases</u>	<u>Loans Payable</u>	<u>Total</u>		
1998	5,550,000	419,498	440,000	6,409,498	N/A	N/A
1999	5,795,386	360,592	398,179	6,554,157	N/A	520.92
2000	5,481,150	298,552	280,000	6,059,702	11.33%	502.30
2001	8,067,736	245,059	785,781	9,098,576	N/A	745.91
2002	7,334,853	736,967	651,058	8,722,878	N/A	715.11
2003	6,947,633	587,792	513,472	8,048,897	N/A	659.85
2004	6,376,387	433,855	411,573	7,221,815	N/A	592.05
2005	5,754,677	275,840	454,131	6,484,648	N/A	513.31
2006	4,941,765	209,224	5,185,978	10,336,967	17.20%	786.20
2007	4,280,842	81,100	5,026,895	9,388,837	14.67%	715.61

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

(1) See the Schedule of Demographic and Economic Statistics on page 88 for personal income and population data.

N/A Data not available.

VILLAGE OF NORTH PALM BEACH
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2007

<u>Government Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the Village of North Palm Beach (1)</u>	<u>Amount Applicable to the Village of North Palm Beach</u>
Debt repaid with property taxes:			
Palm Beach County	\$ 313,515,000	1.24%	\$ 3,887,586
Palm Beach County School Board	27,765,000	1.24%	344,286
Other Debt:			
Palm Beach County	686,134,000	1.24%	8,508,062
Palm Beach County School Board	38,580,000	1.24%	478,392
Subtotal, Overlapping Debt			13,218,326
Village of North Palm Beach Direct Debt		100%	<u>4,361,942</u>
Total Direct and Overlapping Debt			<u><u>\$ 17,580,268</u></u>

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

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

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

VILLAGE OF NORTH PALM BEACH
Pledged - Revenue Coverage
Country Club Bonds
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenue</u>	<u>Debt Service</u>	<u>Coverage (3)</u>
(4)					
2006	\$ 2,348,813	\$ 1,910,640	\$ 438,173	\$ 106,936	4.10 (4)
2007	3,507,441	2,991,621	515,820	392,505	1.31

(1) Gross revenue includes interest revenue.

(2) Operating expenses excludes depreciation.

(3) Coverage should be not less than 1.00.

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

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

Calendar Year	Population (1)	Median Personal Income <i>(thousands of dollars) (1)</i>	Per Capita Personal Income (1)	Palm Beach County Unemployment Rate (2)
1998	-	-	-	5.8
1999	12,582			5.3
2000	12,064	53,488	44,869	4.2
2001	12,198	-	-	5.0
2002	12,198	-	-	6.0
2003	12,198	-	-	5.6
2004	12,198	-	-	5.0
2005	12,633	-	-	4.0
2006 (estimate)	13,148	60,101	46,726	3.3
2007 (estimate)	13,120	63,984	42,224	4.1

Sources: Business Development Board
US Census Bureau

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

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

<u>Employer</u>	<u>2007</u>			<u>1998</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>		<u>Employees</u>	<u>Percentage of Total Employment</u>
School Board	21,707	3.36%	School Board	16,800	3.23%
Palm Beach County	11,293	1.75%	Palm Beach County	9,000	1.73%
Tenet Healthcare Corp	4,500	0.70%	State Government	8,700	1.67%
Hospital Corp of America	3,411	0.53%	Pratt & Whitney Aircraft	5,100	0.98%
Florida Power & Light	3,250	0.50%	Columbia Palm Beach Health System	4,000	0.77%
Florida Atlantic University	2,923	0.45%	Intracoastal Health Systems, Inc.	3,200	0.62%
The Breakers	2,300	0.36%	Flo Sun, Inc	2,500	0.48%
Office Depot (Headquarters)	2,180	0.34%	Florida Power & Light	2,300	0.44%
Boca Raton Community Hosp	1,860	0.29%	Motorola, Inc	2,300	0.44%
U.S. Sugar Corporation	<u>1,800</u>	<u>0.28%</u>	Boca Raton Community Hospital	<u>2,000</u>	<u>0.38%</u>
Total	<u><u>55,224</u></u>	<u><u>8.56%</u></u>		<u><u>55,900</u></u>	<u><u>10.74%</u></u>

Source: Business Development Board of Palm Beach County

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

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

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

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

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

** Information is not available prior to fiscal year 2000

Source: Village of North Palm Beach Budget Report

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

FUNCTION/PROGRAM	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
GENERAL GOVERNMENT										
Number of Residential Units	-	-	7,349	-	-	-	-	-	-	7,564
PUBLIC WORKS										
Street Maintenance (No. of lane miles maintained)	31,155	31,155	31,155	31,155	31,155	31,155	31,155	31,155	31,155	31
Sanitation (Tons of Refuse Collected)	-	-	-	11,633	12,996	13,136	18,842	14,037	13,203	12,085
No. of collection units for solid waste (residential)	7,072	7,027	7,019	7,241	7,328	7,434	7,470	7,519	7,558	7,564
Number of vehicles maintained	93	93	93	93	95	95	95	95	95	104
Number of repair overlays completed	-	-	0.662	0.662	2.840	3.787	5.587	2.462	2.935	2
PUBLIC SAFETY										
Number of arrests by police officers	234	161	272	381	246	320	315	331	410	545
Number of traffic citations issued	2,055	3,129	5,506	6,502	3,936	2,564	3,110	5,743	4,272	4,269
EMS average response times (minutes)	-	4.00	3.04	5.43	3.33	2.94	4.42	3.98	4.69	5
Number of EMS calls	-	503	744	812	853	922	1,066	965	1,056	1,034
COMMUNITY DEVELOPMENT & PLANNING										
Building Department - Number of Permits	135	121	251	278	205	224	201	201	(2)	1,875
Number of code enforcement violations	-	-	-	-	-	-	-	-	1,767	1,617
Number of code violations brought to board (Calendar Yr End)	-	-	-	-	101	120	145	165	144	59
RECREATION										
Number of community events presented	12	13	13	13	13	14	15	22	21	24
Number of registrants in athletic programs	1,925	2,085	2,100	2,185	2,185	1,750	1,575	1,400	1,520	1,600
LIBRARY										
Library - Number of Volumes	41,908	42,637	44,686	45,700	47,339	47,960	47,531	54,074	47,371	42,372
OTHER GOVERNMENT										
Country Club										
Number of Golf Members	-	-	-	-	-	-	-	-	365	579
Number of Tennis Members	-	-	-	-	-	-	-	-	136	171

(1) Available information for fiscal years 1998 through 2007 is presented
(2) An accurate number of building permits issued for 2006 is not available - computer systems crash

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

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

Function/Program:	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government										
No. of General Government Buildings	12	12	11	11	11	11	11	11	11	11
Public Works										
Square Miles	5.18	5.18	5.18	5.18	5.18	5.18	5.18	5.18	5.18	5.18
Miles of Streets	36.00	36.00	36.00	36.00	36.00	36.00	36.00	36.00	36.00	36.00
Number of Street Lights	425	425	425	425	425	425	425	425	425	425
Public Safety										
Fire:										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Number of Substations	-	-	-	0	0	0	1	1	1	1
Number of Fireman & Officers	5	5	5	5	8	8	8	8	-	-
Number of Fireman/Paramedics	-	-	-	-	-	-	-	-	23	23
Police/EMS Protection:										
Number of Stations	2	2	2	2	2	1	1	1	1	1
Number of Substations	-	-	-	0	0	1	1	1	1	1
Number of Policemen & Officers	41	41	56	56	33	35	35	35	33	32
EMS Protection	12	12	12	12	13	13	13	13	-	0
Leisure Services										
Recreation										
Number of Parks	4	4	4	4	4	4	4	4	4	4
Public Tennis Courts	5	5	5	4	4	4	4	4	2	2
Swimming Pool	1	1	1	1	1	1	1	1	1	1
Number of Marinas	1	1	1	1	1	1	1	1	1	1
Library										
Number of Libraries	1	1	1	1	1	1	1	1	1	1
Number of Volumes	41,908	42,637	44,686	45,700	47,339	47,960	47,531	54,074	47,371	42,372
Other Government										
Country Club										
Golf Course	1	1	1	1	1	1	1	1	1	1
Driving Range	1	1	1	1	1	1	1	1	1	1
Tennis Courts	10	10	10	10	10	10	10	10	10	10

Source: Village of North Palm Beach

OTHER REPORTS



NOWLEN, HOLT & MINER, P.A.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of North Palm Beach, Florida, as of and for the year ended September 30, 2007, which collectively comprise the Village of North Palm Beach, Florida's basic financial statements and have issued our report thereon dated March 24, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of North Palm Beach, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of North Palm Beach, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of North Palm Beach, Florida's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of North Palm Beach, Florida's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of North Palm Beach, Florida's financial statements that is more

than inconsequential will not be prevented or detected by the Village of North Palm Beach, Florida's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Grant Administration

The Village has procedures in place that one person is to oversee all grants and to act as the primary contact person for the contracted grants administrator. However, in performing our testing of the Village's grant programs, staff had difficulties in locating grant agreements and supporting documents and in ascertaining the current status of some of the grants. We also noted that reimbursement requests were filed late and transactions were not being timely recorded. To ensure accountability and proper record-keeping, we recommend that the Village Clerk maintain copies of all existing contracts and agreements for the Village. We further recommend that the Finance Director receive copies of all grant activity. A standard set of written policies and procedures should be developed for monitoring grant administration and compliance requirements. These procedures should include a review process, periodic status reports and the development checklists of grant administration and compliance requirements, deadlines, and the person/department responsible for the grant.

In a related issue, we noted that not all expenditures recorded as grant expenditures are reimbursable due to limitations on administrative costs. We recommend that non-qualifying expenditures be tracked or otherwise recorded separately from qualifying expenditures to ensure that no unqualified expenditures are submitted for reimbursement and to more accurately report the Village's out-of-pocket expense for budgetary purposes. While we noted several grants in which expenditures were made in multiple funds, we also noted another instance in which expenditures for multiple grants were recorded in one general ledger account. We suggest that management consistently record grant transactions, which will enable management to better track expenses and ensure that there is no duplication or missed reimbursements.

Capital Assets

The Village has procedures in place to record the expense for capital acquisitions in capital outlay and to capitalize expenditures for assets with an acquisition cost in excess of \$2,500 and an estimated life over one year. However, at September 30, 2007, we noted a number of exceptions to these procedures:

- a. Significant additions to capital assets were recorded in other expense accounts.
- b. Completed projects were recorded as construction in progress and not added to depreciable capital assets.
- c. Non-capital expenditures were included in the acquisition cost of the asset.

We recommend that capital asset additions be reconciled to capital outlay at least annually, and preferably quarterly given the volume of additions. This will also ensure that the capital outlay accounts are adequately funded for budgetary purposes and provide a control against duplication of capital additions. A review of expenditure accounts, such as repairs and maintenance, for transactions in excess of the capitalization threshold of \$2,500 will also help to identify reporting errors. We also recommend that assets that are substantially completed should be added to depreciable fixed assets and depreciated from the date of completion. Capitalization of assets should be considered distinct from planning issues related to Village projects. The Village might also want to consider setting the capitalization threshold based on the class of asset.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

We noted certain matters that we have reported to management of the Village of North Palm Beach, Florida in the attached management letter dated March 24, 2008..

The Village of North Palm Beach, Florida's response to the findings identified in our audit is described in the attached management letter dated March 24, 2008. We did not audit the Village of North Palm Beach, Florida's response and, accordingly, we express no opinion on it.

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



March 24, 2008
West Palm Beach, Florida



NOWLEN, HOLT & MINER, P.A.

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MANAGEMENT LETTER

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

We have audited the basic financial statements of the Village of North Palm Beach, Florida, as of and for the year ended September 30, 2007, and have issued our report thereon dated March 24, 2008.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated March 24, 2008, should be considered in assessing the results of our audit.

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

The Village of North Palm Beach, Florida's responses to the findings identified in our audit are described below. We did not audit Village of North Palm Beach, Florida's response and, accordingly, we express no opinion on it.

PRIOR YEAR COMMENTS

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

Golf Shop Inventory

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

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

Management Response

There were significant changes made in the administration of the North Palm Beach Country Club, Golf Operations at year end in an effort to rectify administrative deficiencies such as noted in this report. A complete merchandise inventory has been completed in this fiscal year (2008) and will be conducted at least quarterly from this point forward. Management will explore the implementation of a perpetual inventory system through the Point of Sale system as recommended.

CURRENT YEAR COMMENTS

Grant Administration

The Village has procedures in place that one person is to oversee all grants and to act as the primary contact person for the contracted grants administrator. However, in performing our testing of the Village's grant programs, staff had difficulties in locating grant agreements and supporting documents and in ascertaining the current status of some of the grants. We also noted that reimbursement requests were filed late and transactions were not being timely recorded. To ensure accountability and proper record-keeping, we recommend that the Village Clerk maintain copies of all existing contracts and agreements for the Village. We further recommend that the Finance Director receive copies of all grant activity. A standard set of written policies and procedures should be developed for monitoring grant administration and compliance requirements. These procedures should include a review process, periodic status reports and the development checklists of grant administration and compliance requirements, deadlines, and the person/department responsible for the grant.

In a related issue, we noted that not all expenditures recorded as grant expenditures are reimbursable due to limitations on administrative costs. We recommend that non-qualifying expenditures be tracked or otherwise recorded separately from qualifying

expenditures to ensure that no unqualified expenditures are submitted for reimbursement and to more accurately report the Village's out-of-pocket expense for budgetary purposes. While we noted several grants in which expenditures were made in multiple funds, we also noted another instance in which expenditures for multiple grants were recorded in one general ledger account. We suggest that management consistently record grant transactions, which will enable management to better track expenses and ensure that there is no duplication or missed reimbursements.

Management Response

It had been the responsibility of the respective department director for which department the grant application was originally submitted, to serve as the primary contact person for the contracted grant administrator. This procedure historically had been both efficient and procedurally sound given the limited number of grants obtained at any given period. The Village recognizing the increased administrative requirements associated with multiple grant acquisitions has engaged the services of a grant management firm (R.M.P.K.) to assist with the reconciliation of qualifying expenses and reimbursement submissions. The Village acknowledges that reimbursement submissions should be billed promptly to maximize Village financial resources and to more closely match expenditures with related revenues. To rectify noted deficiencies the responsibility for grant administration has been transferred from the individual department to the Finance Department to more directly oversee grant billing, related activity, and financial recording which will ensure compliance and accuracy.

Capital Assets

The Village has procedures in place to record the expense for capital acquisitions in capital outlay and to capitalize expenditures for assets with an acquisition cost in excess of \$2,500 and an estimated life over one year. However, at September 30, 2007, we noted a number of exceptions to these procedures:

- a. Significant additions to capital assets were recorded in other expense accounts.
- b. Completed projects were recorded as construction in progress and not added to depreciable capital assets.
- c. Non-capital expenditures were included in the acquisition cost of the asset.

We recommend that capital asset additions be reconciled to capital outlay at least annually, and preferably quarterly given the volume of additions. This will also ensure that the capital outlay accounts are adequately funded for budgetary purposes and provide a control against duplication of capital additions. A review of expenditure accounts, such as repairs and maintenance, for transactions in excess of the capitalization threshold of \$2,500 will also help to identify reporting errors. We also recommend that assets that are substantially completed should be added to depreciable fixed assets and depreciated from the date of completion. Capitalization of assets should be considered distinct from planning issues related to Village projects. The Village might also want to consider setting the capitalization threshold based on the class of asset.

Management Response:

This comment was identified at last years audit and was addressed in this current fiscal year's (2008) accounting procedures. Changes were made subsequent to the prior year audit to record capital expenditures in capital outlay. This was an interpretation issue as to whether projects such as street overlays and sidewalk repairs should be categorized as Repair & Maintenance items thus recorded in expense accounts or carried as major infrastructure improvements and carried as Capital.

There was an additional interpretation issue as to when a "project" should be added as a fixed asset. Historically, the Village capitalizes projects when they were fully completed. In acknowledgment of the U.S. generally accepted accounting principles, Management will revise this policy to capitalize assets that have reached "substantial" completion at year-end. Substantial completion for this purpose shall be defined as, any component or sub-component of said project that has reached full completion and can stand alone as an asset in accordance with the prevailing capitalization thresholds.

Management has through Council action increased the capitalization threshold in an effort to reduce the volume of fixed asset additions and will explore the implementation of "classed asset" scale for infrastructure improvements so as to further enhance accounting efficiencies. Management understands the need to reconcile capital outlay to fixed assets and will ensure compliance through newly implemented quality control mechanisms.

OTHER MATTERS

Excess of Expenditures Over Appropriations

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

Oversight Unit and Component Units

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

Consideration of Financial Emergency Criteria

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, the results of our procedures did not disclose that the Village of North Palm Beach, Florida has met any of the conditions described in Section 218.503(1) during the fiscal year ended September 30, 2007.

Financial Condition Assessment Procedures

Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the Village's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. The results of our procedures did not disclose any matters that are required to be reported.

Annual Financial Report

Section 10.554(1)(i)7.b., Rules of the Auditor General requires that we determine whether the annual financial report for the Village of North Palm Beach, Florida for the fiscal year ended September 30, 2007, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 20, 2007. In connection with our audit, we noted that the two reports were in substantial agreement.

Investment of Public Funds

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the Village's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds. The results of our procedures did not disclose any instances of noncompliance with Section 218.415, Florida Statutes, by the Village of North Palm Beach, Florida for the year ended September 30, 2007.

Violations of Contracts and Grant Provisions or Abuse

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit for the fiscal year ended September 20, 2007, we did not have any such findings.

Matters Inconsequential to the Financial Statements

Section 10.554(1)(i)5., Rules of the Auditor General, requires based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures; (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection

with our audit for the fiscal year ended September 30, 2007, we did not have any such findings.

Response to Management Letter

The Village of North Palm Beach, Florida's response to the findings identified in our audit is detailed above. We did not audit Village of North Palm Beach, Florida's response and, accordingly, we express no opinion on it.

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

Nowlin, Holt & Miner P. A.

March 24, 2008
West Palm Beach, Florida