



The Village of North Palm Beach, FL



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2008

The Village of North Palm Beach, Florida



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2008

**Prepared by:
Finance Department**

**Samia Janjua
Director of Finance**

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

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THE VILLAGE OF NORTH PALM BEACH, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

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INTRODUCTORY SECTION



THE VILLAGE OF NORTH PALM BEACH

"THE BEST PLACE TO LIVE UNDER THE SUN"

March 26, 2009

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, 2008.

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, 2008. The independent auditor's report is located at the front of the financial section of this report.

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

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

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

VILLAGE PROFILE

The Village

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

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

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

FINANCIAL DATA

Financial Reporting System and Budgetary Controls

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

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

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

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

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

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

ECONOMIC OUTLOOK

Property Values

The Village obtains a major portion of its annual general fund financial resources (60%) from ad valorem property taxes. Gross assessed property values had increased substantially (67%) between the years of 2002 through 2006 but slowed significantly in 2007. In year 2008 area property values began to decline in value and in many instances significantly, as a result of the economic downturn. This unprecedented decline in property values is only exacerbated by the number of properties in various stages of foreclosure. Both of these real-estate issues have had and will continue to have an adverse impact upon the financial resources of the Village. The Village does not anticipate a change in the pace of planned new growth since most vacant property within the municipal limits has already been developed. There is an obvious softening of the real-estate market significantly impacting both home values and sales.

As was reported in last year's report with the passing of *Amendment One* (Property Tax Reform) in January of 2008 the Village's property tax valuation was negatively impacted! Three primary factors play a role on that impact, doubling the Homestead exemptions to fifty thousand dollars, capping of assessed property values for those homes not currently homesteaded and Portability. The latter two factors can not be easily measured but the doubling of the Villages Homesteaded properties alone had a negative consequence of roughly \$673,745 on our 2008 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 compliment and enhance the services and values of our existing community. The focus of Village annexation efforts will be toward providing exemplary municipal services that are revenue "neutral" to both the annexed areas and to the Village.

Investment Revenues

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

Personnel Costs

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

Agreements for all three of the Village's collective bargaining units (police, fire, and public service workers) will run through September 30th 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. With the current economic condition any [employee] enhancement to the collective bargaining agreements are not likely.

INITIATIVES AND FUTURE PROJECTS

Country Club Tennis Facility

As was reported in last year's report the Village Country Club Tennis Facility has passed its expected useful life. Council has provided for a "temporary" building (trailer) while engaging an architect and contractor to construct a new permanent facility. 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 April of 2009. In 2007, the Tennis component was relocated from the Country Club enterprise fund to the general fund under Parks and Recreation. Under this option the Village became eligible for outside grant funding for structural and non-structural improvements, an option that was not available to the Village under the enterprise fund.

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 U.S. 1 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, but funding remains to be a challenge for all Task Force entities.

Earman River Water Supply Line

The existing irrigation system for the Country Club/Golf Course, U.S. 1 Median and Village Parks are supplied by the Earman River. This supply line runs from the Earman River to the Lake on the 13th Fairway and is beginning to show signs of deterioration. 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 and completed in 2008/2009 with the remaining line replaced over the next few years. This remains to be 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 been successful in obtaining the necessary permits required for the dredging of these two remaining canals. The dredging permits require the Village to establish a "no-motoring" boating zone as mitigation for the removal of the sea-grass. This project should be completed sometime in late 2009.

Lighthouse Bridge Refurbishment

Public Works Staff has worked diligently with Village Engineers to address construction deficiencies identified in the state inspection report. The technical specifications for the required work have been completed and the work is scheduled for early July 2009 to coincide with the summer break for the area schools. Florida DOT grant funding is being sought to offset costs.

Parks and Recreation/Village Facility Improvement Grants

The Village has been awarded grants for projects at Anchorage Park, Village Pool and Lakeside Park. The demolition of the old Seacoast water treatment plant and the construction of Phase 1 improvements have begun with a completion date of mid-April 2009. Future phases will likely be placed on hold until the economy and Market rebounds.

The Community Center facility has undergone a significant "facelift" with the installation of impact resistant windows. Repairs to the interior walls damaged by water intrusion and painting to the exterior of the facility are in their final stages with a completion date sometime in mid-year 2009.

Library Renovations

The Village has begun renovating the Library building located on the Village Hall campus. Repairs include the replacement of all existent windows on the second floor and replacing them with impact resistant windows. The building will undergo structural modifications in order to accept the new windows. This work will necessitate significant Interior cosmetic work which will require the closure of the upstairs portion of the Library for a period of about 3 weeks. Additionally, the single elevator servicing the patrons of the library will have to be taken off line for needed repairs as outlined in the most recent state inspection report. Both repair items are scheduled to be performed in early 2009 with a 3 – 6 week completion period.

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.

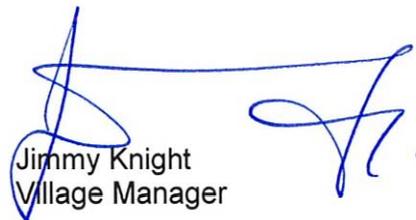
Certificate of Achievement

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, 2007. 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

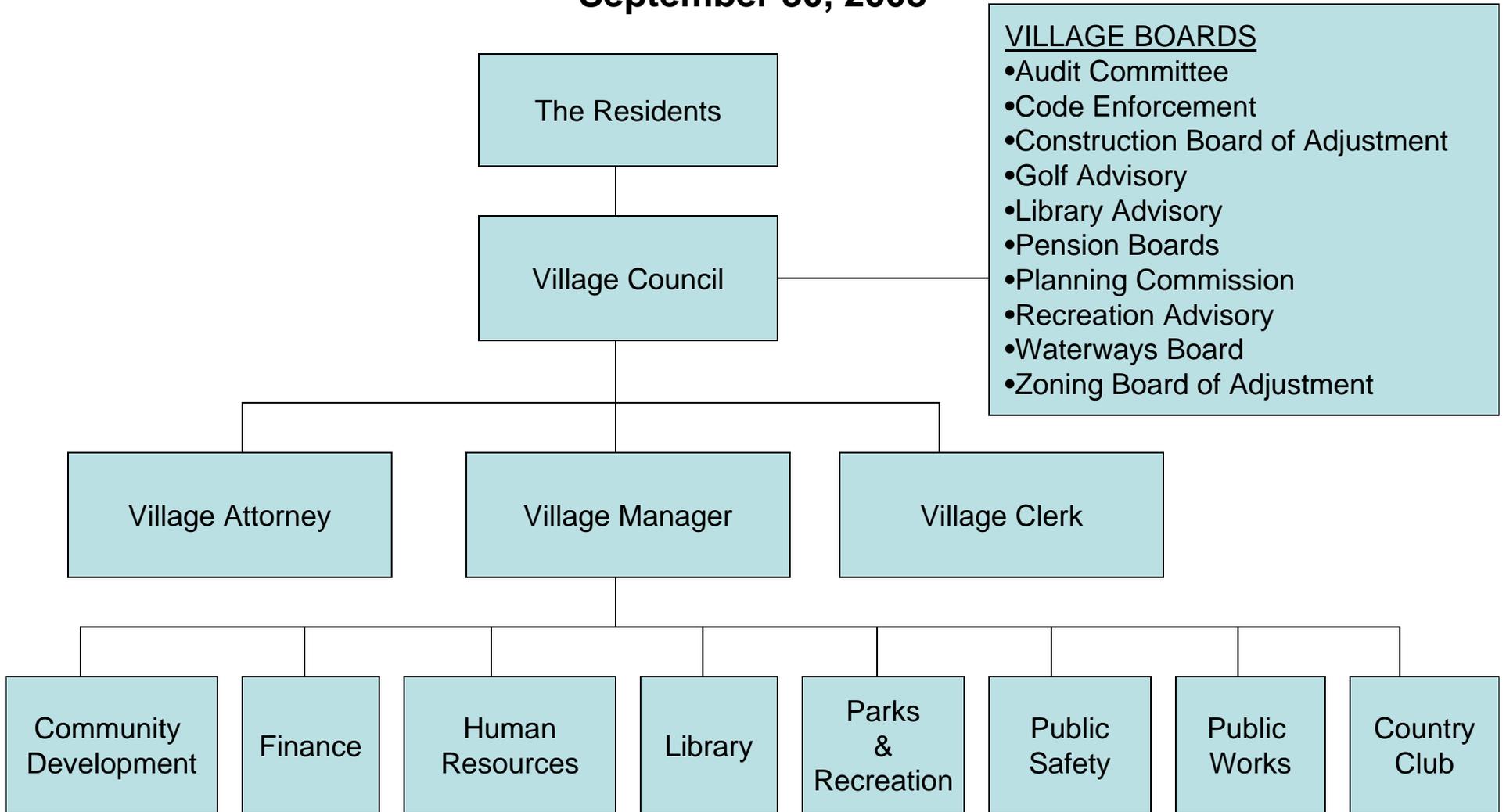
THE VILLAGE OF NORTH PALM BEACH, FLORIDA

PRINCIPAL VILLAGE OFFICIALS

SEPTEMBER 30, 2008

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Organization Chart
September 30, 2008



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, 2007

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.



A handwritten signature in black ink, appearing to read "M. L. Post".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emery".

Executive Director

FINANCIAL SECTION



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

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POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
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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, 2008, 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, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2009, 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 62 through 66 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.

Nowlen, Holt & Mimer, P.A.

March 16, 2009
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, 2008. 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 #
	2008	2007		
Total net assets	\$26.35	\$22.28	\$4.07	11
Unrestricted net assets available for future use	\$10.03	\$9.43	\$0.60	11
Governmental net assets	\$23.66	\$19.93	\$3.73	11
Total revenues from all sources	\$24.54	\$24.85	(\$0.31)	12
Governmental revenues	\$20.89	\$21.34	(\$0.45)	12
Total cost of all Village programs	\$20.48	\$20.40	\$0.08	12
Governmental revenues over (under) expenses	\$3.72	\$4.52	(\$0.80)	13
General fund revenues over (under) expenses	\$1.17	\$2.39	(\$1.22)	16
General fund unreserved fund balance	\$8.26	\$8.18	\$0.08	14
As a percent of general fund expenditures	44.48%	46.50%	(\$0.02)	
Country Club revenues over (under) expenses	\$0.35	(\$0.07)	\$0.42	19
Change in total long-term debt for the Village	(\$0.94)	(\$0.97)	\$0.03	

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 \$26.35 million at the close of the most recent fiscal year.

A significant portion of the Village's net assets (58.19%) 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 Activities		Business Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets:						
Current and other assets	\$ 13,617	\$ 12,160	\$ 932	\$ 1,078	\$ 14,549	\$ 13,238
Capital assets	16,491	14,906	7,348	7,275	23,839	22,181
Total assets	<u>30,108</u>	<u>27,066</u>	<u>8,280</u>	<u>8,353</u>	<u>38,388</u>	<u>35,419</u>
Liabilities:						
Current liabilities	1,713	1,306	715	914	2,428	2,220
Long-term debt outstanding	4,734	5,822	4,870	5,093	9,604	10,915
Total liabilities	<u>6,447</u>	<u>7,128</u>	<u>5,585</u>	<u>6,007</u>	<u>12,032</u>	<u>13,135</u>
Net assets:						
Invested in capital assets, net of debt	12,845	10,544	2,493	2,195	15,338	12,739
Restricted	979	113			979	113
Unrestricted	9,837	9,281	202	151	10,039	9,432
Total net assets	<u>\$ 23,661</u>	<u>\$ 19,938</u>	<u>\$ 2,695</u>	<u>\$ 2,346</u>	<u>\$ 26,356</u>	<u>\$ 22,284</u>

Governmental Activities

Governmental activities increased the Village's net assets by \$3.72 million, thereby accounting for 91% of the total increase in the net assets of the Village. An increase in Governmental Capital Assets (\$1.59m) 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	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 2,279	\$ 2,121	\$ 3,617	\$ 3,464	\$ 5,896	\$ 5,585
Operating grants and contributions	88	170	14		102	170
Capital grants and contributions	1,602	1,455			1,602	1,455
General revenues:						
Property taxes	11,915	12,076			11,915	12,076
Local option gas taxes	279	292			279	292
Utility service taxes	2,018	2,001			2,018	2,001
Sales and use taxes	1,227	1,340			1,227	1,340
Franchise taxes	1,213	1,208			1,213	1,208
Investment earnings	195	650	36	44	231	694
Miscellaneous	22	9			22	9
Contribution-Support						
Our Troops	17	15			17	15
Gain (loss) on asset disposals	34				34	
Total revenues	<u>\$ 20,889</u>	<u>\$ 21,337</u>	<u>\$ 3,667</u>	<u>\$ 3,508</u>	<u>\$ 24,556</u>	<u>\$ 24,845</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
Change in Net Assets
(In Thousands)

	Governmental Activities		Business Activities		Total	
	2008	2007	2008	2007	2008	2007
Expenses:						
Program expenses:						
General government	\$ 1,839	\$ 2,698	\$	\$	\$ 1,839	\$ 2,698
Public safety	7,154	6,671			7,154	6,671
Public works	3,997	3,733			3,997	3,733
Community development and planning	860	737			860	737
Leisure services	3,244	2,782			3,244	2,782
Reserves and other						
Interest on long-term debt	121	205			121	205
Country club			3,269	3,571	3,269	3,571
Total expenses	<u>17,215</u>	<u>16,826</u>	<u>3,269</u>	<u>3,571</u>	<u>20,484</u>	<u>20,397</u>
Transfers	49	5	(49)	(5)		
Increase (decrease) in net assets	3,723	4,516	349	(68)	4,072	4,448
Net assets - beginning of year	19,938	15,422	2,346	2,414	22,284	17,836
Net assets - end of year	<u>\$ 23,661</u>	<u>\$ 19,938</u>	<u>\$ 2,695</u>	<u>\$ 2,346</u>	<u>\$ 26,356</u>	<u>\$ 22,284</u>

	2008		2007	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 1,839	\$ (1,707)	\$ 2,698	\$ (2,475)
Public safety	7,154	(6,626)	6,671	(6,240)
Public works	3,997	(3,702)	3,733	(3,510)
Community development and planning	860	28	737	234
Leisure services	3,244	(1,118)	2,782	(885)
Interest on long-term debt	121	(121)	205	(205)
	<u>\$ 17,215</u>	<u>\$ (13,246)</u>	<u>\$ 16,826</u>	<u>\$ (13,081)</u>

The cost of all governmental activities this year was \$17.2 million. Due to an approved and implemented workforce reduction strategy (employee buyouts), costs for the Public Safety Department increased by \$0.48 million, costs for the Public Works Department increased by \$0.26 million and costs for the Leisure Services department increased by \$0.46 million. As shown on the Statement of Activities, those who directly benefited from the programs paid for \$2.28 million of this cost and \$13.25 million was financed through general revenues. The Village added \$3.72 million to fund balance during 2008.

Business Type Activities

Business Type Activities were positively affected due to increases of both member and non-member activity resulting in greater number of overall golf rounds played, the implementation of a “new” summer membership program and the outsourcing of the Golf Course Maintenance division. Charges for Services increased from the prior year by \$0.15 million and the expenses decreased by \$0.30 million. Net assets of the Proprietary Fund (Country Club) at September 30, 2008, were \$2.69 million. Net assets increased by \$348,691.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

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

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

At the end of the current fiscal year, the combined fund balance for all Governmental Funds was \$10.59 million, a \$0.57 increase over the 2007 fund balance of \$10.02 million. Approximately 90% of the combined ending fund balance (\$9.57 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance (\$1.02 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 \$8.26 million, while total fund balance was \$9.04 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 44% of total general fund expenditures, while total fund balance represents 49% of that same amount.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$1,606,575 and can be briefly summarized as follows:

- Grants (\$470,677)
- Community Center Appropriation (\$250,000)
- Legal Settlement (\$250,000)
- Tennis Facility-Recreation Impact Fees (\$250,000)
- Public Safety Radio System (\$191,622)
- Fiscal Year 2006-2007 Open Purchase Order Carryover (\$194,276)

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, 2008 and 2007 amounts to \$23.84 million and \$22.18 million (net of accumulated depreciation). The total increase in the Village's investment in capital assets for the current fiscal year was \$1.65 million.

Village of North Palm Beach Capital Assets (In Thousands)

	Governmental Activities		Business Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 2,151	\$ 2,151	\$ 1,051	\$ 1,051	\$ 3,202	\$ 3,202
Construction in progress	777	2,143			777	2,143
Buildings and improvements	17,278	13,422	1,436	1,701	18,714	15,123
Improvements other than buildings	6,975	6,960	407	407	7,382	7,367
Improvements - golf course			7,060	6,725	7,060	6,725
Furniture, fixtures and equipment			785	580	785	580
Total assets	27,181	24,676	10,739	10,464	37,920	35,140
Less accumulated depreciation	(10,690)	(9,770)	(3,391)	(3,189)	(14,081)	(12,959)
Net assets	<u>\$ 16,491</u>	<u>\$ 14,906</u>	<u>\$ 7,348</u>	<u>\$ 7,275</u>	<u>\$ 23,839</u>	<u>\$ 22,181</u>

Additional information on the Village's capital assets can be found in Note 6 on page 40 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 \$8.5 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	
	2008	2007	2008	2007	2008	2007
Loans payable	\$ 3,606	\$ 4,281	\$ 4,663	\$ 5,027	\$ 8,269	\$ 9,308
Capital leases	40	81	193	52	233	133
Total	<u>\$ 3,646</u>	<u>\$ 4,362</u>	<u>\$ 4,856</u>	<u>\$ 5,079</u>	<u>\$ 8,502</u>	<u>\$ 9,441</u>

Additional information on the Village's debt can be found in Note 7 on page 42 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 \$8.26 million during the current 2008 fiscal year. The Village is now ready to address the economic challenges anticipated in the next few years.

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

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

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Net Assets
September 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 10,425,677	\$ 830,069	\$ 11,255,746
Investments	399,579		399,579
Accounts receivable, net	400,621	56,849	457,470
Developer fee receivable	925,000		925,000
Inventories	23,462	23,658	47,120
Prepays	321,248	21,574	342,822
Due from other governments	627,041		627,041
Restricted assets:			
Cash and cash equivalents	144,804		144,804
Net pension assets	349,551		349,551
Capital assets:			
Nondepreciable	2,928,570	1,051,311	3,979,881
Depreciable (net of depreciation)	13,562,259	6,296,938	19,859,197
Total assets	30,107,812	8,280,399	38,388,211
Liabilities			
Accounts payable	960,198	109,499	1,069,697
Accrued liabilities	482,673		482,673
Accrued interest payable	17,023	2,124	19,147
Deposits		17,500	17,500
Deferred revenue	252,468	585,680	838,148
Noncurrent liabilities:			
Due within one year	1,394,345	380,713	1,775,058
Due in more than one year	3,339,918	4,489,557	7,829,475
Total liabilities	6,446,625	5,585,073	12,031,698
Net Assets			
Invested in capital assets, net of related debt	12,845,093	2,492,524	15,337,617
Restricted for:			
Library	31,417		31,417
Recreation	833,439		833,439
Public safety	81,530		81,530
Other purposes	32,796		32,796
Unrestricted	9,836,912	202,802	10,039,714
Total net assets	\$ 23,661,187	\$ 2,695,326	\$ 26,356,513

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Activities
For the Year Ended September 30, 2008

Functions/Programs	Expenses	Charges for Activities
Government:		
Governmental activities		
General government	\$ 1,839,228	\$ 123,334
Public safety	7,154,578	383,325
Public works	3,996,711	288,994
Community development and planning	860,448	888,015
Leisure services	3,244,045	595,558
Interest on long-term debt	120,549	
Total governmental activities	<u>17,215,559</u>	<u>2,279,226</u>
Business-type activities - country club	<u>3,268,562</u>	<u>3,616,509</u>
Total business-type activities	<u>3,268,562</u>	<u>3,616,509</u>
Total government	<u><u>\$ 20,484,121</u></u>	<u><u>\$ 5,895,735</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
\$ 8,718	\$	\$ (1,707,176)	\$	\$ (1,707,176)
48,930	96,547	(6,625,776)		(6,625,776)
5,719		(3,701,998)		(3,701,998)
		27,567		27,567
24,857	1,505,918	(1,117,712)		(1,117,712)
		(120,549)		(120,549)
88,224	1,602,465	(13,245,644)		(13,245,644)
13,609			361,556	361,556
13,609			361,556	361,556
\$ 101,833	\$ 1,602,465	(13,245,644)	361,556	(12,884,088)

General Revenues:

Taxes:				
Property taxes		11,915,355		11,915,355
Local option gas taxes		278,649		278,649
Utility service taxes		2,018,071		2,018,071
Franchise taxes		1,212,562		1,212,562
Sales and use taxes		1,227,341		1,227,341
Investment income		194,652	36,431	231,083
Gain on disposal of fixed assets		33,644		33,644
Miscellaneous		22,075		22,075
Contributions for support our troops		16,959		16,959
Transfers		49,296	(49,296)	
Total general revenues and transfers		16,968,604	(12,865)	16,955,739
Change in net assets		3,722,960	348,691	4,071,651
Net assets, beginning of year		19,938,227	2,346,635	22,284,862
Net assets, end of year		\$ 23,661,187	\$ 2,695,326	\$ 26,356,513

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2008

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 8,875,755	\$ 1,549,922	\$ 10,425,677
Investments	399,579		399,579
Accounts receivable	400,621		400,621
Developer fee receivable	925,000		925,000
Inventories	23,462		23,462
Prepays	321,248		321,248
Due from other funds	32,364		32,364
Due from other governments	207,465	419,576	627,041
Restricted cash and cash equivalents	144,804		144,804
Total assets	\$ 11,330,298	\$ 1,969,498	\$ 13,299,796
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 629,305	\$ 330,893	\$ 960,198
Accrued liabilities	482,673		482,673
Due to other funds		32,364	32,364
Deferred revenue	1,177,468	58,490	1,235,958
Total liabilities	2,289,446	421,747	2,711,193
Fund balances			
Reserved for:			
Inventories and prepaids	344,710		344,710
Encumbrances	285,825		285,825
Library	31,417		31,417
Recreation	28,500	239,979	268,479
Public safety	54,077		54,077
Other purposes	30,810		30,810
Unreserved:			
Special revenue funds		594,399	594,399
Undesignated	8,265,513	713,373	8,978,886
Total fund balances	9,040,852	1,547,751	10,588,603
Total liabilities and fund balances	\$ 11,330,298	\$ 1,969,498	\$ 13,299,796

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, 2008

Fund balances - total governmental funds		\$ 10,588,603
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	27,181,190	
Less accumulated depreciation	<u>(10,690,361)</u>	16,490,829
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	58,490	
Developer fee	<u>925,000</u>	983,490
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.		
		349,551
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	(17,023)	
Notes payable	(3,605,639)	
Capital leases payable	(40,097)	
Accrued compensated absences	<u>(1,088,527)</u>	<u>(4,751,286)</u>
Net assets of governmental activities		<u>\$ 23,661,187</u>

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2008

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 15,424,638	\$	\$ 15,424,638
Licenses and permits	1,047,144		1,047,144
Intergovernmental	1,516,624	942,587	2,459,211
Charges for services	1,268,774		1,268,774
Fines and forfeitures	157,022	78,943	235,965
Interest	194,652		194,652
Miscellaneous	137,447		137,447
Total revenues	<u>19,746,301</u>	<u>1,021,530</u>	<u>20,767,831</u>
Expenditures			
Current			
General government	2,246,461		2,246,461
Public safety	6,644,629	412,204	7,056,833
Public works	3,725,450		3,725,450
Community development & planning	840,366		840,366
Leisure services - recreation	2,875,570	1,270	2,876,840
Capital outlay	1,383,639	1,213,426	2,597,065
Debt service			
Principal payments	716,206		716,206
Interest paid on debt	143,726		143,726
Total expenditures	<u>18,576,047</u>	<u>1,626,900</u>	<u>20,202,947</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,170,254</u>	<u>(605,370)</u>	<u>564,884</u>
Other financing sources (uses)			
Transfers in		1,254,952	1,254,952
Transfers out	(1,254,952)		(1,254,952)
Total other financing sources (uses)	<u>(1,254,952)</u>	<u>1,254,952</u>	<u></u>
Net change in fund balances	(84,698)	649,582	564,884
Fund balances			
Beginning of year	9,125,550	898,169	10,023,719
End of year	<u>\$ 9,040,852</u>	<u>\$ 1,547,751</u>	<u>\$ 10,588,603</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, 2008

Net change in fund balances - total governmental funds \$ 564,884

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	\$ 2,682,835	
Transfer of assets from country club	49,296	
Less: current year depreciation	<u>(1,128,375)</u>	1,603,756

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. (18,656)

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	(122,139)	
Florida Recreation Development Assistance Program grant	(260,000)	
FEMA grant	(31,671)	
Developer fee	<u>925,000</u>	461,190

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. 716,206

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	23,177	
Change in long-term compensated absences	<u>(53,080)</u>	(29,903)

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	(8,545)	
Retainage payable	9,207	
Claims settlement	250,000	
Insurance liability	<u>174,821</u>	<u>425,483</u>

Change in net assets \$ 3,722,960

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Net Assets
Proprietary Fund
September 30, 2008

	Enterprise
Assets	
Current assets	
Cash and cash equivalents	\$ 830,069
Accounts receivable, net	56,849
Inventories	23,658
Prepays	21,574
Total current assets	932,150
Non-current assets	
Land, buildings, and equipment, net	7,348,249
Total assets	8,280,399
Liabilities	
Current liabilities	
Accounts payable	109,499
Accrued interest payable	2,124
Deposits	17,500
Deferred revenue	585,680
Compensated absences - current portion	13,294
Capital leases - current portion	84,829
Loans payable - current portion	282,590
Total current liabilities	1,095,516
Non-current liabilities	
Compensated absences	1,251
Capital leases	108,063
Loans payable	4,380,243
Total non-current liabilities	4,489,557
Total liabilities	5,585,073
Net Assets	
Invested in capital assets, net of related debt	2,492,524
Unrestricted	202,802
Total net assets	\$ 2,695,326

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, 2008

	Enterprise
Operating revenue	
Greens fee/cart rentals/membership fees	\$ 2,979,324
Golf shop revenues	224,908
Driving range revenues	213,103
Restaurant revenues	125,677
Miscellaneous	73,497
Total operating revenues	3,616,509
Operating expenses	
Golf course maintenance expenses	1,376,669
Clubhouse grounds expenses	100,823
Golf shop expenses	600,034
Food & beverage expenses	46,608
Administrative and general	284,291
Insurance	150,166
Depreciation	486,651
Total operating expenses	3,045,242
Operating income (loss)	571,267
Nonoperating revenues (expenses)	
Interest revenue	36,431
Interest expense	(222,237)
Other revenues	13,609
Loss on disposal of fixed assets	(1,083)
Total nonoperating revenues (expenses)	(173,280)
Transfers out	(49,296)
Change in net assets	348,691
Net assets - beginning	2,346,635
Net assets - ending	\$ 2,695,326

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, 2008

	Enterprise
Cash flows from operating activities:	
Receipts from customers	\$ 3,501,366
Payments to suppliers for goods or services	(2,045,552)
Payments to employees for services	(520,239)
Net cash provided (used) by operating activities	935,575
Cash flows from capital and related financing activities:	
Principal paid on long term debt	(444,493)
Interest paid on debt	(322,233)
Acquisition of capital assets	(389,432)
Net cash provided (used) by capital and related financing activities	(1,156,158)
Cash flows from investing activities:	
Interest and dividends on investments	36,431
Net increase (decrease) in cash and cash equivalents	(184,152)
Cash and cash equivalents at beginning of year	1,014,221
Cash and cash equivalents at end of year	\$ 830,069
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income	\$ 571,267
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	486,651
Other revenues	13,609
Change in assets and liabilities	
(Increase) in accounts receivable	(4,756)
(Increase) in inventory	(11,543)
(Increase) in prepaids	(21,574)
Increase in accounts payable	24,907
Increase in compensated absences payable	1,010
(Decrease) in deferred revenue	(123,996)
Total adjustments	364,308
Net cash provided by operating activities	\$ 935,575
Non cash capital and financing activities:	
Contributions of capital assets to governmental funds	\$ 49,296
Assets acquired through capital leases	\$ 221,126

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2008

	Employee Retirement Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 1,403,297	\$ 340,050
Investments:		
Common equity securities	5,443,831	
Preferred equity securities	65,323	
U.S. Government agencies	1,692,586	
Corporate bonds	1,245,758	
U.S. Treasury bonds	165,174	
Equity mutual funds	303,374	
Common trust funds	4,248,730	
Fixed annuity funds	71,479	
Equity annuity funds	8,013	
Pending trades	19,364	
Accrued interest and dividends	57,526	
Accounts receivable	533,269	
Total assets	15,257,724	340,050
Liabilities		
Deferred village contributions	111,329	
Due to others		340,050
Total liabilities	111,329	340,050
Net Assets		
Held in trust for pension benefits and other purposes	\$ 15,146,395	\$

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, 2008

	<u>Employee Retirement Funds</u>
Additions	
Contributions	
Employer	\$ 1,461,392
Plan members	223,097
State on-behalf payments	321,142
Total contributions	<u>2,005,631</u>
Investment earnings:	
Dividends and interest	395,695
Net (decrease) in fair value of investments	<u>(2,160,925)</u>
Total investment income	(1,765,230)
Less investment expenses	<u>99,291</u>
Total net investment earnings	<u>(1,864,521)</u>
Total additions	<u>141,110</u>
Deductions	
Administrative expense	101,344
Benefits	2,686,450
Total deductions	<u>2,787,794</u>
Change in net assets	(2,646,684)
Net assets - beginning	<u>17,793,079</u>
Net assets - ending	<u><u>\$ 15,146,395</u></u>

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2008

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, 2008

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, 2008

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, 2008

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, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Accounts Receivable

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

Concentration of Credit Risk

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

Investments

Investments are reported at fair value, which is determined by using various third-party pricing sources. The Local Government Surplus Funds Trust Fund, administered by the Florida State Board of Administration, is a “2a-7 like” pool and these investments are valued using the pooled share price.

Interfund Transactions

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

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

Inventories

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2008

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, 2008

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, 2008

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, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Use of Estimates

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

Statement of Cash Flows

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

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

The procedures for establishing budgetary data are as follows:

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2008

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, 2008, was 6.1000 (\$6.10 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, 2008

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, 2008, unpaid delinquent taxes are not material and have not been recorded by the Village.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2008, the carrying amount of deposits (including fiduciary funds) was \$2,510,586 and the bank balances were \$2,975,645. The Village also had \$2,766 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.

Investments

At September 30, 2008, the Village had investments in the State Board of Administration Investment Pool B. The State Board of Administration is part of the Local Governments Surplus Funds Trust Fund and is governed by Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Governments Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 fund.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

At September 30, 2008, Pool A participants could withdraw 65% of their balance or \$12 million, whichever is greater, without penalty. On December 23, 2008, this restriction was withdrawn and Pool A participants could withdraw 100% of their balances without penalty. At September 30, 2008, the Village had no investments in Pool A.

Pool B is not rated by any nationally recognized rating agency. Pool B is accounted for as a fluctuating NAV pool. The fair value factor for September 30, 2008 was .798385. The factor should be multiplied by the account balance in order to calculate the fair value of the investment in Pool B.

The weighted average life (WAL) of Pool B at September 30, 2008 was 9.36 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL is based on legal final maturity dates for Pool B as of September 30, 2008.

As of September 30, 2008, the cost basis of the Village's investment in Pool B was \$500,485 and the fair value and adjusted book value was \$399,579. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments

As of September 30, 2008, the Village held the following investments:

	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Evergreen municipal money market fund	N/R	\$ 9,456,410	8 days
State Board of Administration Investment Pool B	N/R	399,579	9.36 yrs.
Money market funds	Aaa	922,463	N/A
Money market funds GNMA, FNMA, FHLMC Pools	N/R	251,672	N/A
U.S. Gov. Agency bonds	N/R	960,449	22.92 yrs.
Corporate bonds	Aaa	732,137	8.77 yrs.
U.S. Treasury bonds	Aaa to A	1,245,758	10.57 yrs.
Common equity securities	Aaa	165,174	6.68 yrs.
Preferred equity securities	N/R	5,443,831	N/A
Equity mutual funds		65,323	
Common trust funds	N/R	303,374	N/A
Fixed annuity funds	N/R	4,248,730	N/A
Equity funds	N/R	71,479	N/A
Net pending trades	N/R	8,013	N/A
Total investments		<u>19,364</u> <u>\$24,293,756</u>	N/A

All the investments other than the State Board of Administration and the Evergreen investments 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 OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest rate risk (Continued)

The Village's investment in asset backed securities consist of mortgage pass-through securities based on pools of residential home mortgage loans which are subject to prepayments and therefore highly sensitive to changes in interest rates.

Custodial credit risk – For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments that are in the possession of an outside party. At September 30, 2008 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 then (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 The 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 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, 2008

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

By Category:	
Deposits	\$ 2,510,586
Petty cash	2,766
Investments	24,293,756
Total deposits and investments	<u>\$26,807,108</u>
Presented in the statement of net assets	
Governmental activities	
Cash and cash equivalents	\$10,425,677
Restricted cash and cash equivalents	144,804
Investments	399,579
Business-type activities	
Cash and cash equivalents	830,069
Total statements of net assets	<u>11,800,129</u>
Presented in the statement of fiduciary net assets	
Pension trust funds	
Cash and cash equivalents	1,403,297
Investments	13,263,632
Agency funds	
Cash and cash equivalents	340,050
Total fiduciary funds	<u>15,006,979</u>
Total deposits and investments	<u>\$26,807,108</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2008

NOTE 4 – RECEIVABLES

Receivables at September 30, 2008, were as follows:

	<u>General Fund</u>	<u>Country Club</u>	<u>Total</u>
Utility franchise fees & taxes	\$ 336,596	\$	\$ 336,596
Conroy Drive assessment	28,894		28,894
Other accounts receivable	<u>35,131</u>	<u>72,849</u>	<u>107,980</u>
Subtotal accounts receivable	400,621	72,849	473,470
Less: Allowance for doubtful accounts		<u>(16,000)</u>	<u>(16,000)</u>
Total accounts receivable	<u>\$ 400,621</u>	<u>\$ 56,849</u>	<u>\$457,470</u>

NOTE 5 – DEVELOPER FEE RECEIVABLE

The Village entered into an agreement with a developer on February 14, 2008, in which it agreed to accept payment of \$1,175,000 in lieu of the dedication of land for public use. The developer paid \$250,000 upon execution of the agreement. The balance due is to be paid in annual installments of \$250,000 on the anniversary date of the agreement until paid, with a final payment of \$175,000 in 2012. At September 30, 2008, the remaining amount receivable was \$925,000. In accordance with Village ordinance Sec. 36-23, amounts received shall be utilized for parks and recreational purposes or the construction or expansion of any public facilities or other improvements designed to mitigate the impacts of the subdivision.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2008

NOTE 6 – CAPITAL ASSETS

Capital Assets activity for the year ended September 30, 2008, 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	2,143,272	1,336,513	(2,702,304)	777,481
Capital assets being depreciated:				
Buildings	9,018,038	206,371	(22,718)	9,201,691
Improvements and infrastructure	4,403,307	3,672,940		8,076,247
Machinery and equipment	3,197,508	169,503	(240,290)	3,126,721
Vehicles	<u>3,762,518</u>	<u>331,621</u>	<u>(246,353)</u>	<u>3,847,786</u>
Total at historical cost:	24,675,732	5,716,948	(3,211,665)	27,181,015
Less accumulated depreciation for:				
Buildings	(3,458,222)	(303,426)	21,812	(3,739,836)
Improvements	(1,624,630)	(581,325)	175	(2,205,780)
Machinery and equipment	(2,282,131)	(235,787)	237,823	(2,280,095)
Vehicles	<u>(2,405,020)</u>	<u>(290,525)</u>	<u>231,070</u>	<u>(2,464,475)</u>
Total accumulated depreciation	<u>(9,770,003)</u>	<u>(1,411,063)</u>	<u>490,880</u>	<u>(10,690,186)</u>
Governmental activities capital assets, net	<u>\$ 14,905,729</u>	<u>\$ 4,305,885</u>	<u>(\$ 2,720,785)</u>	<u>\$ 16,490,829</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2008

NOTE 6 – CAPITAL ASSETS (Continued)

Business-type activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,051,311	\$	\$	\$ 1,051,311
Construction in progress				
Capital assets being depreciated:				
Buildings and improvements	2,107,560	52,701	(317,314)	1,842,947
Improvements – golf course	6,725,232	335,057		7,060,289
Machinery and equipment	494,762	5,250	(1,545)	498,467
Vehicles	<u>84,835</u>	<u>217,550</u>	<u>(15,625)</u>	<u>286,760</u>
Total at historical cost:	<u>10,463,700</u>	<u>610,558</u>	<u>(334,484)</u>	<u>10,739,774</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,267,896)	(89,726)	278,394	(1,079,228)
Improvements – golf course	(1,513,655)	(281,664)		(1,795,319)
Machinery and equipment	(345,938)	(40,384)	884	(385,438)
Vehicles	<u>(61,490)</u>	<u>(74,877)</u>	<u>4,827</u>	<u>(131,540)</u>
Total accumulated depreciation	<u>(3,188,979)</u>	<u>(486,651)</u>	<u>284,105</u>	<u>(3,391,525)</u>
Business-type activities capital assets, net	<u>\$ 7,274,721</u>	<u>\$ 123,907</u>	<u>(\$ 50,379)</u>	<u>\$ 7,348,249</u>

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

Governmental activities:	
General government	\$ 102,985
Public safety	390,085
Public works	258,571
Community development	16,386
Leisure services	<u>360,348</u>
Total depreciation expense, governmental activities	1,128,375
Accumulated depreciation of assets transferred from the Country Club fund	<u>282,688</u>
Total additions to accumulated depreciation	<u>\$1,411,063</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2008

NOTE 6 – CAPITAL ASSETS (Continued)

Construction Commitments

Contracts awarded but not yet completed were as follows:

Project Description	Estimated Cost
Governmental activities:	
Anchorage Park	\$ 421,450
Earman River	168,355
Wash Rack	27,190
Radio Communications System	27,042
Community Center	<u>24,807</u>
Total Construction Commitments	<u>\$ 668,844</u>

NOTE 7 – LONG TERM LIABILITIES

Change in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2008, was as follows:

	Balance October 1, 2007	Additions	Reductions	Balance September 30, 2008	Amount Due Within One Year
Governmental activities					
Loans payable	\$4,280,842	\$	(\$ 675,203)	\$3,605,639	\$ 691,542
Capital leases	81,100		(41,003)	40,097	26,009
Claims and settlements	424,821		(424,821)		
Compensated absences payable	<u>1,035,447</u>	<u>653,152</u>	<u>(600,072)</u>	<u>1,088,527</u>	<u>676,794</u>
Total	<u>\$5,822,210</u>	<u>\$ 653,152</u>	<u>(\$1,741,099)</u>	<u>\$4,734,263</u>	<u>\$1,394,345</u>
Business-type activities:					
Loans payable	\$5,026,895	\$	(\$ 364,062)	\$4,662,833	\$ 282,590
Capital leases	52,197	221,126	(80,431)	192,892	84,829
Compensated absences payable	<u>13,535</u>	<u>13,580</u>	<u>(12,570)</u>	<u>14,545</u>	<u>13,294</u>
Total	<u>\$5,092,627</u>	<u>\$ 234,706</u>	<u>(\$ 457,063)</u>	<u>\$4,870,270</u>	<u>\$ 380,713</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2008

NOTE 7 – 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, 2008, the principal amount outstanding was \$162,306 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>
2009	\$ 70,234	\$ 7,215	\$ 77,449
2010	73,972	3,425	77,397
2011	18,100	241	18,341
	<u>\$162,306</u>	<u>\$ 10,881</u>	<u>\$ 173,187</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, 2008 was 2.53% and this approximates the rate that was used to calculate the debt service requirements to maturity. As of September 30, 2008, the principal amount outstanding was \$939,943 and was for the purpose of government activities.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2008

NOTE 7 – 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>
2009	\$ 306,553	\$ 31,643	\$ 338,196
2010	310,064	28,132	338,196
2011	323,326	12,269	335,595
	<u>\$ 939,943</u>	<u>\$ 72,044</u>	<u>\$ 1,011,987</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, 2008 was 1.86% and this approximates the rate that was used to calculate the debt service requirements to maturity. As of September 30, 2008, the principal amount outstanding was \$2,550,000 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>
2009	\$ 300,000	\$ 47,549	\$ 347,549
2010	300,000	41,955	341,955
2011	300,000	36,361	336,361
2012	300,000	30,767	330,767
2013	300,000	25,173	325,173
2014-2017	1,050,000	44,752	1,094,752
	<u>\$ 2,550,000</u>	<u>\$ 226,557</u>	<u>\$ 2,776,557</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2008

NOTE 7 – 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, 2008, the principal amount outstanding was \$64,352. 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>
2009	\$ 42,521	\$ 2,051	\$ 44,572
2010	21,831	413	22,244
	<u>\$ 64,352</u>	<u>\$ 2,464</u>	<u>\$ 66,816</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, 2008 was 6.05% and this approximates the rate that was used to calculate the debt service requirements to maturity. As of September 30, 2008, the principal amount outstanding was \$51,344 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>
2009	\$ 42,468	\$ 3,106	\$ 45,574
2010	8,876	537	9,413
	<u>\$ 51,344</u>	<u>\$ 3,643</u>	<u>\$ 54,987</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2008

NOTE 7 – 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, 2008, the principal amount outstanding was \$4,500,527 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>
2009	\$ 212,356	\$ 182,544	\$ 394,900
2010	221,173	173,727	394,900
2011	230,357	164,543	394,900
2012	239,922	154,978	394,900
2013	249,884	145,016	394,900
2014-2018	1,413,946	560,554	1,974,500
2019-2024	1,932,889	245,568	2,178,457
	<u>\$ 4,500,527</u>	<u>\$ 1,626,930</u>	<u>\$ 6,127,457</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, 2008, the net book value of machinery and equipment was \$262,984. The \$588,000 note had a final maturity in September 2008 and was paid off by the General Fund.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2008

NOTE 7 – 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, 2008, 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	\$ 40,097
Business-type activities	<u>32,072</u>
	<u>\$ 72,169</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>
2009	\$ 26,009	\$ 1,170	\$ 27,179
2010	<u>14,088</u>	<u>237</u>	<u>14,325</u>
	<u>\$ 40,097</u>	<u>\$ 1,407</u>	<u>\$ 41,504</u>

Business-type activities:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 21,058	\$ 947	\$ 22,005
2010	<u>11,014</u>	<u>192</u>	<u>11,206</u>
	<u>\$ 32,072</u>	<u>\$ 1,139</u>	<u>\$ 33,211</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2008

NOTE 7 – LONG TERM LIABILITIES (Continued)

\$223,500 Capital Leases

The Village entered into a three year capital lease agreement for the purpose of financing the lease-purchase of \$274,800 of equipment for the Country Club in December 2006. Principal and interest payments are due monthly, with a final maturity date of December 1, 2009. The final payment includes a balloon payment of \$92,000. As of September 30, 2008, the principal amount outstanding was \$160,820 and the net book value of the equipment was \$148,850. The rate used to impute interest was 5.6%.

Annual debt service requirements to maturity are as follows:

Business-type activities:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 63,771	\$ 7,386	\$ 71,157
2010	97,049	881	97,930
	<u>\$ 160,820</u>	<u>\$ 8,267</u>	<u>\$ 169,087</u>

Claims and Settlements

The Village settled a dispute with Florida Blacktop, Inc., and paid \$250,000 on February 15, 2008.

Effective October 1, 2006, the Village discontinued its participation in the Southeast Risk Management Association (SERMA) and joined the Florida Municipal Insurance Trust (FMIT). However, as a former participant in SERMA, the Village is liable for claims incurred through September 30, 2006. The governmental liability of \$174,821 for pending claims activity for SERMA was paid in December 2008. (See related note 8.)

NOTE 8 – 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, 2008

NOTE 8 – 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, 2008, the Village was 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.

<u>Year Ended</u> <u>September 30</u>	<u>Claims Liability</u> <u>Beginning of Year</u>	<u>Claims and</u> <u>Changes in</u> <u>Estimates</u>	<u>Claim</u> <u>Payments</u>	<u>Claims</u> <u>Liability</u> <u>End of Year</u>
2007	\$45,552	(\$45,552)	\$	\$
2008	\$	\$	\$	\$

Property and Casualty Group

Effective October 1, 2006, the Village discontinued its participation in the Southeast Risk Management Association (SERMA) and joined the Florida Municipal Insurance Trust (FMIT). However, as a former participant in SERMA, the Village is liable for claims incurred through September 30, 2006. The governmental liability of \$174,821 for pending claims activity for SERMA was paid in December 2008. (See related Note 7.)

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 9 – EMPLOYEE RETIREMENT PLANS

The Village maintains the following two separate single employer defined benefit plans: Village of North Palm Beach Fire and Police Retirement Fund, covering firefighters and police officers, and Village of North Palm Beach General Employees Retirement Fund, covering substantially all other full-time Village employees. Both plans are reported as pension trust funds and included as part of the Village's reporting entity. The Police and Fire Fund will issue separate financial statements for the year ended September 30, 2008, the report may be obtained from the Village Clerk. The General Employees Plan will not issue separate financial statements. Additional information on these plans can be found beginning on page 62.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2008

NOTE 9 – 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, 2008

NOTE 9 – 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, 2007, 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, 2007, the date of the latest actuarial valuation:

	<u>GERF</u>	<u>F&P</u>
Active Participants:		
Vested	56	14
Non-vested	16	32
Retirees and Beneficiaries receiving benefits	10	4
Terminated vested members receiving benefits	<u>49</u>	<u>11</u>
Total	<u>131</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, 2008

NOTE 9 – 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, 2008

NOTE 9 - 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 Village is required to contribute the remaining amount to fund the plan using the Entry Age Actuarial Cost Method. Contribution requirements of plan members and the Village are established and may be amended by the Village Council.

The Florida Constitution requires local governments to make the actuarially determined contribution. The Florida Division of Retirement reviews and approves each local government's actuarial report prior to its being appropriated for use for funding purposes. Additionally, the State collects locally authorized insurance premium surcharges which can only be distributed after the State has ascertained that the local government has met its actuarial funding requirement for the then most recently completed fiscal year. Contributions to the Plan from the State of Florida totaled \$321,142 during the fiscal year ended September 30, 2008.

All Retirement Plans

Annual Pension Cost and Net Pension Obligation. The Village's 2008 annual pension cost and actual contributions for each plan are shown on the next page. The required contributions were determined as part of the October 1, 2007 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.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2008

NOTE 9 – EMPLOYEE RETIREMENT PLANS (Continued)

Components of Annual Pension Cost and Net Pension Obligation

	<u>Annual Pension Cost</u>	<u>Required Village Contribution</u>	<u>Eligible State Contribution</u>
General Employees Retirement Fund	\$880,321	\$876,712	N/A
Fire and Police Retirement Fund	723,599	718,663	138,200

The following schedule was determined as part of the October 1, 2007, actuarial valuation for the General and Fire and Police Retirement Plans.

	<u>General Employees</u>	<u>Fire and Police</u>
Annual required contribution (ARC)	\$ 875,126	\$ 715,784
Interest on net pension obligation (NPO)	(13,674)	(14,435)
Adjustment to ARC	<u>18,869</u>	<u>22,250</u>
Annual pension cost	880,321	723,599
Actual contributions(1)	<u>876,712</u>	<u>718,663</u>
Increase in NPO	3,609	4,936
NPO at beginning of year, revised(1)	<u>(171,162)</u>	<u>(186,934)</u>
NPO at end of year	<u><u>\$(167,553)</u></u>	<u><u>\$(181,998)</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	9/30/05	669,011	662,237	99.0%	(175,080)
	9/30/06	1,014,362	1,007,695	99.3%	(168,413)
	9/30/07	\$ 871,123	\$ 873,854	100.3%	\$ (171,144)
Fire and					
Police	9/30/05	513,792	610,064	118.7%	(203,493)
	9/30/06	699,092	690,186	98.7%	(194,587)
	9/30/07	\$ 547,785	\$ 539,651	98.5%	\$ (186,453)

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2008

NOTE 9 – 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	10/1/2007	10/1/2007
Actuarial Cost Method	Frozen Entry Age	Aggregate
Amortized Method	Level percent closed	N/A (1)
Remaining Amortization Period	30 years	N/A (1)
Asset Valuation Method	Difference between actual and expected return recognized over five years.	Five year smooth market.
Actuarial assumptions:		
Investment rate of return*	8% up to retirement, 5.25% thereafter.	8%
Projected salary increase*	5.5%	6%
*Includes inflation at	4%	4%
Cost of living adjustments	3% for those retired before 2/1/82 or who contribute an extra 2%.	3%

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

Schedule of Funding Progress

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

Funded Status

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded AAL as % of Covered Payroll</u>
10/01/07	9,228,537	10,836,562	1,608,025	85.2%	3,110,081	51.7%

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2008

NOTE 10 – PENSION PLAN FINANCIAL INFORMATION

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

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
EMPLOYEE RETIREMENT FUNDS
SEPTEMBER 30, 2008

	Volunteer Fire Pension	General Employees Pension	Total Employee Retirement Funds
ASSETS			
Cash and cash equivalents	\$	\$ 251,672	\$ 251,672
Investments:			
Equity mutual funds		303,374	303,374
Common trust funds		4,248,730	4,248,730
Fixed annuity funds	71,479		71,479
Equity annuity funds	8,013		8,013
Accrued interest and dividends		406	406
Accounts receivable		210,774	210,774
Total assets	79,492	5,014,956	5,094,448
 Net Assets			
Held in trust for pension benefits and other purposes	\$ 79,492	\$ 5,014,956	\$ 5,094,448

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2008

NOTE 10 – PENSION PLAN FINANCIAL INFORMATION (Continued)

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
EMPLOYEE RETIREMENT FUNDS
For the Fiscal Year Ended September 30, 2008

	<u>Volunteer Fire Pension</u>	<u>General Employees Pension</u>	<u>Total Employee Retirement Funds</u>
Additions:			
Contributions:			
Employer	\$ 4,217	\$ 876,712	\$ 880,929
Plan members		161,290	161,290
Total contributions	<u>4,217</u>	<u>1,038,002</u>	<u>1,042,219</u>
Investment earnings:			
Dividends and interest	3,236	31,451	34,687
Net decrease in the fair value of investments	(271)	(692,615)	(692,886)
Less investment expense		48,043	48,043
Total investment earnings	<u>2,965</u>	<u>(709,207)</u>	<u>(706,242)</u>
Total additions	<u>7,182</u>	<u>328,795</u>	<u>335,977</u>
Deductions:			
Administration	2,980	21,192	24,172
Benefits		2,083,710	2,083,710
Total deductions	<u>2,980</u>	<u>2,104,902</u>	<u>2,107,882</u>
Change in net assets	4,202	(1,776,107)	(1,771,905)
Net assets - beginning	<u>75,290</u>	<u>6,791,063</u>	<u>6,866,353</u>
Net assets - ending	<u>\$ 79,492</u>	<u>\$ 5,014,956</u>	<u>\$ 5,094,448</u>

NOTE 11 – 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, 2008, \$321,142 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, 2008

NOTE 12 – DEFINED CONTRIBUTION PLAN

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

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. The administration fee paid for 2008 was \$500 and was expensed in the general fund.

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, 2008, payroll expense for all employees was \$9,194,656. Plan detail for participating employees at September 30, 2008 is listed below:

	<u>Director's</u>	<u>General Employees</u>	<u>Municipal Employees</u>	<u>Total</u>
Covered Payroll	\$257,211	\$518,495	\$368,059	\$1,143,765
Required employer contributions	38,582	77,774	55,209	171,565
Actual Village contributions	38,582	77,774	55,209	171,565
Village contributions as a % of covered payroll	15%	15%	15%	15%
Employee contributions	8,948	19,791	16,596	45,335

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2008

NOTE 13 – DEFERRED COMPENSATION PLAN ASSETS

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

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

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

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

NOTE 14 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note 9, 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.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2008

NOTE 15 – VOLUNTEER FIREFIGHTERS PENSION

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

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

NOTE 16 – JOINTLY GOVERNED ORGANIZATION

The Village, through an interlocal agreement with certain other municipalities and Palm Beach County, created the Seacoast Utility Authority (“Seacoast”) which provides water and sewer service to the citizens of each of the participating municipalities and a portion of Palm Beach County. Seacoast’s governing board consists of one member from each participating entity. Seacoast is an Independent Authority organized under the laws of the State of Florida, and the Village has no participating equity ownership in Seacoast. The Village paid \$95,184 to Seacoast during the fiscal year for water and sewer service.

NOTE 17 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at September 30, 2008, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Northlake Boulevard Special Revenue Fund	\$32,364

The outstanding balance between funds results mainly from the time lag between the dates that payments between funds are made. Interfund transfers during the year ended September 30, 2008 are as follows:

	Governmental Activities: Capital Assets	Transfer In: Non-major Governmental Funds
Transfer out: General Fund		\$1,254,952
Country Club Fund	\$49,296	

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2008

NOTE 17 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

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 18 – 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 \$176,116 for the year ended September 30, 2008 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, 2008, the cost of the leased assets was \$74,896, net book value was \$9,638 and depreciation expense was \$3,790.

Contingencies

The Village is involved in various litigations and claims arising in the course of operations. It is the opinion of legal counsel that the likelihood of unfavorable outcome and the amounts of potential losses cannot be reasonably determined for all claims at this time.

NOTE 19 – NEW PRONOUNCEMENTS

The Village is required to implement Governmental Accounting Standards Board Statement 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the fiscal year ending September 30, 2009. Retirees of the Village pay an amount equal to the actual premium for health insurance charged by the carrier, but there is an implied subsidy in the healthcare insurance premium for retirees under age 65 because the premium charged for these retirees is the same as the premium charged for active employees, who are younger than retirees on average. This implied subsidy constitutes other postemployment benefits (OPEB) under GASB 45. The impact of the implementation of GASB 45 will be determined by an actuarial valuation, which has not been completed.

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, 2008

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)- Entry Age(1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>General Employees Retirement Fund</u>						
10/1/2002	6,193,676	8,594,442	2,400,766	72.07%	3,076,493	78.04%
10/1/2003	6,759,012	10,404,349	3,645,337	64.96%	3,443,843	105.85%
10/1/2004	6,578,832	12,084,785	5,505,953	54.44%	4,275,981	128.76%
10/1/2005	3,817,605	9,116,599	5,298,994	41.88%	3,220,258	164.55%
10/1/2006	5,283,023	10,490,332	5,207,309	50.36%	3,680,960	141.47%
10/1/2007	6,481,382	10,997,783	4,516,401	58.93%	3,238,894	139.44%
<u>Fire and Police Retirement Fund (2)</u>						
10/1/2002	5,963,256	6,565,654	602,398	90.83%	1,921,532	31.35%
10/1/2003	6,635,342	7,616,168	980,826	87.12%	2,312,228	42.42%
10/1/2004	6,771,959	8,546,754	1,774,795	79.23%	2,627,239	67.55%
10/1/2005	7,600,134	8,692,747	1,092,613	87.43%	2,405,634	45.42%
10/1/2006	8,312,363	10,294,848	1,982,485	80.74%	2,798,919	70.83%
10/1/2007	9,228,537	10,836,562	1,608,025	85.16%	3,110,081	51.70%

(1) The General Employees Retirement Fund uses the Frozen Entry Age and the Fire and Police Retirement Fund uses the Entry Age actuarial costs method.

Fire and Police Retirement Fund (2)

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Required Supplemental Information
September 30, 2008

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>				
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%
2008	875,126	876,712	N/A	100.2%
<u>Fire and Police Retirement Fund</u>				
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%
2008	715,784	580,463	138,200	100.4%

(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, 2008

	General Employees Retirement Fund	Police and Retirement Fund
Contribution rates as of 9/30/07:		
Village	22.13%	22.53%
Plan Members	6% (1)	2.00%
Actuarially Determined Contribution	866,069	401,451
Contributions Made	873,872	401,451
Valuation date	10/1/2007	10/1/2007
Actuarial Cost Method	Frozen Entry Age	Aggregate
Amortized Method	Level percent closed	N/A (2)
Remaining Amortization Period	30 years	N/A (2)
Asset Valuation Method	Difference between actual and expected return recognized over five years.	Five year smooth market
Administrative Costs	Expenses paid out of the fund other than investment related expenses are assumed to be equal to the average of actual expenses over the previous two years.	Expenses paid out of the fund other than investment related expenses are assumed to be equal to the average of actual expenses over the previous two years.
Actuarial Assumption:		
Investment rate of return *	8% up to retirement 5.25% thereafter.	8%
Projected salary increase *	5.5%	6%
*Includes inflation at	4%	4%
Cost of living adjustments	3% for those retired before 2/1/82 or who contribute an extra 2%.	3%

(1) Except for certain members who have elected not to contribute and for other members who have elected to contribute only 2% or 4%.

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Taxes	\$ 15,144,244	\$ 15,144,244	\$ 15,424,638	\$ 280,394
Licenses and permits	905,416	1,158,916	1,047,144	(111,772)
Intergovernmental	1,397,649	1,543,434	1,516,624	(26,810)
Charges for services	1,499,793	1,506,305	1,268,774	(237,531)
Fines and forfeitures	124,805	122,305	157,022	34,717
Interest	527,541	527,541	194,652	(332,889)
Miscellaneous	92,500	92,500	137,447	44,947
Total revenues	<u>19,691,948</u>	<u>20,095,245</u>	<u>19,746,301</u>	<u>(348,944)</u>
Expenditures				
Current				
General government	2,224,493	2,321,083	2,183,182	137,901
Public safety	6,914,893	6,745,259	6,644,629	100,630
Public works	4,001,640	4,076,213	3,725,450	350,763
Community development & planning	926,293	950,413	840,366	110,047
Leisure services - recreation	2,731,674	2,928,788	2,875,570	53,218
Other government	307,141	308,341	63,279	245,062
Capital outlay	1,579,640	1,839,869	1,383,639	456,230
Debt service				
Principal payments	838,002	716,405	716,206	199
Interest paid on debt	168,172	143,769	143,726	43
Total expenditures	<u>19,691,948</u>	<u>20,030,140</u>	<u>18,576,047</u>	<u>1,454,093</u>
Excess (deficiency) of revenues over (under) expenditures		<u>65,105</u>	<u>1,170,254</u>	<u>1,105,149</u>
Other financing sources (uses)				
Transfer out		<u>(1,268,383)</u>	<u>(1,254,952)</u>	<u>13,431</u>
Total other financing sources (uses)		<u>(1,268,383)</u>	<u>(1,254,952)</u>	<u>13,431</u>
Net change in fund balances	<u>\$</u>	<u>\$ (1,203,278)</u>	<u>(84,698)</u>	<u>\$ 1,118,580</u>
Fund Balances				
Beginning of year			<u>9,125,550</u>	
End of year			<u>\$ 9,040,852</u>	

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Budgetary
Required Supplementary Information (RSI)
General Fund
September 30, 2008

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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Percent Variance</u>
Village Council					
Personal services	\$ 50,672	\$ 50,672	\$ 50,668	\$ 4	0.01%
Operating expenses	88,241	102,041	93,428	8,613	8.44
Total Village Council	<u>138,913</u>	<u>152,713</u>	<u>144,096</u>	<u>8,617</u>	<u>5.64</u>
Village Manager					
Personal services	269,618	269,618	266,240	3,378	1.25
Operating expenses	13,880	16,099	16,098	1	0.01
Total Village Manager	<u>283,498</u>	<u>285,717</u>	<u>282,338</u>	<u>3,379</u>	<u>1.18</u>
Village Finance					
Personal services	406,541	406,541	385,206	21,335	5.25
Operating expenses	61,870	65,195	40,464	24,731	37.93
Total Village Finance	<u>468,411</u>	<u>471,736</u>	<u>425,670</u>	<u>46,066</u>	<u>9.77</u>
Village Attorney					
Operating expenses	<u>170,000</u>	<u>170,000</u>	<u>122,646</u>	<u>47,354</u>	<u>27.86</u>
Village Clerk					
Personal services	209,889	223,692	223,691	1	0.00
Operating expenses	30,665	30,665	23,886	6,779	22.11
Total Village Clerk	<u>240,554</u>	<u>254,357</u>	<u>247,577</u>	<u>6,780</u>	<u>2.67</u>
Information Technology					
Personal services	202,243	212,359	212,359	-	0.00
Operating expenses	40,380	40,380	29,538	10,842	26.85
Total Information Technology	<u>242,623</u>	<u>252,739</u>	<u>241,897</u>	<u>10,842</u>	<u>4.29</u>
Human Resources					
Personal services	183,565	192,194	192,194	-	0.00
Operating expenses	39,415	39,415	26,627	12,788	32.44
Contingencies	2,075	2,075		2,075	100.00
Total Human Resources	<u>225,055</u>	<u>233,684</u>	<u>218,821</u>	<u>14,863</u>	<u>6.36</u>
Police					
Personal services	3,872,234	3,701,071	3,682,145	18,926	0.51
Operating expenses	290,794	294,861	290,301	4,560	1.55
Total Police	<u>4,163,028</u>	<u>3,995,932</u>	<u>3,972,446</u>	<u>23,486</u>	<u>0.59</u>
Fire Rescue					
Personal services	2,412,423	2,412,423	2,386,921	25,502	1.06
Operating expenses	201,958	205,084	169,004	36,080	17.59
Total Fire Rescue	<u>2,614,381</u>	<u>2,617,507</u>	<u>2,555,925</u>	<u>61,582</u>	<u>2.35</u>
Public Works / Streets and Grounds					
Personal services	265,973	265,973	232,622	33,351	12.54
Operating expenses	22,900	24,770	14,107	10,663	43.05
Total Public Works	<u>288,873</u>	<u>290,743</u>	<u>246,729</u>	<u>44,014</u>	<u>15.14</u>

(Continued)

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Schedule of Departmental Expenditures - Budget and Actual
General Fund
For the Year Ended September 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Percent Variance</u>
(Continued)					
Sanitation					
Personal services	\$ 1,387,294	\$ 1,426,071	\$ 1,426,071	\$	0.00%
Operating expenses	306,145	306,145	216,453	89,692	29.30
Total Sanitation	<u>1,693,439</u>	<u>1,732,216</u>	<u>1,642,524</u>	<u>89,692</u>	<u>5.18</u>
Facility Services					
Personal services	411,120	411,120	387,954	23,166	5.63
Operating expenses	183,228	185,330	165,505	19,825	10.70
Total Facility Services	<u>594,348</u>	<u>596,450</u>	<u>553,459</u>	<u>42,991</u>	<u>7.21</u>
Street Maintenance					
Personal services	741,627	741,627	584,100	157,527	21.24
Operating expenses	303,580	317,091	317,091	0.00	0.00
Total Street Maintenance	<u>1,045,207</u>	<u>1,058,718</u>	<u>901,191</u>	<u>157,527</u>	<u>14.88</u>
Park Maintenance					
Personal services	570,441	627,503	627,503	0.00	0.00
Operating expenses	85,550	85,550	74,304	11,246	13.15
Total Park Maintenance	<u>655,991</u>	<u>713,053</u>	<u>701,807</u>	<u>11,246</u>	<u>1.58</u>
Vehicle Maintenance					
Personal services	283,957	283,957	271,122	12,835	4.52
Operating expenses	95,816	95,816	92,113	3,703	3.86
Total Vehicle Maintenance	<u>379,773</u>	<u>379,773</u>	<u>363,235</u>	<u>16,538</u>	<u>4.35</u>
Planning and Engineering					
Personal services	198,959	198,959	141,636	57,323	28.81
Operating expenses	40,495	50,470	17,678	32,792	64.97
Total Planning and Engineering	<u>239,454</u>	<u>249,429</u>	<u>159,314</u>	<u>90,115</u>	<u>36.13</u>
Building					
Personal services	481,133	481,133	473,086	8,047	1.67
Operating expenses	55,258	55,258	52,180	3,078	5.57
Total Building	<u>536,391</u>	<u>536,391</u>	<u>525,266</u>	<u>11,125</u>	<u>2.07</u>
Code Enforcement					
Personal services	129,748	143,893	143,892	1	0.00%
Operating expenses	20,700	20,700	11,894	8,806	42.54
Total Code Enforcement	<u>150,448</u>	<u>164,593</u>	<u>155,786</u>	<u>8,807</u>	<u>5.35</u>
Leisure Services-Recreation					
Personal services	603,273	606,117	606,116	1	0.00
Operating expenses	281,050	311,098	311,098	0.00	0.00
Total Leisure Services-Recreation	<u>884,323</u>	<u>917,215</u>	<u>917,214</u>	<u>1</u>	<u>0.00</u>
Library					
Personal services	567,476	600,775	600,775	0.00	0.00
Operating expenses	73,733	144,761	144,761	0.00	0.00
Total Library	<u>641,209</u>	<u>745,536</u>	<u>745,536</u>	<u>0.00</u>	<u>0.00</u>

(Continued)

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Schedule of Departmental Expenditures - Budget and Actual
General Fund
For the Year Ended September 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Percent Variance</u>
(Continued)					
Tennis					
Personal services	\$ 101,702	\$ 101,702	\$ 86,886	\$ 14,816	14.57%
Operating expenses	83,435	86,268	86,268		0.00
Total Tennis	<u>185,137</u>	<u>187,970</u>	<u>173,154</u>	<u>14,816</u>	<u>7.88</u>
Pool					
Personal services	199,214	199,214	198,732	482	0.24
Operating expenses	70,800	70,800	50,226	20,574	29.06
Total Pool	<u>270,014</u>	<u>270,014</u>	<u>248,958</u>	<u>21,056</u>	<u>7.80</u>
Special events					
Operating expenses	95,000	95,000	88,903	6,097	6.42
Total Special events	<u>95,000</u>	<u>95,000</u>	<u>88,903</u>	<u>6,097</u>	<u>6.42</u>
Debt Service	1,006,174	860,174	859,932	242	0.03
Other					
Operating expenses	307,141	326,654	81,591	245,063	75.02
	<u>307,141</u>	<u>326,654</u>	<u>81,591</u>	<u>245,063</u>	<u>75.02</u>
Non-Departmental					
Operating expenses	592,923	631,957	616,393	15,564	2.46
	<u>592,923</u>	<u>631,957</u>	<u>616,393</u>	<u>15,564</u>	<u>2.46</u>
Capital Outlay					
Village Manager	1,500	1,500		1,500	100.00
Village Clerk	1,000	1,000		1,000	100.00
Information Technology	51,000	51,000	43,975	7,025	13.77
Human Resources	1,000	1,000		1,000	100.00
Police	121,003	121,003	116,452	4,551	3.76
Fire Rescue	6,850	6,850		6,850	100.00
Building	73,000	73,000	56,166	16,834	23.06
Code Enforcement	20,000	20,000		20,000	100.00
Public Works / Streets and Grounds	22,000	22,000	19,046	2,954	13.43
Sanitation	140,000	140,000	134,998	5,002	3.57
Street Maintenance	888,900	822,747	648,894	173,853	21.13
Park Maintenance	15,000	318,314	278,504	39,810	12.51
Vehicle Maintenance	50,000	50,000	9,683	40,317	80.63
Leisure Services	40,500	51,923	43,359	8,564	16.49
Tennis	14,500	24,521	8,553	15,968	65.12
Pool	11,000	11,000		11,000	100.00
Library	100,687	100,687	4,339	96,348	95.69
Special events	6,000	6,000	5,170	830	13.83
Non-Departmental	15,700	17,324	14,500	2,824	16.30
Total Capital outlay	<u>1,579,640</u>	<u>1,839,869</u>	<u>1,383,639</u>	<u>456,230</u>	<u>24.80</u>
Total expenditures	<u>\$ 19,691,948</u>	<u>\$ 20,030,140</u>	<u>\$ 18,576,047</u>	<u>\$ 1,454,093</u>	<u>7.26%</u>

COMBINING FINANCIAL STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

Capital Projects Fund

Special Revenue Funds

Public Safety Fund

Northlake Boulevard Fund

Recreation Fund

On-Behalf Pension Contributions

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2008

	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	\$ 959,201	\$ 27,453	\$	\$ 563,268	\$	\$ 1,549,922
Due from other governments	58,490		34,350	5,594	321,142	419,576
Total assets	<u>\$ 1,017,691</u>	<u>\$ 27,453</u>	<u>\$ 34,350</u>	<u>\$ 568,862</u>	<u>\$ 321,142</u>	<u>\$ 1,969,498</u>
Liabilities						
Accounts payable	\$ 5,849	\$	\$	\$ 3,902	\$ 321,142	\$ 330,893
Due to other funds			32,364			32,364
Deferred revenue	58,490					58,490
Total liabilities	<u>64,339</u>	<u></u>	<u>32,364</u>	<u>3,902</u>	<u>321,142</u>	<u>421,747</u>
Fund balances						
Reserved	239,979					239,979
Unreserved						
Undesignated	713,373	27,453	1,986	564,960		1,307,772
Total fund balances	<u>953,352</u>	<u>27,453</u>	<u>1,986</u>	<u>564,960</u>	<u></u>	<u>1,547,751</u>
Total liabilities and fund balances	<u>\$ 1,017,691</u>	<u>\$ 27,453</u>	<u>\$ 34,350</u>	<u>\$ 568,862</u>	<u>\$ 321,142</u>	<u>\$ 1,969,498</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, 2008

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Capital Projects Fund	Public Safety Fund	Northlake Boulevard Fund	Recreation Fund	On-Behalf Pension Contributions	
Revenues						
Intergovernmental	\$ 430,062	\$ 17,604	\$ 34,350	\$ 139,429	\$ 321,142	\$ 942,587
Fines and forfeitures		78,943				78,943
Total revenues	<u>430,062</u>	<u>96,547</u>	<u>34,350</u>	<u>139,429</u>	<u>321,142</u>	<u>1,021,530</u>
Expenditures						
Current						
Public safety		17,340		73,722	321,142	412,204
Leisure services - recreation			1,270			1,270
Capital outlay	763,538	243,376		206,512		1,213,426
Total expenditures	<u>763,538</u>	<u>260,716</u>	<u>1,270</u>	<u>280,234</u>	<u>321,142</u>	<u>1,626,900</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(333,476)</u>	<u>(164,169)</u>	<u>33,080</u>	<u>(140,805)</u>		<u>(605,370)</u>
Other financing sources (uses)						
Transfers in	613,596	191,622		449,734		1,254,952
Total other financing sources (uses)	<u>613,596</u>	<u>191,622</u>		<u>449,734</u>		<u>1,254,952</u>
Net changes in fund balances	280,120	27,453	33,080	308,929		649,582
Fund balances - Beginning of year	<u>673,232</u>		<u>(31,094)</u>	<u>256,031</u>		<u>898,169</u>
Fund balances - End of year	<u>\$ 953,352</u>	<u>\$ 27,453</u>	<u>\$ 1,986</u>	<u>\$ 564,960</u>	<u>\$</u>	<u>\$ 1,547,751</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, 2008

	Volunteer Fire Pension	General Employees Pension	Fire and Police Officers Pension	Total Employee Retirement Funds
ASSETS				
Cash and cash equivalents	\$	\$ 251,672	\$ 1,151,625	\$ 1,403,297
Investments:				
Common equity securities			5,443,831	5,443,831
Preferred equity securities			65,323	65,323
U.S. Government agencies			1,692,586	1,692,586
Corporate bonds			1,245,758	1,245,758
U.S. Treasury bonds			165,174	165,174
Equity mutual funds		303,374		303,374
Common trust funds		4,248,730		4,248,730
Fixed annuity funds	71,479			71,479
Equity annuity funds	8,013			8,013
Pending trades			19,364	19,364
Accrued interest and dividends		406	57,120	57,526
Accounts Receivable		210,774	322,495	533,269
Total assets	<u>79,492</u>	<u>5,014,956</u>	<u>10,163,276</u>	<u>15,257,724</u>
LIABILITIES				
Deferred village contributions			111,329	111,329
Total liabilities			<u>111,329</u>	<u>111,329</u>
Net Assets				
Held in trust for pension benefits and other purposes	<u>\$ 79,492</u>	<u>\$ 5,014,956</u>	<u>\$ 10,051,947</u>	<u>\$ 15,146,395</u>

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Combining Statement of Changes in Fiduciary Net Assets
Employee Retirement Funds
For the Year Ended September 30, 2008

	<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:				
Employer	\$ 4,217	\$ 876,712	\$ 580,463	\$ 1,461,392
Plan members		161,290	61,807	223,097
State on-behalf payments			321,142	321,142
Total contributions	<u>4,217</u>	<u>1,038,002</u>	<u>963,412</u>	<u>2,005,631</u>
Investment earnings:				
Dividends and interest	3,236	31,451	361,008	395,695
Net decrease in fair value of investments	(271)	(692,615)	(1,468,039)	(2,160,925)
Investment expense		(48,043)	(51,248)	(99,291)
Total investment earnings	<u>2,965</u>	<u>(709,207)</u>	<u>(1,158,279)</u>	<u>(1,864,521)</u>
Total additions	<u>7,182</u>	<u>328,795</u>	<u>(194,867)</u>	<u>141,110</u>
Deductions:				
Administration	2,980	21,192	77,172	101,344
Benefits		2,083,710	602,740	2,686,450
Total deductions	<u>2,980</u>	<u>2,104,902</u>	<u>679,912</u>	<u>2,787,794</u>
Change in net assets	4,202	(1,776,107)	(874,779)	(2,646,684)
Net assets - beginning	<u>75,290</u>	<u>6,791,063</u>	<u>10,926,726</u>	<u>17,793,079</u>
Net assets - ending	<u>\$ 79,492</u>	<u>\$ 5,014,956</u>	<u>\$ 10,051,947</u>	<u>\$ 15,146,395</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, 2008

	Agency Funds		
	Manatee Protection Agency	Northlake Boulevard Task Force	Total Agency Funds
ASSETS			
Cash and cash equivalents	\$ 276,649	\$ 63,401	\$ 340,050
 LIABILITIES			
Due to others	\$ 276,649	\$ 63,401	\$ 340,050

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Combining Schedule of Changes in Agency Net Assets and Liabilities
For the Year Ended September 30, 2008

	<u>October 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>September 30, 2008</u>
<u>Manatee Protection Agency</u>				
Assets				
Cash and cash equivalents	\$ 263,028	\$ 13,621	\$	\$ 276,649
Liabilities				
Due to others	\$ 263,028	\$ 13,621	\$	\$ 276,649
<u>Northlake Boulevard Task Force</u>				
Assets				
Cash and cash equivalents	\$ 66,521	\$ 3,370	\$ 6,490	\$ 63,401
Liabilities				
Due to others	\$ 66,521	\$ 3,370	\$ 6,490	\$ 63,401
<u>Total All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 329,549	\$ 16,991	\$ 6,490	\$ 340,050
Liabilities				
Due to others	\$ 329,549	\$ 16,991	\$ 6,490	\$ 340,050

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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Percent Variance</u>
Golf Maintenance					
Personal services	\$ 896,459	\$	\$	\$	
Operating expenses	607,135	1,377,348	1,343,992	33,356	2.42
Capital outlay	152,500				100.00
Total Golf Maintenance	<u>1,656,094</u>	<u>1,377,348</u>	<u>1,343,992</u>	<u>33,356</u>	<u>2.42</u>
Golf Pro Shop and Range					
Personal services	321,519	321,519	313,829	7,690	2.39
Operating expenses	279,509	279,509	286,205	(6,696)	-2.40
Capital outlay	7,000	7,000	5,250	1,750	25.00
Total Golf Pro Shop and Range	<u>608,028</u>	<u>608,028</u>	<u>605,284</u>	<u>2,744</u>	<u>0.45</u>
Food and Beverage					
Operating expenses	48,952	48,952	46,608	2,344	4.79
Total Food and Beverage	<u>48,952</u>	<u>48,952</u>	<u>46,608</u>	<u>2,344</u>	<u>4.79</u>
Administration					
Personal services	205,159	208,537	207,420	1,117	0.54
Operating expenses	143,970	96,064	76,871	19,193	19.98
Total Administration	<u>349,129</u>	<u>304,601</u>	<u>284,291</u>	<u>20,310</u>	<u>6.67</u>
Clubhouse and Grounds					
Operating expenses	192,992	192,992	144,165	48,827	25.30
Capital outlay		406		406	100.00
Total Clubhouse and Grounds	<u>192,992</u>	<u>193,398</u>	<u>144,165</u>	<u>49,233</u>	<u>25.46</u>
Insurance and General Liability					
Operating expenses	105,639	150,167	150,166	1	0.00
Reserves					
Operating	5,000	5,000	3,623	1,377	27.54
Contingency	29,283	471,205	369,894	101,311	21.50
Total Reserves	<u>34,283</u>	<u>476,205</u>	<u>373,517</u>	<u>102,688</u>	<u>21.56</u>
Debt service					
Debt service	641,901	641,901	565,916	75,985	11.84
 Total expenses on the budgetary basis	 <u>\$ 3,637,018</u>	 <u>\$ 3,800,600</u>	 3,513,939	 <u>\$ 286,661</u>	 <u>7.54%</u>
 Adjustments to reconcile to the GAAP Basis					
Less capital outlay costs capitalized			(389,432)		
Less debt service			(565,916)		
Add depreciation expense			<u>486,651</u>		
 Total operating expenses			 <u>\$ 3,045,242</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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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

	Fiscal Year				
	<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	<u>2,350,342</u>	<u>3,527,865</u>	<u>6,654,989</u>	<u>7,143,452</u>	<u>9,281,170</u>
Total governmental activities net assets	<u>6,526,943</u>	<u>7,760,981</u>	<u>10,210,413</u>	<u>15,416,298</u>	<u>19,938,227</u>
Business-Type Activities:					
Invested in capital assets, net of related debt	2,165,529	2,131,367	1,919,194	1,999,123	2,195,630
Unrestricted	<u>(65,937)</u>	<u>(5,195)</u>	<u>270,374</u>	<u>415,865</u>	<u>151,005</u>
Total business-type activities net assets	<u>2,099,592</u>	<u>2,126,172</u>	<u>2,189,568</u>	<u>2,414,988</u>	<u>2,346,635</u>
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	<u>2,284,405</u>	<u>3,522,670</u>	<u>6,925,363</u>	<u>7,559,317</u>	<u>9,432,175</u>
Total primary government net assets	<u>\$ 8,626,535</u>	<u>\$ 9,887,153</u>	<u>\$ 12,399,981</u>	<u>\$ 17,831,286</u>	<u>\$ 22,284,862</u>
<u>2008</u>					
Governmental Activities:					
Invested in capital assets, net of related debt	\$ 12,845,093				
Restricted	979,182				
Unrestricted	<u>9,836,912</u>				
Total governmental activities net assets	<u>23,661,187</u>				
Business-Type Activities:					
Invested in capital assets, net of related debt	2,492,524				
Unrestricted	<u>202,802</u>				
Total business-type activities net assets	<u>2,695,326</u>				
Primary government:					
Invested in capital assets, net of related debt	15,337,617				
Restricted	979,182				
Unrestricted	<u>10,039,714</u>				
Total primary government net assets	<u>\$ 26,356,513</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 SIX FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING) Unaudited

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
General government	\$ 2,781,333	\$ 3,174,460	\$ 2,127,009	\$ 1,784,528	\$ 2,698,187	\$ 1,839,228
Public safety	5,195,338	5,294,399	6,038,846	7,036,117	6,671,490	7,154,578
Public works	3,482,975	3,549,178	5,091,305	4,131,500	3,733,815	3,996,711
Community development and planning	-	-	-	657,112	737,165	860,448
Leisure services	1,539,771	1,280,483	1,635,784	2,562,627	2,781,658	3,244,045
Other government	-	-	842,561	2,049	-	-
Interest on long-term debt	128,507	40,580	151,233	241,995	204,666	120,549
Total governmental activities expenses	13,127,924	13,339,100	15,886,738	16,415,928	16,826,981	17,215,559
Business-type activities:						
Country club	2,676,883	2,567,690	2,607,712	2,124,927	3,570,683	3,268,562
Total business-type activities	2,676,883	2,567,690	2,607,712	2,124,927	3,570,683	3,268,562
Total primary government expenses	\$ 15,804,807	\$ 15,906,790	\$ 18,494,450	\$ 18,540,855	\$ 20,397,664	\$ 20,484,121
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$ 342,936	\$ 355,118	\$ 285,386	\$ 158,160	\$ 122,455	\$ 123,334
Public safety	258,723	273,391	329,081	388,671	345,731	383,325
Public works	727,016	895,291	1,326,820	140,923	217,975	288,994
Community development and planning	-	-	-	1,175,252	938,188	888,015
Leisure services	174,589	147,773	78,475	528,983	496,679	595,558
Other government	-	-	-	-	-	-
Operating grants and contributions	82,134	89,362	1,392,729	998,573	170,389	88,224
Capital grants and contributions	102,560	-	-	462,394	1,454,526	1,602,465
Total governmental activities program revenues	1,687,958	1,760,935	3,412,491	3,852,956	3,745,943	3,969,915
Business-type activities:						
Charges for services:						
Country club	2,510,258	2,548,259	2,658,468	2,167,089	3,463,524	3,616,509
Operating grants and contributions	-	-	-	68,883	-	13,609
Capital grants and contributions	10,000	-	-	-	-	-
Total business-type activities program revenues	2,520,258	2,548,259	2,658,468	2,235,972	3,463,524	3,630,118
Total primary government program revenues	\$ 4,208,216	\$ 4,309,194	\$ 6,070,959	\$ 6,088,928	\$ 7,209,467	\$ 7,600,033
Net (Expense)/Revenue						
Governmental activities	\$ (11,439,966)	\$ (11,578,165)	\$ (12,474,247)	\$ (12,562,972)	\$ (13,081,041)	\$ (13,245,644)
Business-type activities	(156,625)	(19,431)	50,756	111,045	(107,159)	361,556
Total primary government net expense	\$ (11,596,591)	\$ (11,597,596)	\$ (12,423,491)	\$ (12,451,927)	\$ (13,188,200)	\$ (12,884,088)
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	\$ 11,915,355
Local option gas taxes	-	-	-	307,043	292,332	278,649
Utility service taxes	1,755,153	1,830,339	1,955,403	2,001,164	2,001,443	2,018,071
Franchise taxes	890,285	861,708	890,297	1,150,974	1,207,552	1,212,562
Sales and use taxes	1,148,210	1,230,803	1,277,124	1,415,917	1,339,893	1,227,341
Unrestricted grants and contributions	276,302	291,710	421,254	-	-	-
Investment earnings	75,023	53,600	196,699	477,420	650,022	194,652
Miscellaneous	54,875	92,260	111,927	53,264	8,836	55,719
Contributions for Support Our Troops	-	-	-	-	15,502	16,959
Transfers	-	-	-	36,445	5,111	49,296
Total governmental activities	10,564,848	12,812,203	14,923,681	16,323,728	17,596,875	16,968,604
Business-type activities:						
Investment income	4,586	3,450	12,640	112,841	43,917	36,431
Miscellaneous	99,553	42,560	-	-	-	-
Transfers	-	-	-	(36,445)	(5,111)	(49,296)
Total business-type activities	104,139	46,010	12,640	76,396	38,806	(12,865)
Total primary government	\$ 10,668,987	\$ 12,858,213	\$ 14,936,321	\$ 16,400,124	\$ 17,635,681	\$ 16,955,739
Change in net assets						
Governmental activities	\$ (875,118)	\$ 1,234,038	\$ 2,449,434	\$ 3,760,756	\$ 4,515,834	\$ 3,722,960
Business-type activities	(52,486)	26,579	63,396	187,441	(68,353)	348,691
Total primary government	\$ (927,604)	\$ 1,260,617	\$ 2,512,830	\$ 3,948,197	\$ 4,447,481	\$ 4,071,651

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 SIX FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING) Unaudited

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund					
Reserved	\$ 354,396	\$ 218,882	\$ 197,163	\$ 308,836	\$ 945,891
Unreserved	1,654,593	2,883,855	5,771,684	7,022,606	8,179,659
Total general fund	<u>\$ 2,008,989</u>	<u>\$ 3,102,737</u>	<u>\$ 5,968,847</u>	<u>\$ 7,331,442</u>	<u>\$ 9,125,550</u>
All other Governmental Funds					
Reserved	\$ 613,459	\$ 470,155	\$ 19,828	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	-	-	-	400,000	224,937
Capital projects funds	-	-	-	397,233	673,232
Total all other governmental funds	<u>\$ 613,459</u>	<u>\$ 470,155</u>	<u>\$ 19,828</u>	<u>\$ 797,233</u>	<u>\$ 898,169</u>
	<u>2008</u>				
General Fund					
Reserved	\$ 775,339				
Unreserved	8,265,513				
Total general fund	<u>\$ 9,040,852</u>				
All other Governmental Funds					
Reserved	\$ 239,979				
Unreserved, reported in:					
Special revenue funds	594,399				
Capital projects funds	713,373				
Total all other governmental funds	<u>\$ 1,547,751</u>				

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

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Revenues:						
Taxes	\$ 9,292,822	\$ 11,439,823	\$ 13,236,952	\$ 14,340,682	\$ 15,577,511	\$ 15,424,638
Licenses and Permits	686,548	712,184	1,131,903	1,128,658	880,266	1,047,144
Intergovernmental	1,280,228	1,350,104	2,804,985	2,914,057	2,750,021	2,459,211
Charges for services	665,496	719,589	647,915	1,003,660	1,082,569	1,268,774
Fines and forfeitures	113,391	122,407	234,513	165,496	132,158	235,965
Investment earnings	75,023	53,600	196,699	477,421	650,022	194,652
Miscellaneous	139,354	175,431	83,205	130,515	194,716	137,447
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>	<u>20,767,831</u>
Expenditures						
General government	1,360,072	1,532,561	2,061,545	1,648,131	2,304,654	2,246,461
Public safety	4,758,982	5,019,361	5,713,904	6,494,578	6,609,801	7,056,833
Public works	3,285,603	3,280,274	5,019,739	4,708,196	3,558,264	3,725,450
Community development and planning				651,331	735,155	840,366
Leisure services - recreation	1,216,156	1,256,066	1,376,950	1,682,030	2,430,403	2,876,840
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	2,597,065
Debt service						
Principal payments	939,396	955,184	903,225	879,527	789,048	716,206
Interest paid on debt	136,676	40,580	151,233	199,373	207,088	143,726
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>	<u>20,202,947</u>
Excess of revenues over (under) expenditures	(3,285,334)	720,444	2,292,283	1,977,897	1,895,045	564,884
Other financing sources (uses)						
Transfers in				1,471,529	593,884	1,254,952
Transfers out				(1,471,529)	(593,884)	(1,254,952)
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>	<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>	<u>\$ 564,884</u>
Debt service as a percentage of noncapital expenditures	9.03%	8.11%	7.03%	7.29%	6.41%	4.91%

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

Fiscal Year Ended Sept 30	Tax Role Year	Real Property			Total Net Market - Assessed Value	Total Direct Tax Rate
		Residential Property	Commercial Property	Personal Property		
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
2008	2007	1,744,202,888	229,300,592	43,735,861	2,017,239,341	6.10

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	
1999	1998	5.600	9.68	4.858	2.234	22.372
2000	1999	5.600	8.92	4.936	2.262	21.718
2001	2000	5.750	8.92	4.936	2.263	21.869
2002	2001	5.600	8.95	4.935	2.456	21.941
2003	2002	5.800	8.78	4.808	2.488	21.876
2004	2003	6.800	8.57	4.791	2.556	22.717
2005	2004	7.270	8.43	4.768	2.526	22.994
2006	2005	6.800	8.11	4.719	2.504	22.133
2007	2006	6.300	7.87	4.480	2.325	20.975
2008	2007	6.100	7.36	3.981	2.131	19.572

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

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

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

VILLAGE OF NORTH PALM BEACH

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND 1999

Unaudited

<u>Taxpayers</u>	<u>2008</u>			<u>1999</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Village Net Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Village Net Taxable Assessed Value</u>
Crystal Tree NPB	\$ 18,037,727	1	0.89%	\$		
Olen Residential Realty	16,800,000	2	0.83%	6,571,968	3	0.85%
Domani Development, LLC	13,720,275	3	0.68%			
Sanctuary Bay Trust Corporation	13,200,300	4	0.65%			
CF02 Palm Beach III LP	13,000,000	5	0.64%			
Greater Fla Inv Co &	10,371,407	6	0.51%	5,840,000	4	0.76%
Interevest Crystal Tree				9,387,971	1	1.22%
Olen Company				9,327,828	2	1.21%
Village Shoppers at US 1 LLC	9,325,955	7	0.46%			
Old Port Cove Holding, Inc	7,702,923	8	0.38%			
Riverside National Bank of Florida	6,363,298	9	0.32%			
Northlake Storage, LLC	5,610,908	10	0.28%			
Pavilion Office Center	5,500,000	11	0.27%			
Transcontinental Atrium, Inc.				4,800,000	5	0.62%
WCI Communities Limited Partnership				4,563,478	6	0.59%
Pulte Home Corporation				4,207,200	7	0.54%
Amoco Oil Company				3,706,713	8	0.48%
Roschman, M. Elaine TR				3,300,000	9	0.43%
Morse, Edward J., Inc				3,132,969	10	0.41%
Old Port Cove Dev.				3,100,000	11	0.40%
Total	\$ 119,632,793		5.91%	\$ 57,938,127		7.51%

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
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%
2008	2007	12,360,135	11,546,732	93.42%	333,756	11,880,488	96.12%

Source: Palm Beach Country Property Appraiser

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

Fiscal Year Ended September 30,	Governmental Activities		Business-type Activities		Total	Percent of Median Personal Income (1)	Per Capita (1)
	Loans Payable	Capital Leases	Loans Payable	Capital Leases			
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
2008	3,605,639	40,097	4,662,833	192,892	8,501,461	12.92%	692.64

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, 2008
Unaudited

<u>Government Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the Village of North Palm Beach (1)</u>	<u>Amount Applicable to the Village of North Palm Beach</u>
Debt repaid with property taxes:			
Palm Beach County	\$ 290,410,000	1.19%	\$ 3,455,879
Palm Beach County School Board		1.19%	
Other Debt:			
Palm Beach County	957,498,000	1.19%	11,394,226
Palm Beach County School Board	35,805,000	1.19%	426,080
Subtotal, Overlapping Debt			15,276,185
Village of North Palm Beach Direct Debt		100%	<u>3,645,736</u>
Total Direct and Overlapping Debt			<u><u>\$ 18,921,921</u></u>

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

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

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

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

<u>Fiscal Year</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenue</u>	<u>Required Debt Service</u>	<u>Coverage (3)</u>
(4)					
2006	\$ 2,348,813	\$ 1,910,640	\$ 438,173	\$ 106,936	4.10 (4)
2007	3,507,441	2,991,621	515,820	392,505	1.31
2008	3,652,940	2,558,591	1,094,349	394,900	2.77

(1) Gross revenue includes interest revenue.

(2) Operating expenses excludes depreciation.

(3) Coverage should be not less than 1.00.

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

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

Calendar Year	Population (1)	Median Personal Income (1)	Per Capita Personal Income (1)	Palm Beach County Unemployment Rate (2)
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
2008 (estimate)	12,274	65,815	45,563	6.3

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>2008</u>			<u>1999</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>		<u>Employees</u>	<u>Percentage of Total Employment</u>
School Board	21,718	3.34%	School Board	17,000	3.21%
Palm Beach County	11,319	1.74%	Palm Beach County	9,000	1.70%
Tenet Healthcare Corp	4,500	0.69%	State Government	8,800	1.66%
Florida Power & Light	3,632	0.56%	Federal Government	5,900	1.11%
Hospital Corp of America	3,395	0.52%	Columbia Palm Beach Health System	4,000	0.75%
Wachenhut Corporation	3,000	0.46%	Pratt & Whitney Aircraft	4,000	0.75%
Florida Atlantic University	2,838	0.44%	Intracoastal Health Systems, Inc.	3,200	0.60%
Veterans Health Administration	2,207	0.34%	Florida Atlantic University	3,100	0.58%
Office Depot	2,100	0.32%	Flo Sun, Inc.	2,500	0.47%
Boca Raton Community Hosp	<u>2,100</u>	<u>0.32%</u>	Motorola, Inc. & Florida Power & Light	<u>2,300</u>	<u>0.43%</u>
Total	<u><u>56,809</u></u>	<u><u>8.73%</u></u>		<u><u>59,800</u></u>	<u><u>11.26%</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>	<u>2008</u>
Number of Employees:									
General Government									
Village Manager - Full-Time	1	1	1	1	1	1	1	1	1
Assistant Village Manager - Full-Time	1	1	1	1	1	1	0	0	0
Systems Specialist - Full -Time	1	1	1	1	1	1	2	2	2
Executive Secretary - Full-Time	1	1	1	1	1	1	1	1	1
Human Resources							2	2	2
Village Clerk - Full-Time	0	0	0	0	0	3	3	3	3
Finance									
Full-time	4	4	5	5	5	5	5	5	5
Part-Time	1	1	0	0	0	0	0	0	1
Public Works									
Full-time	61	61	61	61	61	62	54	47	48
Part-Time	4	4	4	8	8	6	3	0	0
Public Safety									
Full-time	60	63	63	66	66	61	66	68	68
Part-Time	13	12	12	14	14	15	14	13	12
Community Development and Planning									
Full-time	0	0	0	0	0	0	0	9	10
Part-Time	0	0	0	0	0	0	0	1	1
Leisure Services									
Library									
Full-time	8	9	9	9	9	8	7	7	7
Part-Time	9	8	8	7	7	7	8	8	8
Recreation									
Full-time	5	5	5	6	6	5	15	15	17
Part-Time	6	14	14	14	14	15	31	39	42
Other Government - Country Club									
Full-time	24	22	24	25	25	24	18	19	18
Part-Time	28	34	36	27	27	27	24	25	22
Total Number of Employees Budgeted FY Ending	227	241	245	246	246	242	254	265	268

* 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	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
GENERAL GOVERNMENT										
Number of Residential Units	-	7,349	-	-	-	-	-	-	7,564	7,422
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	31
Sanitation (Tons of Refuse Collected)	-	-	11,633	12,996	13,136	18,842	14,037	13,203	12,085	11,974
No. of collection units for solid waste (residential)	7,027	7,019	7,241	7,328	7,434	7,470	7,519	7,558	7,564	7,569
Number of vehicles maintained	93	93	93	95	95	95	95	95	104	104
Number of repair overlays completed	-	0.662	0.662	2.840	3.787	5.587	2.462	2.935	2	3
PUBLIC SAFETY										
Number of arrests by police officers	161	272	381	246	320	315	331	410	545	549
Number of traffic citations issued	3,129	5,506	6,502	3,936	2,564	3,110	5,743	4,272	4,269	5,520
EMS average response times (minutes)	4.00	3.04	5.43	3.33	2.94	4.42	3.98	4.69	4.73	5.17
Number of EMS calls	503	744	812	853	922	1,066	965	1,056	1,034	1,114
COMMUNITY DEVELOPMENT & PLANNING										
Building Department - Number of Permits	121	251	278	205	224	201	201	(2)	1,875	1,619
Number of code enforcement violations	-	-	-	-	-	-	-	1,767	1,617	729
Number of code violations brought to board (Calendar Yr End)	-	-	-	101	120	145	165	144	126	115
RECREATION										
Number of community events presented	13	13	13	13	14	15	22	21	24	23
Number of registrants in athletic programs	2,085	2,100	2,185	2,185	1,750	1,575	1,400	1,520	1,600	1,400
LIBRARY										
Library - Number of Volumes	42,637	44,686	45,700	47,339	47,960	47,531	54,074	47,371	42,372	33,122
OTHER GOVERNMENT										
Country Club										
Number of Golf Members	-	-	-	-	-	-	-	365	579	389
Number of Tennis Members	-	-	-	-	-	-	-	136	171	171

(1) Available information for fiscal years 1999 through 2008 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	2008
General Government											
No. of General Government Buildings	12	12	11	11	11	11	11	11	11	11	11
Public Works											
Square Miles	5.18	5.18	5.18	5.18	5.18	5.18	5.18	5.18	5.18	5.18	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	36.00
Number of Street Lights	425	425	425	425	425	425	425	425	425	425	513
Public Safety											
Fire:											
Number of Stations	1	1	1	1	1	1	1	1	1	1	1
Number of Substations	-	-	-	0	0	0	1	1	1	1	1
Number of Fireman & Officers	5	5	5	5	8	8	8	8	-	-	-
Number of Fireman/Paramedics	-	-	-	-	-	-	-	-	23	23	23
Police/EMS Protection:											
Number of Stations	2	2	2	2	2	1	1	1	1	1	1
Number of Substations	-	-	-	0	0	1	1	1	1	1	1
Number of Policemen & Officers	41	41	56	56	33	35	35	35	33	32	32
EMS Protection	12	12	12	12	13	13	13	13	-	-	-
Leisure Services											
Recreation											
Number of Parks	4	4	4	4	4	4	4	4	4	4	4
Public Tennis Courts	5	5	5	4	4	4	4	4	2	2	2
Swimming Pool	1	1	1	1	1	1	1	1	1	1	1
Number of Marinas	1	1	1	1	1	1	1	1	1	1	1
Library											
Number of Libraries	1	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	33,122
Other Government											
Country Club											
Golf Course	1	1	1	1	1	1	1	1	1	1	1
Driving Range	1	1	1	1	1	1	1	1	1	1	1
Tennis Courts	10	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, 2008, which collectively comprise the Village of North Palm Beach, Florida's basic financial statements and have issued our report thereon dated March 16, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the Village of North Palm Beach, Florida in the attached management letter dated March 16, 2009.

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

Nowlen, Holt & Mimer, P.A.

March 16, 2009
West Palm Beach, Florida



NOWLEN, HOLT & MINER, P.A.

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MANAGEMENT LETTER

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

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We have audited the basic financial statements of the Village of North Palm Beach, Florida, as of and for the year ended September 30, 2008, and have issued our report thereon dated March 16, 2009.

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 16, 2009, should be considered in assessing the results of our audit.

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

PRIOR YEAR COMMENTS

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

CURRENT YEAR COMMENTS

The Rules of the Auditor General require that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit for the fiscal year ended September 30, 2008, we did not have any such recommendations.

Excess of Expenditures Over Appropriations

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

Oversight Unit and Component Units

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

Consideration of Financial Emergency Criteria

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, 2008.

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, 2008, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2008. 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, 2008.

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 30, 2008, 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, 2008, we did not have any such findings.

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

Nowlen, Holt & Miner, P.A.

March 16, 2009
West Palm Beach, Florida