



The Village of North Palm Beach, FL



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2010

The Village of North Palm Beach, Florida



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2010

**Prepared by:
Finance Department**

**Samia Janjua
Director of Finance**

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

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THE VILLAGE OF NORTH PALM BEACH, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

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INTRODUCTORY SECTION



THE VILLAGE OF NORTH PALM BEACH

"THE BEST PLACE TO LIVE UNDER THE SUN"

March 24, 2011

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, 2010.

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 are accurate in all material respects, and are 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, 2010. 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 increases to approximately 18,000 during the winter months by residents who list their northern homes as their official place of residence. Residents are generally in the middle to upper income brackets.

Located in the northeastern quadrant of Palm Beach County, Florida, the Village has an 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 within 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 for GAAP-based budgets. The formal budget approval for each fiscal year is accomplished in a manner compliant 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 the 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 the 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 (56%) from ad valorem property taxes. Gross assessed property values increased substantially between the years of 2002 through 2006 but slowed significantly in 2007. In years 2008, 2009 and 2010 area property values declined in value, 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 continues to be an obvious softening of the real-estate market significantly impacting both home values and sales.

The Village's property tax valuation continues to be negatively impacted since the passing of *Amendment One* (Property Tax Reform) in January 2008! Three primary factors play a role in that impact: doubling the Homestead exemptions to fifty thousand dollars; the capping of assessed property values for homes not currently homesteaded; and portability. Political discussions continue regarding alternative taxations which make future forecasts of Village property tax valuation uncertain.

The Village will continue to pursue annexation of surrounding unincorporated areas that complement and enhance the services and values of our existing community. The focus of Village annexation efforts will be providing exemplary municipal services that are revenue "neutral" to both the annexed areas and to the Village. In Fiscal Year 2010 the Village was successful in acquiring both developed and undeveloped parcels of land through such annexation efforts.

Investment Revenues:

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

Personnel Costs

The Village will continue to face challenges primarily in areas of increased 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. The Village has also encountered significant increases in annual health insurance costs 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 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) were successfully bargained and ratified during fiscal year 2010. All Collective Bargaining Agreements will run through September 30, 2013. All wage provisions "sunset" each year and must be renegotiated pursuant to the annual re-opener provisions outlined in the respective Collective Bargaining Agreements thereby 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 the areas of staffing, public services and public projects.

INITIATIVES AND FUTURE PROJECTS

Public Safety:

The Department of Law Enforcement will seek its first reaccreditation through CALEA in this upcoming year. The purpose of CALEA's Accreditation Programs is to improve the delivery of public safety services, primarily by: maintaining a body of standards, developed by public safety practitioners, covering a wide range of up-to-date public safety initiatives; establishing and administering an accreditation process; and recognizing professional excellence.

Specifically, CALEA's goals are to:

- Strengthen crime prevention and control capabilities;
- Formalize essential management procedures;
- Establish fair and nondiscriminatory personnel practices;
- Improve service delivery;
- Solidify interagency cooperation and coordination; and
- Increase community and staff confidence in the agency.

The CALEA Accreditation Process is a proven modern, management model. Once implemented, it presents on a continuing basis to the agency's Chief Executive Officer (CEO) a blueprint that promotes the efficient use of resources and improves service delivery—regardless of the size, geographic location, or functional responsibilities of the agency.

Communication/Automation upgrade:

In 2010 the Village of North Palm Beach migrated from utilizing AT&T as its sole-source phone and data provider.

Staff works diligently and understands the significance of developing new ways to cut costs during these tough economic times. After several months of research, the Information Systems Department identified a solution that: cut costs; maximized network performance; increased bandwidth by more than two times; and provided financial statements catered to the Village's needs.

Nuvox Technologies, a premier phone / data service provider, was chosen to provide local telephone service, 5,000 minutes of long distance per month, interoffice connectivity and a secure network access. This solution provides an extended local calling area from Sebastian to Key West, as well as Long Distance Roll Over minutes for all locations. The entire solution is fully managed on Nuvox's Cisco-certified network. The total cost of data services from Nuvox is \$4,188 monthly, or \$50,256 annually. That is an annual savings of nearly \$85,000 dollars.

Northlake Boulevard Corridor Task Force:

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

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 were not maintained by the Village since that 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 completed in 2004 and phase three reaching completion in 2005. In 2010 the remaining two canals were completed. Work on these canals had previously been stalled for years due to the identification of **Johnson's sea-grass**, which is a natural food source for the manatee population and is highly regulated by various Federal and State agencies.

Public Works:

The Public Works Department, Streets/Grounds Division has identified five (5) storm water drain systems in need of repair. Four of the five projects involve the excavation and replacing of pipe joints which have separated and are creating sinkholes. The fifth project entails the replacement of an outfall pipe that dumps into the Intracoastal Waterway. The support structure has settled and has allowed the joints on the pipe to open up. The estimated cost to make these necessary repairs is approximately \$49, 410.

Parks and Recreation:

The Village of North Palm Beach Parks and Recreation Department will address structural defects in the Pool [mechanical] Pump Room at the North Palm Beach Country Club during the upcoming year. These structural repairs do need immediate attention and will likely render the pool unusable for an extended period of time. This will have a negative impact upon recreational revenues.

The Village will be looking to resubmit its application to FRDAP seeking a \$50,000 non-matching grant to erect a "Veterans Memorial" to the rear of Village Hall and adjacent to the Public Library.

OTHER INFORMATION

Independent Audit

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

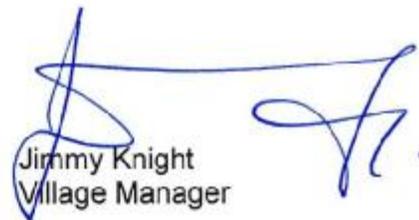
Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a ***Certificate of Achievement of Excellence in Financial Reporting*** to the Village of North Palm Beach for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2009. 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

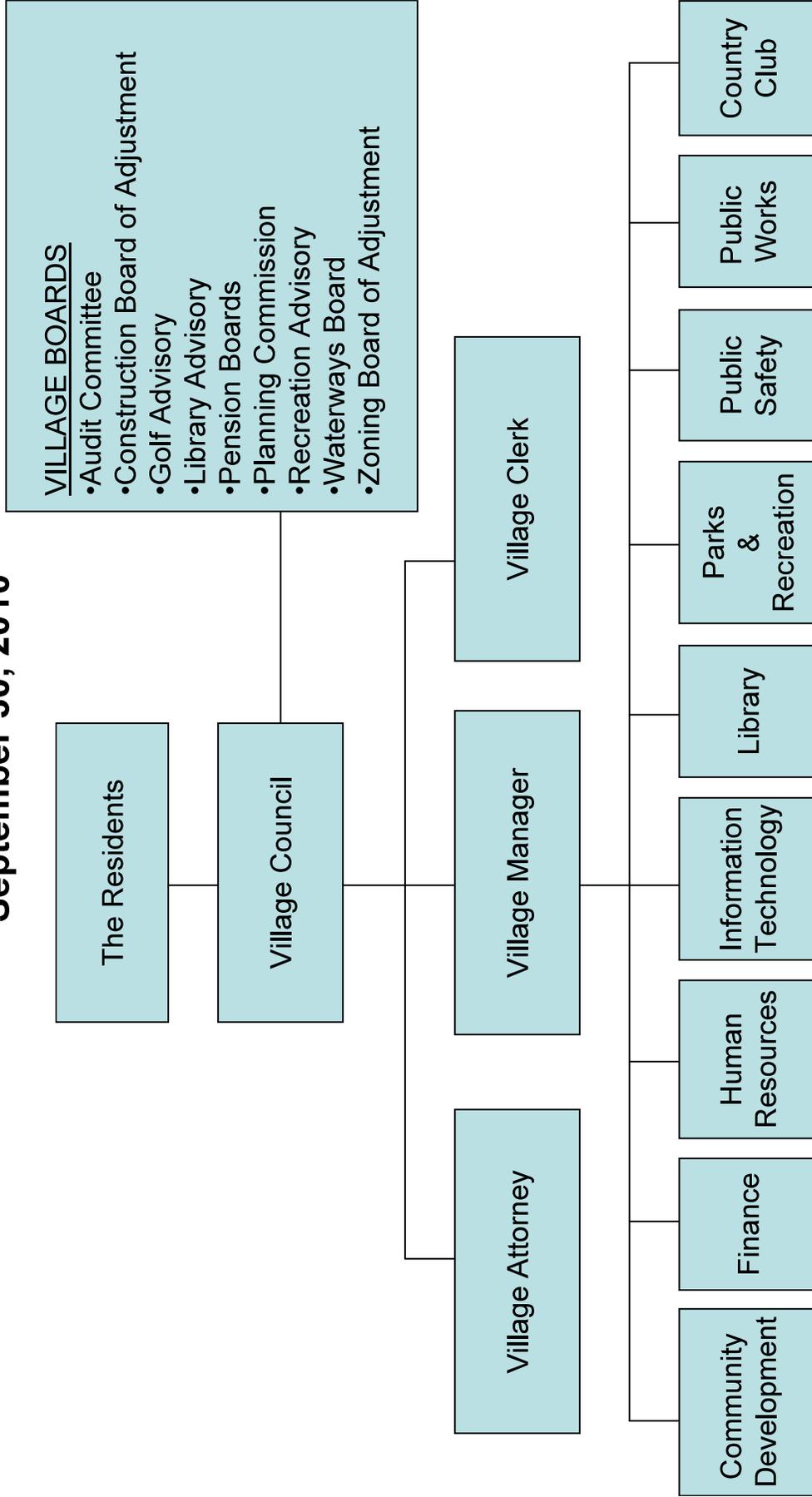
SEPTEMBER 30, 2010

<u>Title</u>	<u>Name</u>
Mayor	William L. Manuel
Vice Mayor	Darryl C. Aubrey
President Pro Tem	David B. Norris
Council Member	Robert A. Gebbia
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, 2010



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, 2009

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



President

Executive Director

FINANCIAL SECTION



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

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

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POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 898-5612
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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, 2010, 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, 2010, 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 11, 2011, on our consideration of the Village of North Palm Beach, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and

the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, Pension and Other Post Employment Benefit trend information on pages 65 through 68, and budgetary comparison information on pages 69 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 financial statements as a whole. The introductory section, other supplemental information and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on them.

Nowlen, Holt & Mimes, P.A.

March 11, 2011
West Palm Beach, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Village of North Palm Beach, Florida's (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, 2010. Please read it in conjunction with the accompanying transmittal letter beginning on page i, and the accompanying basic financial statements.

TABLE 1
FINANCIAL HIGHLIGHTS
(in millions)

	September 30,		Increase/ (Decrease)	Statement Page #
	2010	2009		
Total net assets	\$31.84	\$30.79	\$1.05	13
Unrestricted net assets available for future use	\$10.97	\$11.45	(\$0.48)	13
Governmental net assets	\$29.14	\$27.99	\$1.15	13
Total revenues from all sources	\$22.66	\$25.10	(\$2.44)	14
Governmental revenues	\$19.37	\$21.69	(\$2.32)	14
Total cost of all Village programs	\$21.62	\$20.75	\$0.87	14
Governmental revenues over (under) expenses	\$1.15	\$4.24	(\$3.09)	15
General fund revenues over (under) expenses	\$0.60	\$1.89	(\$1.29)	18
General fund unreserved fund balance	\$10.54	\$10.05	\$0.49	16
As a percent of general fund expenditures	55.45%	55.56%	(0.11)	
Country Club revenues over (under) expenses	(\$0.10)	\$0.10	(\$0.20)	21
Change in total long-term debt for the Village	(\$2.40)	(\$1.77)	(\$0.63)	

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

The Village maintains six individual governmental funds: the General Fund, one Capital Projects Fund, and four Special Revenue Funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund. The remaining funds are considered *non-major funds* and data from these governmental funds are combined into a single column for an aggregated presentation. The basic governmental fund financial statements can be found on pages 16-19 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 20-22 of this report.

- **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The funds in this category are the Village's Pension Trust Funds and Agency Funds. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 23-24 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 \$31.84 million at the close of the most recent fiscal year.

A significant portion of the Village's net assets (64.32%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 2
Village of North Palm Beach
Net Assets
(In Thousands)

	Governmental Activities		Business Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets:						
Current and other assets	\$ 14,033	\$ 14,185	\$ 988	\$ 1,136	\$ 15,021	\$ 15,321
Capital assets	18,183	19,177	6,576	6,795	24,759	25,972
Total assets	<u>32,216</u>	<u>33,362</u>	<u>7,564</u>	<u>7,931</u>	<u>39,780</u>	<u>41,293</u>
Liabilities:						
Current liabilities	1,230	1,584	509	630	1,739	2,214
Long-term debt outstanding	1,843	3,783	4,357	4,502	6,200	8,285
Total liabilities	<u>3,073</u>	<u>5,367</u>	<u>4,866</u>	<u>5,132</u>	<u>7,939</u>	<u>10,499</u>
Net assets:						
Invested in capital assets, net of debt	18,184	16,643	2,295	2,365	20,479	19,008
Restricted	391	251			391	251
Unrestricted	10,568	11,101	403	434	10,971	11,535
Total net assets	<u>\$ 29,143</u>	<u>\$ 27,995</u>	<u>\$ 2,698</u>	<u>\$ 2,799</u>	<u>\$ 31,841</u>	<u>\$ 30,794</u>

Governmental Activities

The cost of all governmental activities this year was \$18.22 million. As shown on Table 3, Changes in Net Assets, those who directly benefited from the programs paid for \$2.80 million of this cost and \$15.24 million was financed through general revenues. Governmental activities increased the Village's net assets by \$1.15 million, thereby accounting for 110% of the total increase in the net assets of the Village. Key elements of this increase are as follows:

- Program revenues are higher due to expanded recreational activities.
- Increase in investment income due to the change in investment strategy. The Village hired an investment advisor to increase investment diversity of its core funds and to maximize the return on investment.
- Due to discounts for prompt payments, State law requires that only 95% of the gross ad-valorem taxes be budgeted as revenue (\$10.97 million). For the current year, the Village received \$11.05 million.
- Re-structuring of our emergency medical transport billing resulted in an increase in overall revenues.
- In its pursuit of debt-free status, the Village budgeted revenues to pay off its last debt instrument. This was not an expense on the government-wide entity statement.

The increase in the above-mentioned revenues, while holding the line on operating costs, resulted in a positive impact on the Village's Governmental Activities. Additional detail is shown in Table 3, which follows on the subsequent page:

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

	Governmental Activities		Business Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 2,802	\$ 2,507	\$ 3,228	\$ 3,405	\$ 6,030	\$ 5,912
Operating grants and contributions	97	105			97	105
Capital grants and contributions	76	2,017			76	2,017
General revenues:						
Property taxes	11,053	11,917			11,053	11,917
Local option gas taxes	266	268			266	268
Utility service taxes	2,261	2,239			2,261	2,239
Sales and use taxes	1,115	1,116			1,115	1,116
Franchise taxes	1,204	1,257			1,204	1,257
Investment earnings	280	(1)	14	7	294	6
Miscellaneous	186	211			186	211
Contribution-Support Our Troops	-	7			-	7
Gain (loss) on asset disposals	28	52	55		83	52
Total revenues	19,368	21,695	3,297	3,412	22,665	25,107
Expenses:						
Program expenses:						
General Government	2,679	2,239			2,679	2,239
Public Safety	7,304	7,011			7,304	7,011
Public Works	4,595	4,083			4,595	4,083
Community Development & Planning	807	826			807	826
Leisure Services	2,830	3,174			2,830	3,174
Reserves & Other					-	-
Interest on long-term debt	4	27			4	27
Country Club			3,398	3,309	3,398	3,309
Total expenses	18,219	17,360	3,398	3,309	21,617	20,669
Subtotal	1,149	4,334	(101)	104	1,048	4,438
Transfers					-	-
Increase (decrease) in net assets	1,149	4,334	(101)	104	1,048	4,438
Net assets - beginning of year	27,994	23,661	2,799	2,695	30,793	26,356
Net assets - end of year	\$ 29,143	\$ 27,995	\$ 2,698	\$ 2,799	\$ 31,841	\$ 30,794

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

Table 4
Village of North Palm Beach
Cost of services
(In Thousands)

	2010		2009	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 2,679	\$ (2,547)	\$ 2,240	\$ (2,082)
Public safety	7,304	(6,771)	7,095	(6,642)
Public works	4,595	(4,132)	4,083	(3,684)
Community development and planning	807	(72)	826	(127)
Leisure services	2,830	(1,718)	3,174	(254)
Interest on long-term debt	4	(4)	27	(27)
	\$ 18,219	\$ (15,244)	\$ 17,445	\$ (12,816)

At the end of the current year, as compared to prior year, many of the departments realized an increase in their overall costs (for example, General Government increased by \$0.44 million, Public Safety increased by \$0.21 million and Public Works increased by \$0.51 million), as a result of mandatory employee-related costs. These cost increases are not typically within the control of the Department and follow various collective bargaining agreements and contracts. For the Leisure Services Department, the increase in employee costs was offset by the centralization of services for park maintenance; therefore the department realized a reduction in their overall departmental cost. The Public Works total cost conversely, increased for the addition of this maintenance component.

Business Type Activities

Charges for Services (revenues) in the Business Type Activities experienced an overall decline (\$0.18 million) from that of the previous year. Also, during this same time period, expenses increased by \$0.09 million. The negative impact in the Business Type Activities was most prominent in the area of Club memberships, which is directly tied to the struggling economy, and also in the area of Food & Beverage. The Village originally extended lease payment amnesty to the then independent Restaurant vendor but ultimately was forced [at mid year] to assume that operation and incurred initial startup costs associated with the Food and Beverage operations. Net assets of the Proprietary Fund (Country Club) at September 30, 2010, were \$2.69 million. Net assets decreased by \$100,640.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

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

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

At the end of the current fiscal year, the combined fund balance for all Governmental Funds was \$11.95 million, a \$0.70 increase over the 2009 fund balance of \$11.29 million. Approximately 96% of the combined ending fund balance (\$11.44 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance (\$0.51 million) is reserved to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$10.54 million while the General Fund total fund balance was \$11.05 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 54% of total general fund expenditures, while total fund balance represents 58% of that same amount.

The general fund unreserved fund balance (\$10.54 million) represents an increase of \$0.49 million over the 2009 unreserved general fund balance of \$10.05 million. Key elements of this increase are listed below:

- Program revenues are higher due to expanded recreational activities.
- Increase in investment income due to the change in investment strategy. This revenue source had declined significantly over the past few years and, therefore, the Village decided to change its approach on its investment practices. The Village hired an investment advisor to increase investment diversity of its core funds and to maximize the return on investment.
- Due to discounts for prompt payments, State law requires that only 95% of the gross ad-valorem taxes be budgeted as revenue (\$10.97 million). For the current year, the Village received \$11.05 million.
- Re-structuring of our emergency medical transport billing resulted in an increase in overall revenues.

The increase in the above-mentioned revenues, while holding the line on operating costs, resulted in a positive impact in the Village's General Fund.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$1,728,000 and can be briefly summarized as follows:

- General Fund Debt Payoff (\$1,568,000)
- Pool Resurfacing-Recreation Impact Fees (\$160,000)

General Fund Budget Analysis

As shown on pages 71-73 of this report, in the Schedule of Departmental Expenditures – Budget and Actual, there was a favorable budget to actual cost variance of \$606,531 in General Fund Departmental Expenditures. To counter the decrease in revenue brought about by property tax reform and the economic downturn, the Village Manager asked Department Directors to reduce spending in a manner that would minimize the impact on our residents. This required seeking new ways to serve our customers. The Directors did an admirable job identifying areas to cut costs resulting in favorable budget variances. The areas of significant budget to actual variances for the General Fund expenditures are summarized below:

- Contractual Services in Facility Services and Street Maintenance had a budgetary savings of \$44,028. The outsourcing of maintenance costs was less than anticipated. Also, at budget preparation, it was anticipated that the Village would have to maintain all the swale area along Prosperity Farms Road. The residents of the abutting properties were encouraged to maintain these areas and they responded, thus resulting in the Village not having to expend those funds.
- The Facility Services Division also realized a savings of \$22,807 in its repair and maintenance of building and grounds. The savings were derived from diligent research and price comparisons.
- The Village budgets a 1.25% contingency reserve for unanticipated expenditures. The entire amount was not used during the year which resulted in a savings of \$82,551.
- The Village saw an overall savings in its utility costs (\$74,209): the budgeted amount included a ten percent increase for utilities but the actual costs were well under the budgeted amount.
- There was also an overall savings in fuel costs (\$27,640): through better scheduling of projects and crews and a decrease in the estimated price of fuel, the Village realized savings in this particular category.
- During the current year, the Village implemented a Small Business Grant Program and appropriated \$100,000 from Council Contingency to fund this program. The program is administered through the Community Development Department and is structured to provide matching grants of up to \$5,000 for improvements to small business properties. Businesses would be required to match each dollar of grant funds with one dollar from their own funds. Businesses must complete an application and will have to meet certain criteria to qualify. In 2010, there were no applicants which resulted in a budgetary savings (\$100,000) in the Community Development Department.

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, 2010 and 2009 amounts to \$24.76 million and \$25.97 million, respectively (net of accumulated depreciation).

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

	Governmental Activities		Business Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 2,151	\$ 2,151	\$ 1,051	\$ 1,051	\$ 3,202	\$ 3,202
Construction in progress	142	204			142	204
Buildings and improvements	21,647	21,137	1,405	1,405	23,052	22,542
Improvements other than buildings	6,999	7,300	357	354	7,356	7,654
Improvements - golf course			5,824	5,824	5,824	5,824
Furniture, fixtures and equipment			780	742	780	742
Total assets	30,939	30,792	9,417	9,376	40,356	40,168
Less accumulated depreciation	(12,755)	(11,615)	(2,840)	(2,581)	(15,595)	(14,196)
Net assets	<u>\$ 18,184</u>	<u>\$ 19,177</u>	<u>\$ 6,577</u>	<u>\$ 6,795</u>	<u>\$ 24,761</u>	<u>\$ 25,972</u>

Additional information on the Village's capital assets can be found in Note 7 on page 43 of this report.

Debt

Currently, the Village uses debt financing on an as-needed basis each year. At the end of the current fiscal year, the Village had total long-term debt of \$4.3 million, all of which is in business-type activities. The last outstanding debt instrument in the General Fund was satisfied in 2010; therefore, there is no long-term debt outstanding in the Village's governmental activities. None of the Village's long-term debt comprises debt backed by the full faith and credit of the government.

Table 6
Village of North Palm Beach
Outstanding Debt
(In Thousands)

	Governmental Activities		Business Activities		Total	
	2010	2009	2010	2009	2010	2009
Loans payable	\$ -	\$ 2,250	\$ 4,090	\$ 4,383	\$ 4,090	\$ 6,633
Capital leases	-		235	97	235	97
Total	<u>\$ -</u>	<u>\$ 2,250</u>	<u>\$ 4,325</u>	<u>\$ 4,480</u>	<u>\$ 4,325</u>	<u>\$ 6,730</u>

Additional information on the Village's debt can be found in Note 8 on page 45 of this report.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The Village's Unappropriated Fund Balance is viewed by the Administration as a measurement of Village financial stability. Unreserved general fund balance increased to \$10.54 million during the current 2010 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 and decline in property values 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, 2010

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,615,056	\$ 834,922	\$ 4,449,978
Investments	8,399,541		8,399,541
Accounts receivable	304,024	36,921	340,945
Developer fee receivable	425,000		425,000
Inventories	31,433	60,274	91,707
Prepays	135,675	11,761	147,436
Due from other governments	346,093		346,093
Restricted assets:			
Cash and cash equivalents	342,702		342,702
Net pension assets	431,999		431,999
Intangible assets, net of amortization		44,080	44,080
Capital assets:			
Nondepreciable	2,292,940	1,051,311	3,344,251
Depreciable (net of depreciation)	15,891,568	5,525,194	21,416,762
Total assets	32,216,031	7,564,463	39,780,494
Liabilities			
Accounts payable	329,509	83,814	413,323
Accrued liabilities	571,158		571,158
Accrued interest payable		598	598
Deposits		3,533	3,533
Deferred revenue	328,827	420,465	749,292
Noncurrent liabilities:			
Due within one year	735,050	321,936	1,056,986
Due in more than one year	1,108,304	4,035,731	5,144,035
Total liabilities	3,072,848	4,866,077	7,938,925
Net Assets			
Invested in capital assets, net of related debt	18,184,508	2,295,125	20,479,633
Restricted for:			
Library	22,529		22,529
Recreation	262,646		262,646
Public safety	49,054		49,054
Other purposes	55,852		55,852
Unrestricted	10,568,594	403,261	10,971,855
Total net assets	\$ 29,143,183	\$ 2,698,386	\$ 31,841,569

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Activities
For the Year Ended September 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Activities</u>
Government:		
Governmental activities		
General government	\$ 2,679,192	\$ 126,968
Public safety	7,304,233	465,263
Public works	4,594,738	411,722
Community development and planning	806,536	734,718
Leisure services	2,830,292	1,063,748
Interest on long-term debt	4,384	
Total governmental activities	<u>18,219,375</u>	<u>2,802,419</u>
Business-type activities - country club	<u>3,398,206</u>	<u>3,227,580</u>
Total business-type activities	<u>3,398,206</u>	<u>3,227,580</u>
Total government	<u><u>\$ 21,617,581</u></u>	<u><u>\$ 6,029,999</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
\$ 5,376	\$	\$ (2,546,848)	\$	\$ (2,546,848)
23,319	44,345	(6,771,306)		(6,771,306)
51,018		(4,131,998)		(4,131,998)
		(71,818)		(71,818)
16,957	31,500	(1,718,087)		(1,718,087)
		(4,384)		(4,384)
<u>96,670</u>	<u>75,845</u>	<u>(15,244,441)</u>		<u>(15,244,441)</u>
			(170,626)	(170,626)
			<u>(170,626)</u>	<u>(170,626)</u>
<u>\$ 96,670</u>	<u>\$ 75,845</u>	<u>(15,244,441)</u>	<u>(170,626)</u>	<u>(15,415,067)</u>

General Revenues:

Taxes:				
Property taxes		11,053,128		11,053,128
Local option gas taxes		266,077		266,077
Utility service taxes		2,261,375		2,261,375
Franchise taxes		1,204,328		1,204,328
Sales and use taxes		1,114,945		1,114,945
Investment income		280,217	14,686	294,903
Gain on disposal of capital assets		27,909	55,300	83,209
Miscellaneous		185,516		185,516
Total general revenues		<u>16,393,495</u>	<u>69,986</u>	<u>16,463,481</u>
Change in net assets		1,149,054	(100,640)	1,048,414
Net assets, beginning of year, as restated		<u>27,994,129</u>	<u>2,799,026</u>	<u>30,793,155</u>
Net assets, end of year		<u>\$ 29,143,183</u>	<u>\$ 2,698,386</u>	<u>\$ 31,841,569</u>

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2010

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 2,715,300	\$ 899,756	\$ 3,615,056
Investments	8,399,541		8,399,541
Accounts receivable	304,024		304,024
Developer fee receivable	425,000		425,000
Inventories	31,433		31,433
Prepays	135,675		135,675
Due from other funds	31,808	44,028	75,836
Due from other governments	261,071	85,022	346,093
Restricted cash and cash equivalents	342,702		342,702
Total assets	<u>\$ 12,646,554</u>	<u>\$ 1,028,806</u>	<u>\$ 13,675,360</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 268,660	\$ 60,849	\$ 329,509
Accrued liabilities	571,158		571,158
Due to other funds		75,836	75,836
Deferred revenue	753,827		753,827
Total liabilities	<u>1,593,645</u>	<u>136,685</u>	<u>1,730,330</u>
Fund balances			
Reserved for:			
Inventories and prepaids	167,108		167,108
Library	22,529		22,529
Recreation	218,500		218,500
Public safety	47,807		47,807
Other purposes	53,866		53,866
Unreserved:			
Special revenue funds		47,379	47,379
Capital project funds		844,742	844,742
Designated for small business grants	100,000		100,000
Undesignated	10,443,099		10,443,099
Total fund balances	<u>11,052,909</u>	<u>892,121</u>	<u>11,945,030</u>
Total liabilities and fund balances	<u>\$ 12,646,554</u>	<u>\$ 1,028,806</u>	<u>\$ 13,675,360</u>

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Reconciliation of the Balance Sheet – Governmental Funds
to the Statement of Net Assets
Governmental Funds
September 30, 2010

Fund balances - total governmental funds		\$ 11,945,030
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Governmental capital assets	\$ 30,939,965	
Less accumulated depreciation	<u>(12,755,457)</u>	18,184,508
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:		
Developer fee	<u>425,000</u>	425,000
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:		
		431,999
Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. Long term liabilities at year-end consist of:		
Claims and settlements	(142,838)	
Other postemployment benefits	(518,292)	
Accrued compensated absences	<u>(1,182,224)</u>	<u>(1,843,354)</u>
Net assets of governmental activities		<u><u>\$ 29,143,183</u></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, 2010

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 14,784,906	\$	\$ 14,784,906
Licenses and permits	910,997		910,997
Intergovernmental	1,269,509	498,879	1,768,388
Charges for services	1,944,245		1,944,245
Fines and forfeitures	142,048		142,048
Investment	280,218		280,218
Miscellaneous	278,062		278,062
Total revenues	<u>19,609,985</u>	<u>498,879</u>	<u>20,108,864</u>
Expenditures			
Current			
General government	2,496,342		2,496,342
Public safety	6,766,641	254,590	7,021,231
Public works	3,887,034		3,887,034
Community development and planning	774,121		774,121
Leisure services - recreation	2,361,388		2,361,388
Capital outlay	475,007	188,575	663,582
Debt service			
Principal payments	2,250,000		2,250,000
Interest paid on debt	4,384		4,384
Total expenditures	<u>19,014,917</u>	<u>443,165</u>	<u>19,458,082</u>
Excess (deficiency) of revenues over (under) expenditures	<u>595,068</u>	<u>55,714</u>	<u>650,782</u>
Other financing sources (uses)			
Transfers in		163,490	163,490
Transfers out	(163,490)		(163,490)
Total other financing sources (uses)	<u>(163,490)</u>	<u>163,490</u>	<u></u>
Net change in fund balances	431,578	219,204	650,782
Fund balances			
Beginning of year	10,621,331	672,917	11,294,248
End of year	<u>\$ 11,052,909</u>	<u>\$ 892,121</u>	<u>\$ 11,945,030</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, 2010

Net change in fund balances - total governmental funds \$ 650,782

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	\$ 663,582	
Less: current year depreciation	<u>(1,620,932)</u>	(957,350)

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:

Net book value for retired assets		(35,901)
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Governmental funds report revenues when earned and available. However, in the Statement of Activities, revenues are recognized when earned, regardless of availability:

Florida Recreation Development Assistance Program grant	(199,944)	
Developer fee	<u>(250,000)</u>	(449,944)

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:

2,250,000

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

Change in long-term compensated absences	(39,627)	
Change in net pension asset of defined benefit pension plans	1,625	
Change in other postemployment benefits	(233,775)	
Change in insurance liability	<u>(36,756)</u>	(308,533)

Change in net assets		<u><u>\$ 1,149,054</u></u>
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See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Net Assets
Proprietary Fund
September 30, 2010

	Enterprise
Assets	
Current assets	
Cash and cash equivalents	\$ 834,922
Accounts receivable	36,921
Inventories	60,274
Prepays	11,761
Total current assets	943,878
Non-current assets	
Intangible asset, net	44,080
Land, buildings, and equipment, net	6,576,505
Total non-current assets	6,620,585
Total assets	7,564,463
Liabilities	
Current liabilities	
Accounts payable	83,814
Accrued interest payable	598
Deposits	3,533
Deferred revenue	420,465
Compensated absences - current portion	11,746
Capital leases - current portion	62,093
Loans payable - current portion	248,097
Total current liabilities	830,346
Non-current liabilities	
Other postemployment benefits	19,355
Compensated absences	1,106
Capital leases	173,083
Loans payable	3,842,187
Total non-current liabilities	4,035,731
Total liabilities	4,866,077
Net Assets	
Invested in capital assets, net of related debt	2,295,125
Unrestricted	403,261
Total net assets	\$ 2,698,386

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, 2010

	Enterprise
Operating revenue	
Greens fee/cart rentals/membership fees	\$ 2,520,364
Golf shop revenues	225,699
Driving range revenues	174,929
Restaurant revenues	244,359
Miscellaneous	62,229
Total operating revenues	3,227,580
Operating expenses	
Golf course maintenance expenses	1,250,612
Clubhouse grounds expenses	103,377
Golf shop expenses	607,452
Food and beverage expenses	452,516
Administrative and general	257,590
Insurance	56,923
Depreciation and amortization	476,583
Total operating expenses	3,205,053
Operating income (loss)	22,527
Nonoperating revenues (expenses)	
Interest revenue	14,686
Interest expense	(193,153)
Gain on disposal of capital assets	55,300
Total nonoperating revenues (expenses)	(123,167)
Change in net assets	(100,640)
Net assets - beginning	2,799,026
Net assets - ending	\$ 2,698,386

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, 2010

	Enterprise
Cash flows from operating activities:	
Receipts from customers	\$ 3,126,082
Payments to suppliers for goods or services	(2,021,867)
Payments to employees for services	(696,873)
Net cash provided (used) by operating activities	407,342
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	124,000
Proceeds from capital lease	284,000
Principal paid on long term debt	(438,622)
Interest paid on debt	(194,652)
Acquisition of capital assets	(320,972)
Net cash provided (used) by capital and related financing activities	(546,246)
Cash flows from investing activities:	
Interest and dividends on investments	14,686
Net increase (decrease) in cash and cash equivalents	(124,218)
Cash and cash equivalents at beginning of year	959,140
Cash and cash equivalents at end of year	\$ 834,922
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income	\$ 22,527
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	476,583
Other revenues	
Change in assets and liabilities	
Decrease in accounts receivable	26,888
(Increase) in inventory	(30,777)
Decrease in prepaids	22,371
Increase in accounts payable	8,103
(Decrease) in deposits	(9,467)
Increase in compensated absences payable	1,303
(Decrease) in deferred revenue	(118,919)
Increase in other postemployment benefits	8,730
Total adjustments	384,815
Net cash provided by operating activities	\$ 407,342

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2010

	Employee Retirement Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 1,417,712	\$ 344,354
Investments:		
Common equity securities	5,523,686	
U.S. Government agencies	1,489,881	
Municipal bonds	176,972	
Corporate bonds	2,160,779	
U.S. Treasury bonds	296,050	
Equity mutual funds	24,624	
Common trust funds	5,707,329	
Fixed annuity funds	106,226	
Accrued interest and dividends	45,051	
Accounts receivable	99,471	
Prepays	1,626	
Total assets	17,049,407	344,354
Liabilities		
Accounts payable		
Due to others	35,570	344,354
Total liabilities	35,570	344,354
Net Assets		
Held in trust for pension benefits and other purposes	\$ 17,013,837	\$

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, 2010

	<u>Employee Retirement Funds</u>
Additions	
Contributions	
Employer	\$ 1,417,421
Plan members	238,674
State on-behalf payments	254,590
Total contributions	<u>1,910,685</u>
Investment earnings	
Dividends and interest	302,756
Net increase in fair value of investments	<u>1,002,687</u>
Total investment income	1,305,443
Less investment expenses	<u>91,751</u>
Total net investment earnings	<u>1,213,692</u>
Total additions	<u>3,124,377</u>
Deductions	
Administrative expense	112,830
Benefits	1,394,417
Refund of contributions	5,719
Total deductions	<u>1,512,966</u>
Change in net assets	1,611,411
Net assets - beginning	<u>15,402,426</u>
Net assets - ending	<u><u>\$ 17,013,837</u></u>

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

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, 2010

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, 2010

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:

Special Revenue Funds

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

Capital Projects Fund

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

Employee Retirement Funds

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

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

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, 2010

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” or “due 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 and prepaid items

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

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 and infrastructure	5-30 years
Golf course improvements	5-30 years
Machinery and Equipment	3-15 years
Vehicles	3-20 years

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

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, 2010

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) restricted, and 3) 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 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 inventories and prepaids – 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 various other purposes.

Designated for small business grants–This is a program the Village Council approved in the current fiscal year to provide matching grants of up to \$5,000 for improvements to small business properties. Since this is not an external restriction it is reported as a designation instead of a reserve.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

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, 2010

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 \$10,000 within a department. Any change to the total departmental expenses 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, 2010, was 6.9000 (\$6.90 for each \$1,000 of assessed valuation).

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

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, 2010, unpaid delinquent taxes are not material and have not been recorded by the Village.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2010, the carrying amount of the Village's deposits (including fiduciary funds) was \$4,470,129 and the bank balances totaled \$4,353,228. The Village also had \$5,205 of petty cash resulting in a total cash carrying amount of \$4,475,334. 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, 2010, 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, 2010

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. 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. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

On August 3, 2009, the SBA announced “Florida PRIME” as the highly enhanced version of the SBA’s prior Local Government Investment Pool. Pool A is now referred to as Florida PRIME, and Pool B is referred to as Fund B. From December 2007 through September 2010, the SBA transferred a total of \$1.6 billion in distributions from Fund B to participants in Florida PRIME. This amount represents approximately 80% of their original adjusted Fund B balances.

At September 30, 2010, Florida PRIME was assigned a “AAAm” principal stability fund rating by Standard and Poor’s. Florida PRIME is considered a SEC 2a7-like fund, thus, the account balances should be considered its fair value. Fund B is not rated by any nationally recognized statistical rating agency.

Fund B is accounted for as a fluctuating NAV pool. The fair value factor for September 30, 2010 was 0.707058094 (i.e. total net asset value of Fund B divided by total participant balances of Fund B). The factor should be multiplied by the Fund B account balance in order to calculate the fair value of the investment in Fund B.

The weighted average days to maturity (WAM) of Florida PRIME at September 30, 2010 was 52 days. A portfolio’s WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of Florida PRIME to interest rate changes.

The weighted average life based on expected cash flows (WAL) of Fund B at September 30, 2010 was 7.49 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

As of September 30, 2010, the Village’s cost basis of its investment in Fund B was \$320,000 and the fair value and adjusted book value was \$226,259. 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, 2010

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2010, the Village held the following investments:

	S&P's Credit Rating	Fair Value	Weighted Average Maturity
<i><u>Governmental Funds:</u></i>			
Wells Fargo municipal money market fund	N/R	\$ 1,150,690	N/A
State Board of Administration Investment Fund B	N/R	226,259	7.49 yrs. (WAL)
Money Market Funds	N/R	90,363	N/A
U.S. Government Supported Corporate Debt	AAA	1,520,035	1.40 yrs.
U.S. Government and Agency Obligations	AAA	2,856,408	1.78 yrs.
U.S. Treasury Notes	TSY	3,127,257	1.65 yrs.
Net pending trades	N/R	550,508	N/A
<i><u>Fiduciary Funds:</u></i>			
Money Market Funds	N/R	957,433	N/A
GNMA, FNMA, FHLMC Pools	N/R	931,617	19.77 yrs.
U.S. Government Agencies Corporate Bonds	AAA	255,293	9.07 yrs.
U.S. Treasury Obligations	AAA to BBB+	2,160,779	6.41 yrs.
Municipal Bonds	AAA	296,050	14.15 yrs.
Common Equity Securities	AAA to AA	176,972	25.22 yrs.
Equity Mutual Funds	N/R	5,523,686	N/A
Common Trust Funds	N/R	327,595	N/A
Fixed Annuity Funds	N/R	5,707,329	N/A
		106,226	N/A
Total investments		\$25,964,500	

Investments are held in the governmental and fiduciary funds.

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 OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest rate risk (Continued)

The Village limits its exposure to fair value losses resulting from rising interest rates by structuring the investment portfolio so that the securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity; and investing operating funds primarily in short-term securities, money market mutual funds, or similar investment pools unless it is anticipated that long-term securities can be held to maturity without jeopardizing the liquidity requirements. The Retirement Funds do not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

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

Custodial credit risk – For an investment, custodial credit risk 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, 2010 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. 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.

Authorized Investments – The Village has adopted an investment policy that applies to all the investment activity except the Employees' Pension Funds, which are organized and administered separately, as listed below, or for funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds. The Village is authorized to invest its funds as follows:

1. Interest-bearing checking, savings and time deposits in banks from the most current top ten listed "qualified public depositories", as defined in Chapter 280, Florida Statutes; with a CAEL (Capital Adequacy, Asset Quality, Earnings, Liquidity) score of 3 or better;

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Authorized Investments (Continued)

2. Securities and Exchange Commission registered money/market mutual funds with the highest credit quality rating from S&P and Moody's rating agencies;
3. Insurance companies with a A.M. Best minimum rating of aaa;
4. Corporate interest notes with the highest credit quality rating from S&P and Moody's rating agencies;
5. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Chapter 163, Florida Statutes; provided all components in each pool must satisfy the appropriate pre-qualification parameters noted for that institution;
6. Direct obligations of the United States Treasury;
7. Federal agencies and instrumentalities;

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

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Authorized Investments (Continued)

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

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

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

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	\$ 4,470,129
Petty cash	5,205
Investments	<u>25,964,500</u>
Total deposits and investments	<u><u>\$30,439,834</u></u>

Presented in the statement of net assets

Governmental activities	
Cash and cash equivalents	\$3,615,056
Restricted cash and cash equivalents	342,702
Investments	8,399,541
Business-type activities	
Cash and cash equivalents	<u>834,922</u>
Total statements of net assets	<u><u>13,192,221</u></u>

Presented in the statement of fiduciary net assets

Pension trust funds	
Cash and cash equivalents	1,417,712
Investments	15,485,547
Agency funds	
Cash and cash equivalents	<u>344,354</u>
Total fiduciary funds	<u><u>17,247,613</u></u>

Total deposits and investments	<u><u>\$30,439,834</u></u>
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THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

NOTE 4 – RECEIVABLES

Receivables at September 30, 2010, were as follows:

	<u>General Fund</u>	<u>Country Club</u>	<u>Total</u>
Utility franchise fees & taxes	\$ 289,961	\$	\$ 289,961
Conroy Drive assessment	10,268		10,268
Other accounts receivable	<u>3,795</u>	<u>36,921</u>	<u>40,716</u>
Total accounts receivable	<u>\$ 304,024</u>	<u>\$ 36,921</u>	<u>\$ 340,945</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, 2010, the remaining amount receivable was \$425,000. In accordance with Village ordinance Sec. 36-23, amounts received shall be utilized for parks and recreational purposes or the construction or expansion of any public facilities or other improvements designed to mitigate the impacts of the subdivision.

NOTE 6 – INTANGIBLE ASSETS

The intangible asset consists of the right to the availability and use of reclaimed water resulting from an agreement with Seacoast Utility Authority. The asset had an original value of \$50,377 and is being amortized on a straight line basis over the period of the expected benefit of ten years.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

NOTE 7 – CAPITAL ASSETS

Capital Assets activity for the year ended September 30, 2010, was as follows:

Primary Government

Governmental Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 2,151,089	\$	\$	\$	\$ 2,151,089
Construction in progress	204,240	13,034	(75,423)		141,851
Capital assets being depreciated:					
Buildings	9,283,423	52,527	(30,000)		9,305,950
Improvements	11,854,207	486,966			12,341,173
Machinery and equipment	3,319,369	85,380	(42,500)		3,362,249
Vehicles	<u>3,980,724</u>	<u>101,099</u>	<u>(444,170)</u>		<u>3,637,653</u>
Total at historical cost:	<u>30,793,052</u>	<u>739,006</u>	<u>(592,093)</u>		<u>30,939,965</u>
Less accumulated depreciation for:					
Buildings	(3,946,718)	(297,247)	28,298		(4,215,667)
Improvements	(2,774,154)	(803,676)			(3,577,830)
Machinery and equipment	(2,227,228)	(249,461)	39,557		(2,437,132)
Vehicles	<u>(2,667,194)</u>	<u>(270,548)</u>	<u>412,914</u>		<u>(2,524,828)</u>
Total accumulated depreciation	<u>(11,615,294)</u>	<u>(1,620,932)</u>	<u>480,769</u>		<u>(12,755,457)</u>
Governmental activities capital assets, net	<u>\$ 19,177,758</u>	<u>\$ (881,926)</u>	<u>(\$ 111,324)</u>	<u>\$</u>	<u>\$ 18,184,508</u>

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

Governmental activities:	
General government	\$ 112,268
Public safety	396,823
Public works	656,460
Community development	16,557
Leisure services	<u>438,824</u>
Total depreciation expense, governmental activities	<u>\$1,620,932</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

NOTE 7 – CAPITAL ASSETS (Continued)

Business-type activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 1,051,311	\$	\$	\$	\$ 1,051,311
Construction in progress					
Capital assets being depreciated:					
Buildings	1,405,035				1,405,035
Improvements	6,177,849	2,668			6,180,517
Machinery and equipment	455,337	22,558	(5,917)		471,978
Vehicles	286,760	295,745	(274,800)		307,705
Total at historical cost:	<u>9,376,292</u>	<u>320,971</u>	<u>(280,717)</u>		<u>9,416,546</u>
Less accumulated depreciation for:					
Buildings	(896,202)	(32,815)			(929,017)
Improvements	(1,110,137)	(333,396)			(1,443,533)
Machinery and equipment	(369,344)	(24,736)	5,917		(388,163)
Vehicles	(204,830)	(80,598)	206,100		(79,328)
Total accumulated depreciation	<u>(2,580,513)</u>	<u>(471,545)</u>	<u>212,017</u>		<u>(2,840,041)</u>
Business-type activities capital assets, net	<u><u>\$ 6,795,779</u></u>	<u><u>(\$ 150,574)</u></u>	<u><u>(\$ 68,700)</u></u>	<u><u>\$</u></u>	<u><u>\$6,576,505</u></u>

Construction Commitments

Contracts awarded but not yet completed were as follows:

Project Description	Estimated Cost
Governmental activities:	
Pool resurfacing	\$ 198,765

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

NOTE 8 – LONG TERM LIABILITIES

Change in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2010, was as follows:

	Balance October 1, 2009	Additions	Reductions	Balance September 30, 2010	Amount Due Within One Year
Governmental activities					
Loans payable	\$2,250,000	\$	(\$2,250,000)	\$	\$
Claims and settlements	106,082	142,838	(106,082)	142,838	
OPEB (see note 15)	284,517	233,775		518,292	
Compensated absences payable	1,142,597	887,434	(847,807)	1,182,224	735,050
Total	<u>\$3,783,196</u>	<u>\$1,264,047</u>	<u>(\$3,203,889)</u>	<u>\$1,843,354</u>	<u>\$735,050</u>
Business-type activities:					
Loans payable	\$4,383,033	\$	(\$ 292,749)	\$4,090,284	\$ 248,097
Capital leases	97,049	284,000	(145,873)	235,176	62,093
OPEB (see note 15)	10,625	8,730		19,355	
Compensated absences payable	11,549	13,965	(12,662)	12,852	11,746
Total	<u>\$4,502,256</u>	<u>\$ 306,695</u>	<u>(\$ 451,284)</u>	<u>\$4,357,667</u>	<u>\$ 321,936</u>

Loans Payable

\$860,000 Promissory Note

The Village Council adopted Resolution No. 71-2000 authorizing the execution of a loan agreement in the amount of \$860,000 for the purpose of refinancing an existing loan incurred for the renovation of the Village's Country Club restaurant and for capital expenditures in the General Fund. The General Fund portion has been repaid. Franchise fees and public service taxes of the Village secure the loan. Principal and interest payments are due quarterly, with a final maturity date of November 15, 2010. The interest rate on the loan is 5.22%. The interest rate will be adjusted by either of the following events: a change in the maximum corporate tax rate, or the event of taxability of the interest on this note. As of September 30, 2010, the principal amount outstanding was \$17,740 and was for the purpose of business-type activities.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

NOTE 8 – LONG TERM LIABILITIES (Continued)

\$860,000 Promissory Note (Continued)

Annual debt service requirements to maturity are as follows:

Business-type activities:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	<u>\$ 17,740</u>	<u>\$ 241</u>	<u>\$ 17,981</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. During the fiscal year ending September 30, 2010, the Village paid off the remaining principal balance outstanding totaling \$2,250,000, prior to the note’s maturity.

\$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, 2010, the principal amount outstanding was \$4,072,544 and was for the purpose of business-type activities.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

NOTE 8 – LONG TERM LIABILITIES (Continued)

\$4,893,673 Promissory Notes (Continued)

Annual debt service requirements to maturity are as follows:

Business-type activities:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 230,357	\$ 164,543	\$ 394,900
2012	239,922	154,978	394,900
2013	249,884	145,016	394,900
2014	260,260	134,640	394,900
2015	271,066	123,834	394,900
2016 - 2020	1,533,804	440,696	1,974,500
2021 - 2024	1,287,251	106,952	1,394,203
	<u>\$ 4,072,544</u>	<u>\$ 1,270,659</u>	<u>\$ 5,343,203</u>

\$274,800 Capital Lease

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.

\$284,000 Capital Lease

The Village entered into a three year capital lease agreement for the purpose of financing the lease-purchase of \$284,000 of equipment for the Country Club in October 2009. Principal and interest payments are due monthly, with a final maturity date in December 2013. The final payment includes a balloon payment of \$96,000. As of September 30, 2010, the principal amount outstanding was \$235,176 and the net book value of the equipment was \$218,920. The rate used to impute interest was 6.3%.

Annual debt service requirements to maturity are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 62,093	\$ 13,142	\$ 75,235
2012	66,150	9,085	75,235
2013	106,933	1,606	108,539
	<u>\$ 235,176</u>	<u>\$ 23,833</u>	<u>\$ 259,009</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

NOTE 8 – LONG TERM LIABILITIES (Continued)

Claims and Settlements

Effective October 1, 2006, the Village discontinued its participation in the Southeast Risk Management Association (SERMA) and joined the Florida Municipal Insurance Trust (FMIT). However, as a former participant in SERMA, the Village is liable for claims incurred through September 30, 2006. At September 30, 2010, there is a long-term governmental liability of \$142,838 for pending claims activity for SERMA. (See related Note 9.) The liability is based on a recent valuation, which indicated that the reserve for incurred but not yet reported losses is inadequately funded and an additional contribution is required. The liability is payable in December 2011 and is included in governmental noncurrent liabilities in the Statement of Net Assets.

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

Pledged Revenues

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

	<u>Pledged Revenues</u>	<u>Required Debt Service</u>
Franchise fees and public services taxes	\$ 3,465,700	\$ 382,797
Country Club revenues	\$ 3,227,580	\$ 394,900

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

NOTE 9 – RISK MANAGEMENT

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

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

Property and Casualty Group

Effective October 1, 2006, the Village discontinued its participation in the Southeast Risk Management Association (SERMA) and joined the Florida Municipal Insurance Trust (FMIT). However, as a former participant in SERMA, the Village is liable for claims incurred through September 30, 2006. The governmental liability of \$142,838 is for pending claims activity for SERMA (See related Note 8).

The Village is also covered by Florida Statutes under the Doctrine of Sovereign Immunity which effectively limits the amount of liability of municipalities to individual claims of \$100,000/\$200,000 for all claims relating to the same incident.

NOTE 10 – EMPLOYEE RETIREMENT PLANS

The Village maintains the following two separate single employer defined benefit plans: Village of North Palm Beach Fire and Police Retirement Fund, covering firefighters and police officers, and Village of North Palm Beach General Employees Retirement Fund, covering substantially all other full-time Village employees. Both plans are reported as pension trust funds and included as part of the Village's reporting entity. The Police and Fire Fund will issue separate financial statements for the year ended September 30, 2010, 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 66.

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 VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

NOTE 10 – EMPLOYEE RETIREMENT PLANS (Continued)

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, 2010

NOTE 10 – 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, 2009, 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, 2009, the date of the latest actuarial valuation:

	<u>GERF</u>	<u>F&P</u>
Active Participants:		
Vested	45	24
Non-vested	17	28
Retirees and Beneficiaries receiving benefits	7	7
Terminated vested members	<u>50</u>	<u>11</u>
Total	<u>119</u>	<u>70</u>

General Employees' Retirement System

Plan Description. The plan is established under Code of Ordinances for the Village of North Palm Beach, Florida, Part II, Chapter 2, and was most recently amended under Ordinance No. 2010-07 passed and adopted on May 27, 2010. The Plan is also governed by certain provisions of Part VII, Chapter 112, Florida Statutes and the Internal Revenue Code. The Plan provides retirement benefits as well as death benefits. All full time general employees who are not sworn police officers or firefighters shall become members of the system on October 1st following completion of 12 months of employment as a condition of employment. For those employees retired before February 1, 1982, those employees hired after September 30, 2000, or those employees hired before October 1, 2000, who elect to contribute an extra 2%, a 3% Cost of Living increase is paid annually from the Plan. Authority to establish and amend the benefit provisions of the plan rests with the Village Council.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

NOTE 10 – EMPLOYEE RETIREMENT PLANS (Continued)

General Employees' Retirement System (Continued)

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

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

Employees become eligible for normal retirement benefits after attaining the age of 60 and completing nine years of credited service, or attaining the age of 65 (depending on employee contribution rate). The normal retirement benefit consists of a life annuity, options available, (subject to cost of living increases not to exceed 3% a year), of either 2%, 2.25%, or 2.5% (depending on employee contribution rate) of Average Monthly earnings (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 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 5 years within the last 10 years of employment which produces the highest average.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

NOTE 10 – EMPLOYEE RETIREMENT PLANS (Continued)

General Employees' Retirement System (Continued)

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

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

Fire and Police Retirement System

Plan Description. The plan is established under Code of Ordinances for the Village of North Palm Beach, Florida, Part II, Chapter 2, and was most recently amended under Ordinance No. 2010-01 passed and adopted on January 14, 2010. The Plan is also governed by certain provisions of Part VII, Chapter 112, Florida Statutes and the Internal Revenue Code. The plan provides retirement benefits as well as death and disability benefits. All benefits vest after ten years of credited service. All fulltime police officers or firefighters are eligible for membership immediately upon hire. Previously, members were not eligible until October 1st following completion of 12 months of employment. Cost of living adjustments (COLA) are provided annually each October 1, to reflect changes in CPI (subject to maximum increases or decreases of 3% per year). Authority to establish and amend the benefit provisions of the plan rests with the Village Council. Employees become eligible for normal retirement benefits after attaining the age of 55, or the date on which the member attains age 52 and 25 credited years of service. Previously, employees became eligible for normal retirement benefits after attaining the age of 55, only. The normal retirement benefit consists of ten years certain and life thereafter, with other options available, (subject to cost of living adjustments not to exceed 3% a year), of 2.5% of AME times the years of credited services, with a maximum benefit of 60% of AME. Members are eligible for non-service connected disability, after ten years of credited service and a total and permanent disability. For service connected disability, a total and permanent disability with no service requirement, the disability benefit consists of a ten year certain and life annuity that can be provided by the single-sum value of the member's accrued pension benefit,

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

NOTE 10 – EMPLOYEE RETIREMENT PLANS (Continued)

Fire and Police Retirement System (Continued)

Plan Description (Continued)

but is at least 42% of AME for service connected disability and at least 25% of AME for non-service connected disability. See the description of the General Employees' Retirement System for the remainder of the benefits, except that early retirement and termination benefits for vested members can be received at age 50.

Contributions. Members are required to contribute 2% of their basic compensation to the plan. The Village is required to contribute the remaining amount to fund the plan using the Entry Age Actuarial Cost Method. Contribution requirements of plan members and the Village are established and may be amended by the Village Council.

The Florida Constitution requires local governments to make the actuarially determined contribution. The Florida Division of Retirement reviews and approves each local government's actuarial report prior to its being appropriated for use for funding purposes. Additionally, the State collects locally authorized insurance premium surcharges which can only be distributed after the State has ascertained that the local government has met its actuarial funding requirement for the then most recently completed fiscal year. Contributions to the Plan from the State of Florida totaled \$254,590 during the fiscal year ended September 30, 2010.

All Retirement Plans

Annual Pension Cost and Net Pension Obligation. The Village's 2010 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, 2009 actuarial valuation for each plan. State law allows the Village to use a portion of the State contribution to offset the Village's pension cost.

Components of Annual Pension Cost and Net Pension Obligation

	<u>Annual Pension Cost</u>	<u>Required Village Contribution</u>	<u>Eligible State Contribution</u>
General Employees' Retirement Fund	\$739,767	\$734,636	N/A
Fire and Police Retirement Fund	\$884,415	\$653,719	\$230,696

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

NOTE 10 – EMPLOYEE RETIREMENT PLANS (Continued)

The following schedule was determined as part of the October 1, 2009, actuarial valuation for the General Employees' and Fire and Police Retirement Plans.

	<u>General Employees'</u>	<u>Fire and Police</u>
Annual required contribution (ARC)	\$ 734,636	\$ 884,415
Interest on net pension obligation (NPO)	(13,404)	(b)
Adjustment to ARC	<u>18,535</u>	<u>(b)</u>
Annual pension cost	739,767	884,415
Actual contributions	<u>741,392</u>	<u>884,415</u>
Increase in NPO	(1,625)	
NPO at beginning of year, revised(a)	<u>(165,388)</u>	<u>(264,986)</u>
NPO at end of year	<u>\$(167,013)</u>	<u>\$(264,986)</u>

(a) See Note 20.

(b) Information was not provided in the October 1, 2009, actuarial valuation.

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'	9/30/08	880,303	876,712	99.6%	(167,553)
	9/30/09	767,546	765,381	99.9%	(165,388)
	9/30/10	739,767	741,392	100.2%	(167,013)
Fire and					
Police	9/30/08	723,599	718,663	99.3%	(181,998)
	9/30/09	651,838	734,826	112.7 %	(264,986)
	9/30/10	884,415	884,415	100.0 %	(264,986)

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

NOTE 10 – 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	10/1/2009	10/1/2009
Actuarial Cost Method	Frozen Entry Age	Aggregate
Amortized Method	Level percent closed	N/A (1)
Remaining Amortization Period	30 years	N/A (1)
Asset Valuation Method	Difference between actual and expected return recognized over five years.	Five year smooth market.
Actuarial assumptions:		
Investment rate of return*	8% up to retirement, 5.25% thereafter.	8%
Projected salary increase*	5.5%	6%
*Includes inflation at	4%	4%
Cost of living adjustments	3% for those retired before 2/1/82 or who contribute an extra 2%.	3%

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

Schedule of Funding Progress

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

NOTE 10 – EMPLOYEE RETIREMENT PLANS (Continued)

Fire and Police:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as % of Covered Payroll
10/01/09	10,650,648	12,656,293	2,005,645	84.2%	3,725,519	53.8%

General Employees':

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as % of Covered Payroll
10/01/09	6,048,808	10,456,011	4,407,203	57.9%	2,969,626	148.4%

NOTE 11 – PENSION PLAN FINANCIAL INFORMATION

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

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
EMPLOYEE RETIREMENT FUNDS
SEPTEMBER 30, 2010**

	<u>Volunteer Fire Pension</u>	<u>General Employee's Pension</u>	<u>Total Employee Retirement Funds</u>
Assets			
Cash and cash equivalents	\$	\$ 220,943	\$ 220,943
Investments:			
Equity mutual funds		302,971	302,971
Common trust funds		5,707,329	5,707,329
Fixed annuity funds	106,226		106,226
Accrued interest and dividends		22	22
Accounts receivable		35,541	35,541
Total assets	<u>106,226</u>	<u>6,266,806</u>	<u>6,373,032</u>
Liabilities			
Accounts payable		10,679	10,679
Net Assets			
Held in trust for pension benefits and other purposes	<u>\$ 106,226</u>	<u>\$ 6,256,127</u>	<u>\$ 6,362,353</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

NOTE 11 – PENSION PLAN FINANCIAL INFORMATION (Continued)

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
EMPLOYEE RETIREMENT FUNDS
For the Fiscal Year Ended September 30, 2010

	<u>Volunteer Fire Pension</u>	<u>General Employees' Pension</u>	<u>Total Employee Retirement Funds</u>
Additions			
Contributions			
Employer	\$ 4,173	\$ 759,529	\$ 763,702
Plan members		163,213	163,213
Total contributions	<u>4,173</u>	<u>922,742</u>	<u>926,915</u>
Investment earnings			
Dividends and interest	4,076	12,159	16,235
Net decrease in the fair value of investments	16,179	514,881	531,060
Less investment expense		<u>(42,037)</u>	<u>(42,037)</u>
Total investment earnings	<u>20,255</u>	<u>485,003</u>	<u>505,258</u>
Total additions	<u>24,428</u>	<u>1,407,745</u>	<u>1,432,173</u>
Deductions			
Administration	2,866	15,448	18,314
Benefits		463,970	463,970
Total deductions	<u>2,866</u>	<u>479,418</u>	<u>482,284</u>
Change in net assets	<u>21,562</u>	<u>928,327</u>	<u>949,889</u>
Net assets - beginning	<u>84,664</u>	<u>5,327,800</u>	<u>5,412,464</u>
Net assets - ending	<u>\$ 106,226</u>	<u>\$ 6,256,127</u>	<u>\$ 6,362,353</u>

NOTE 12 – ON-BEHALF PAYMENTS

The state makes a contribution to the Fire and Police Officers' Retirement System from the firefighters' and police officers' Insurance Premium Tax. For the fiscal year ended September 30, 2010, \$254,590 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, 2010

NOTE 13 – DEFINED CONTRIBUTION PLAN

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

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

The Village contributes 15% of participant earnings for the plan year. Earnings include regular and bonus compensation, but do not include overtime or commissions. Employee contributions are voluntary, after-tax contributions that are not matched by the Village. Employees may contribute 3%, 5%, 10%, or 15% of earnings to the plan. Contributions are remitted to the trusts every payroll period.

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

Plan detail for participating employees at September 30, 2010 is listed below:

	<u>Director's</u>	<u>General Employees</u>	<u>Municipal Employees</u>	<u>Total</u>
Village contributions	\$52,470	\$62,830	\$63,004	\$178,304
Employee contributions	\$26,319	\$14,194	\$17,189	\$57,702

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

NOTE 14 – DEFERRED COMPENSATION PLAN ASSETS

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

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

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

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

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS

The Village implemented Governmental Accounting Standards Board Statement 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective October 1, 2008. The Village elected to implement prospectively, and the change in accounting principle had no effect on changes in net assets/fund equity for prior periods. Retirees of the Village pay an amount equal to the actual premium for health insurance charged by the carrier, but there is an implied subsidy in the healthcare insurance premium for retirees because the premium charged for these retirees is the same as the premium charged for active employees, who are younger than retirees on average. This implied subsidy constitutes other postemployment benefits (OPEB) under GASB 45.

Plan Description

The Village provides a single employer defined benefit health care plan to all of its employees. The plan allows its employees and their beneficiaries, to continue to obtain health and dental benefits upon retirement. The normal retirement age for police and firefighters is 55; the normal retirement age for all other Village employees is either age 60 or 65, depending

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Plan Description (Continued)

on the option selected by the employee. The benefits of the plan are in accordance with Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

Funding Policy

The Village does not directly make a contribution to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group rates as are charged to the Village for active employees by its healthcare provider. However, the Village's actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits as an Employer Contribution, based upon an implicit rate subsidy. This offset equals the total age-adjusted costs paid by the Village or its active employees for coverage of the retirees and their dependents for the year net of the retiree's own payments for the year.

Annual OPEB Cost and Net OPEB Obligation

The annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The annual OPEB cost and the net OPEB obligation for the Village for the current year and the related information is as follows:

Required contribution rates:	
Employer	Pay-as-you-go
Plan members	N/A
Normal cost	\$ 245,351
Interest on normal cost	9,814
Amortization	152,437
Interest on amortization	6,097
Interest on net unfunded OPEB obligation	<u>11,806</u>
Annual OPEB cost	425,505
Contributions made	<u>(183,000)</u>
Increase in net OPEB obligation	242,505
Net OPEB obligation October 1, 2009	<u>295,142</u>
Net OPEB obligation September 30, 2010	<u>\$ 537,647</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Trend Information

Three-Year Trend Information			
Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/08	N/A	N/A	N/A
09/30/09	\$413,699	28.7%	\$ 295,142
09/30/10	\$425,505	43.0%	\$ 537,647

Funded Status

The funded status of the plan as of most recent actuarial valuation date was as follows:

Actuarial valuation date	10/01/2008
Actuarial accrued liability	\$2,741,387
Actuarial value of plan assets	\$
Unfunded actuarial accrued liability (UAAL)	\$2,741,387
Funded ratio	0.0%
Covered payroll	\$6,231,104
UAAL as a percentage of covered payroll	44.0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are comparable with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Because the fiscal year ended September 30, 2009 was the year of implementation of GASB 45 and actuarial studies are only required every two years, only one year is presented in the schedule at this time. In future years, required trend data will be presented. The Village has not contributed assets to the plan at this time.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and includes the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Village and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (Continued)

are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial valuation date	10/01/2008
Actuarial cost method	Projected Unit Credit
Amortization method	30 Years, closed
Remaining amortization period	29 years
Asset valuation method	Unfunded
Actual assumptions:	
Investment rate of return	4%
Healthcare cost trend	6.6% for 2010 decreasing to 4% in 2083

NOTE 16 – VOLUNTEER FIREFIGHTERS PENSION

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

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

NOTE 17 – JOINTLY GOVERNED ORGANIZATION

The Village, through an interlocal agreement with certain other municipalities and Palm Beach County, created the Seacoast Utility Authority ("Seacoast") which provides water and sewer service to the citizens of each of the participating municipalities and a portion of Palm Beach County. Seacoast's governing board consists of one member from each participating entity. Seacoast is an Independent Authority organized under the laws of the State of Florida, and the Village has no participating equity ownership in Seacoast. The Village paid \$142,960 to Seacoast during the fiscal year for water and sewer service.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2010

NOTE 18 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at September 30, 2010, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Public Safety Special Revenue Fund	\$31,808
Capital Projects Fund	Recreation Special Revenue Fund	\$44,028

The outstanding balance between funds results mainly from the time lag between the dates that payments between funds are made. Interfund transfers during the year ended September 30, 2010 are as follows:

<i>Transfer in:</i>	<i>Transfer Out:</i>
	<u>Capital Projects Fund</u>
Capital Projects Fund	\$160,000
Public Safety Special Revenue Fund	3,490

The transfers from the General Fund to the other governmental funds were to move restricted and unrestricted General Fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

NOTE 19 – CONTRACTS, COMMITMENTS AND CONTINGENCIES

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 20 – PRIOR PERIOD ADJUSTMENT

Governmental Activities

The beginning net assets of the Governmental Activities were restated on the government wide financial statements to record a prior period adjustment to correct the net pension asset for the Fire and Police Officers Pension Plan. A reconciliation of the prior period ending net assets to the beginning net assets for the Governmental Activities is presented below:

Beginning net assets, as previously reported	\$ 27,910,955
Adjustments to increase net pension asset	<u>83,174</u>
Beginning net assets, as restated	<u>\$ 27,994,129</u>

The above adjustments had no effect on the change in net assets for the current year and increased the change in net assets by \$83,174 in the prior year.

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, 2010

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age(1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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Other Post Employment Benefits (OPEB)

10/01/08*	\$	\$ 2,741,387	\$2,741,387	0.0%	\$ 6,231,104	44.0%
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* This was the only actuarial valuation performed to date.

The schedule of funding progress presented above will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Because the fiscal year ended September 30, 2009 was the year of implementation of GASB 45 and the Villiage elected to apply the statement prospectively, only one year is presented in the schedule at this time. In future years, required trend data will be presented. The Villiage has not contributed assets to the plan at this time.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Required Supplemental Information
September 30, 2010

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age(1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>General Employees Retirement Fund (1)</u>						
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%
10/1/2008	5,824,447	10,138,981	4,314,534	57.45%	2,977,995	144.88%
10/1/2009	6,048,808	10,456,011	4,407,203	57.85%	2,969,626	148.41%
<u>Fire and Police Retirement Fund (2)</u>						
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%
10/1/2008	10,376,733	11,719,336	1,342,603	88.54%	3,253,109	41.27%
10/1/2009	10,650,648	12,656,293	2,005,645	84.15%	3,725,519	53.84%

General Employees Retirement Fund (1)

The General Employees Retirement Fund uses the frozen entry age actuarial cost method.

Fire and Police Retirement Fund (2)

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Required Supplemental Information
September 30, 2010

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>				
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	N/A	100.9%
2008	875,126	876,712	N/A	100.2%
2009	761,943	765,381	N/A	100.5%
2010	739,767	741,392	N/A	100.2%
<u>Fire and Police Retirement Fund</u>				
2005	\$ 509,800	\$ 471,864	\$ 138,200	119.7%
2006	690,186	551,986	138,200	100.0%
2007	539,651	401,451	138,200	100.0%
2008	715,784	580,463	138,200	100.4%
2009	728,729	596,626	138,200	100.8%
2010	884,415	653,719	230,696	100.0%

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Trend Data
September 30, 2010

	General Employees Retirement Fund	Police and Fire Retirement Fund
Contribution rates as of 9/30/10:		
Village	23.72%	25.73%
Plan Members	6.00% (1)	2.00%
Actuarially Determined Contribution	\$739,767	\$884,415
Contributions Made	\$741,392	\$884,415
Valuation date	10/1/2008	10/1/2008
Actuarial Cost Method	Frozen Entry Age	Aggregate
Amortized Method	Level percent closed	N/A (2)
Remaining Amortization Period	30 years	N/A (2)
Asset Valuation Method	Difference between actual and expected return recognized over five years.	Five year smooth market
Administrative Costs	Expenses paid out of the fund other than investment related expenses are assumed to be equal to the average of actual expenses over the previous two years.	Expenses paid out of the fund other than investment related expenses are assumed to be equal to the average of actual expenses over the previous two years.
Actuarial Assumption:		
Investment rate of return *	8% up to retirement 5.25% thereafter.	8%
Projected salary increase *	5.5%	6%
*Includes inflation at	4%	4%
Cost of living adjustments	3% for those retired before 2/1/82 or who contribute an extra 2%.	3%

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

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

GENERAL FUND

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For the Year Ended September 30, 2010

	<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	\$ 14,449,648	\$ 14,449,648	\$ 14,784,906	\$ 335,258
Licenses and permits	611,400	771,400	910,997	139,597
Intergovernmental	1,100,008	1,100,008	1,269,509	169,501
Charges for services	1,664,832	1,664,832	1,944,245	279,413
Fines and forfeitures	135,200	135,200	142,048	6,848
Investment	85,050	85,050	280,218	195,168
Miscellaneous	10,800	10,800	278,062	267,262
Total revenues	<u>18,056,938</u>	<u>18,216,938</u>	<u>19,609,985</u>	<u>1,393,047</u>
Expenditures				
Current				
General government	2,392,107	2,547,454	2,453,180	94,274
Public safety	6,872,858	6,841,001	6,766,641	74,360
Public works	4,179,336	4,047,908	3,887,034	160,874
Community development and planning	801,416	901,416	774,121	127,295
Leisure services - recreation	2,324,153	2,401,352	2,361,388	39,964
Other government	225,713	125,713	43,162	82,551
Capital outlay	572,712	499,961	475,007	24,954
Debt service				
Principal payments	684,259	2,252,259	2,250,000	2,259
Interest paid on debt	4,384	4,384	4,384	
Total expenditures	<u>18,056,938</u>	<u>19,621,448</u>	<u>19,014,917</u>	<u>606,531</u>
Excess (deficiency) of revenues over (under) expenditures		<u>(1,404,510)</u>	<u>595,068</u>	<u>1,999,578</u>
Other financing sources (uses)				
Transfer out		<u>(163,490)</u>	<u>(163,490)</u>	
Total other financing sources (uses)		<u>(163,490)</u>	<u>(163,490)</u>	
Net change in fund balances	<u>\$</u>	<u>\$ (1,568,000)</u>	431,578	<u>\$ 1,999,578</u>
Fund Balances				
Beginning of year			<u>10,621,331</u>	
End of year			<u>\$ 11,052,909</u>	

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Budgetary
Required Supplementary Information (RSI)
General Fund
September 30, 2010

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, 2010

	<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	\$ 50,555	\$ 50,555	\$ 50,470	\$ 85	0.17
Operating expenses	75,550	75,550	69,654	5,896	7.80
Total Village Council	<u>126,105</u>	<u>126,105</u>	<u>120,124</u>	<u>5,981</u>	<u>4.74</u>
Village Manager					
Personal services	280,983	281,395	281,393	2	0.00
Operating expenses	13,724	13,312	8,631	4,681	35.16
Total Village Manager	<u>294,707</u>	<u>294,707</u>	<u>290,024</u>	<u>4,683</u>	<u>1.59</u>
Village Finance					
Personal services	465,054	465,054	458,300	6,754	1.45
Operating expenses	56,398	56,398	37,466	18,932	33.57
Total Village Finance	<u>521,452</u>	<u>521,452</u>	<u>495,766</u>	<u>25,686</u>	<u>4.93</u>
Village Attorney					
Operating expenses	<u>170,000</u>	<u>168,081</u>	<u>153,356</u>	<u>14,725</u>	<u>8.76</u>
Village Clerk					
Personal services	244,123	247,607	247,606	1	0.00
Operating expenses	30,143	26,659	26,024	635	2.38
Total Village Clerk	<u>274,266</u>	<u>274,266</u>	<u>273,630</u>	<u>636</u>	<u>0.23</u>
Information Technology					
Personal services	256,227	256,227	254,450	1,777	0.69
Operating expenses	38,100	38,100	25,855	12,245	32.14
Total Information Technology	<u>294,327</u>	<u>294,327</u>	<u>280,305</u>	<u>14,022</u>	<u>4.76</u>
Human Resources					
Personal services	203,235	206,394	206,393	1	0.00
Operating expenses	28,029	26,789	26,776	13	0.05
Total Human Resources	<u>231,264</u>	<u>233,183</u>	<u>233,169</u>	<u>14</u>	<u>0.01</u>
Police					
Personal services	3,920,594	3,920,594	3,919,407	1,187	0.03
Operating expenses	242,814	203,618	184,742	18,876	9.27
Total Police	<u>4,163,408</u>	<u>4,124,212</u>	<u>4,104,149</u>	<u>20,063</u>	<u>0.49</u>
Fire Rescue					
Personal services	2,398,288	2,404,764	2,409,524	(4,760)	-0.20
Operating expenses	175,304	165,338	132,039	33,299	20.14
Total Fire Rescue	<u>2,573,592</u>	<u>2,570,102</u>	<u>2,541,563</u>	<u>28,539</u>	<u>1.11</u>
Public Works / Streets and Grounds					
Personal services	316,945	317,871	317,871		0.00
Operating expenses	26,312	26,312	25,951	361	1.37
Total Public Works	<u>343,257</u>	<u>344,183</u>	<u>343,822</u>	<u>361</u>	<u>0.10</u>

(Continued)

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Schedule of Departmental Expenditures - Budget and Actual
General Fund
For the Year Ended September 30, 2010

	<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	\$ 1,321,855	\$ 1,288,582	\$ 1,284,358	\$ 4,224	0.33
Operating expenses	191,564	118,451	113,330	5,121	4.32
Total Sanitation	<u>1,513,419</u>	<u>1,407,033</u>	<u>1,397,688</u>	<u>9,345</u>	<u>0.66</u>
Facility Services					
Personal services	308,368	308,368	300,137	8,231	2.67
Operating expenses	371,965	372,997	294,449	78,548	21.06
Total Facility Services	<u>680,333</u>	<u>681,365</u>	<u>594,586</u>	<u>86,779</u>	<u>12.74</u>
Street Maintenance					
Personal services	576,084	549,084	539,426	9,658	1.76
Operating expenses	712,621	712,621	661,299	51,322	7.20
Total Street Maintenance	<u>1,288,705</u>	<u>1,261,705</u>	<u>1,200,725</u>	<u>60,980</u>	<u>4.83</u>
Vehicle Maintenance					
Personal services	185,094	185,094	182,276	2,818	1.52
Operating expenses	168,528	168,528	167,938	590	0.35
Total Vehicle Maintenance	<u>353,622</u>	<u>353,622</u>	<u>350,214</u>	<u>3,408</u>	<u>0.96</u>
Planning and Engineering					
Personal services	200,564	200,631	200,630	1	0.00
Operating expenses	16,905	117,168	17,168	100,000	85.35
Total Planning and Engineering	<u>217,469</u>	<u>317,799</u>	<u>217,798</u>	<u>100,001</u>	<u>31.47</u>
Building					
Personal services	450,742	450,742	449,150	1,592	0.35
Operating expenses	15,680	15,680	10,939	4,741	30.24
Total Building	<u>466,422</u>	<u>466,422</u>	<u>460,089</u>	<u>6,333</u>	<u>1.36</u>
Code Enforcement					
Personal services	111,283	111,283	91,688	19,595	17.61
Operating expenses	6,242	5,912	4,545	1,367	23.12
Total Code Enforcement	<u>117,525</u>	<u>117,195</u>	<u>96,233</u>	<u>20,962</u>	<u>17.89</u>
Leisure Services-Recreation					
Personal services	577,980	582,066	582,066		0.00
Operating expenses	345,182	316,182	315,832	350	0.11
Total Leisure Services-Recreation	<u>923,162</u>	<u>898,248</u>	<u>897,898</u>	<u>350</u>	<u>0.04</u>
Library					
Personal services	556,206	533,558	494,971	38,587	7.23
Operating expenses	158,657	181,305	181,304	1	0.00
Total Library	<u>714,863</u>	<u>714,863</u>	<u>676,275</u>	<u>38,588</u>	<u>5.40</u>

(Continued)

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Schedule of Departmental Expenditures - Budget and Actual
General Fund
For the Year Ended September 30, 2010

	<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	\$ 81,283	\$ 89,278	\$ 89,278	\$	0.00
Operating expenses	227,921	313,690	313,690		0.00
Total Tennis	<u>309,204</u>	<u>402,968</u>	<u>402,968</u>		<u>0.00</u>
Pool					
Personal services	147,985	108,985	107,962	1,023	0.94
Operating expenses	141,939	198,620	198,619	1	0.00
Total Pool	<u>289,924</u>	<u>307,605</u>	<u>306,581</u>	<u>1,024</u>	<u>0.33</u>
Special Events					
Operating expenses	87,000	77,668	77,666	2	0.00
Total Special Events	<u>87,000</u>	<u>77,668</u>	<u>77,666</u>	<u>2</u>	<u>0.00</u>
Debt Service	<u>688,643</u>	<u>2,256,643</u>	<u>2,254,384</u>	<u>2,259</u>	<u>0.10</u>
Other					
Operating expenses	225,713	125,713	43,162	82,551	65.67
	<u>225,713</u>	<u>125,713</u>	<u>43,162</u>	<u>82,551</u>	<u>65.67</u>
Non-Departmental					
Operating expenses	615,844	782,020	727,735	54,285	6.94
	<u>615,844</u>	<u>782,020</u>	<u>727,735</u>	<u>54,285</u>	<u>6.94</u>
Capital Outlay					
Information Technology	5,800	5,800	5,104	696	12.00
Police	54,000	54,196	54,196		0.00
Facility Services	5,000	27,444	25,555	1,889	6.88
Street Maintenance	403,000	346,000	345,116	884	0.26
Leisure Services-Recreation	40,000	35,914	35,375	539	1.50
Library	29,912	29,912	9,661	20,251	67.70
Non-Departmental	35,000	695		695	100.00
Total Capital Outlay	<u>572,712</u>	<u>499,961</u>	<u>475,007</u>	<u>24,954</u>	<u>4.99</u>
Total expenditures	<u>\$ 18,056,938</u>	<u>\$ 19,621,448</u>	<u>\$ 19,014,917</u>	<u>\$ 606,531</u>	<u>3.09%</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, 2010

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Public Safety Fund	Northlake Boulevard Fund	Recreation	On-Behalf Pension Contributions	Capital Projects Fund	
Assets						
Cash and cash equivalents	\$	\$ 1,986	\$ 88,174	\$	\$ 809,596	\$ 899,756
Due from other funds					44,028	44,028
Due from other governments	34,665			50,357		85,022
Total assets	<u>\$ 34,665</u>	<u>\$ 1,986</u>	<u>\$ 88,174</u>	<u>\$ 50,357</u>	<u>\$ 853,624</u>	<u>\$ 1,028,806</u>
Liabilities						
Accounts payable	\$ 1,610	\$	\$	\$ 50,357	\$ 8,882	\$ 60,849
Due to other funds	31,808		44,028			75,836
Total liabilities	<u>33,418</u>		<u>44,028</u>	<u>50,357</u>	<u>8,882</u>	<u>136,685</u>
Fund balances						
Unreserved						
Undesignated	1,247	1,986	44,146		844,742	892,121
Total fund balances	<u>1,247</u>	<u>1,986</u>	<u>44,146</u>		<u>844,742</u>	<u>892,121</u>
Total liabilities and fund balances	<u>\$ 34,665</u>	<u>\$ 1,986</u>	<u>\$ 88,174</u>	<u>\$ 50,357</u>	<u>\$ 853,624</u>	<u>\$ 1,028,806</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, 2010

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Public Safety Fund	Northlake Boulevard Fund	Recreation	On-Behalf Pension Contributions	Capital Projects Fund	
Revenues						
Intergovernmental	\$ 44,345	\$	\$ 199,944	\$ 254,590	\$	\$ 498,879
Total revenues	<u>44,345</u>	<u></u>	<u>199,944</u>	<u>254,590</u>	<u></u>	<u>498,879</u>
Expenditures						
Current						
Public safety				254,590		254,590
Capital outlay	46,680		859		141,036	188,575
Total expenditures	<u>46,680</u>	<u></u>	<u>859</u>	<u>254,590</u>	<u>141,036</u>	<u>443,165</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,335)</u>	<u></u>	<u>199,085</u>	<u></u>	<u>(141,036)</u>	<u>55,714</u>
Other financing sources (uses)						
Transfers in	3,490				160,000	163,490
Total other financing sources (uses)	<u>3,490</u>	<u></u>	<u></u>	<u></u>	<u>160,000</u>	<u>163,490</u>
Net changes in fund balances	1,155		199,085		18,964	219,204
Fund balances - Beginning of year	92	1,986	(154,939)		825,778	672,917
Fund balances - End of year	<u>\$ 1,247</u>	<u>\$ 1,986</u>	<u>\$ 44,146</u>	<u>\$</u>	<u>\$ 844,742</u>	<u>\$ 892,121</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, 2010

	Volunteer Fire Pension	General Employees Pension	Fire and Police Officers Pension	Total Employee Retirement Funds
ASSETS				
Cash and cash equivalents	\$	\$ 220,943	\$ 1,196,769	\$ 1,417,712
Investments:				
Common equity securities			5,523,686	5,523,686
U.S. Government agencies		302,971	1,186,910	1,489,881
Municipal bonds			176,972	176,972
Corporate bonds			2,160,779	2,160,779
U.S. Treasury bonds			296,050	296,050
Equity mutual funds			24,624	24,624
Common trust funds		5,707,329		5,707,329
Fixed annuity funds	106,226			106,226
Accrued interest and dividends		22	45,029	45,051
Accounts Receivable		35,541	63,930	99,471
Prepays			1,626	1,626
Total assets	<u>106,226</u>	<u>6,266,806</u>	<u>10,676,375</u>	<u>17,049,407</u>
LIABILITIES				
Accounts payable		10,679	24,891	35,570
Total liabilities	<u>-</u>	<u>10,679</u>	<u>24,891</u>	<u>35,570</u>
Net Assets				
Held in trust for pension benefits and other purposes	<u>\$ 106,226</u>	<u>\$ 6,256,127</u>	<u>\$ 10,651,484</u>	<u>\$ 17,013,837</u>

(1) A schedule of funding progress for the General Employees and Fire and Police Officers plans is presented on page 66.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Combining Statement of Changes in Fiduciary Net Assets
Employee Retirement Funds
For the Year Ended September 30, 2010

	Volunteer Fire Pension	General Employees Pension	Fire and Police Officers Pension	Total Employee Retirement Funds
Additions				
Contributions				
Employer	\$ 4,173	\$ 759,529	\$ 653,719	\$ 1,417,421
Plan members		163,213	75,461	238,674
State on-behalf payments			254,590	254,590
Total contributions	<u>4,173</u>	<u>922,742</u>	<u>983,770</u>	<u>1,910,685</u>
Investment earnings				
Dividends and interest	4,076	12,159	286,521	302,756
Net increase (decrease) in fair value of investments	16,179	514,881	471,627	1,002,687
Investment expense		(42,037)	(49,714)	(91,751)
Total investment earnings	<u>20,255</u>	<u>485,003</u>	<u>708,434</u>	<u>1,213,692</u>
Total additions	<u>24,428</u>	<u>1,407,745</u>	<u>1,692,204</u>	<u>3,124,377</u>
Deductions				
Administration	2,866	15,448	94,516	112,830
Benefits		463,970	930,447	1,394,417
Refund of contributions			5,719	5,719
Total deductions	<u>2,866</u>	<u>479,418</u>	<u>1,030,682</u>	<u>1,512,966</u>
Change in net assets	21,562	928,327	661,522	1,611,411
Net assets - beginning	<u>84,664</u>	<u>5,327,800</u>	<u>9,989,962</u>	<u>15,402,426</u>
Net assets - ending	<u>\$ 106,226</u>	<u>\$ 6,256,127</u>	<u>\$ 10,651,484</u>	<u>\$ 17,013,837</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, 2010

	Agency Funds		
	Manatee Protection Agency	Northlake Boulevard Task Force	Total Agency Funds
Assets			
Cash and cash equivalents	\$ 282,750	\$ 61,604	\$ 344,354
Liabilities			
Due to others	\$ 282,750	\$ 61,604	\$ 344,354

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Combining Schedule of Changes in Agency Net Assets and Liabilities
For the Year Ended September 30, 2010

	<u>October 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>September 30, 2010</u>
<u>Manatee Protection Agency</u>				
Assets				
Cash and cash equivalents	\$ 278,574	\$ 4,176	\$	\$ 282,750
Liabilities				
Due to others	\$ 278,574	\$ 4,176	\$	\$ 282,750
<u>Northlake Boulevard Task Force</u>				
Assets				
Cash and cash equivalents	\$ 60,695	\$ 909	\$	\$ 61,604
Liabilities				
Due to others	\$ 60,695	\$ 909	\$	\$ 61,604
<u>Total All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 339,269	\$ 5,085	\$	\$ 344,354
Liabilities				
Due to others	\$ 339,269	\$ 5,085	\$	\$ 344,354

PROPRIETARY FUND
(ENTERPRISE FUND)

Country Club Fund

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Schedule of Revenues and Departmental Expenses - Budget and Actual
Country Club Fund - Budgetary Basis
For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Percent Variance
Revenue					
Greens fee/cart rentals/membership fees	\$ 2,801,289	\$ 2,801,289	\$ 2,520,364	\$ (280,925)	-10.03
Golf shop revenues	196,050	196,050	225,699	29,649	15.12
Driving range revenues	230,279	230,279	174,929	(55,350)	-24.04
Restaurant revenues	134,334	134,334	244,359	110,025	81.90
Interest revenues	3,500	3,500	14,686	11,186	319.60
Sale of surplus property			124,000	124,000	
Miscellaneous	37,325	37,325	62,229	24,904	66.72
Total revenues	3,402,777	3,402,777	3,366,266	(36,511)	-1.07
Golf Maintenance					
Operating expenses	1,301,323	1,251,323	1,250,612	711	0.06
Capital outlay					100.00
Total Golf Maintenance	1,301,323	1,251,323	1,250,612	711	0.06
Golf Pro Shop and Range					
Personal services	338,151	362,951	367,253	(4,302)	-1.19
Operating expenses	330,423	296,923	240,199	56,724	19.10
Capital outlay	5,000				
Total Golf Pro Shop and Range	673,574	659,874	607,452	52,422	7.94
Food and Beverage					
Personal services		154,010	153,971	39	0.03
Operating expenses	73,840	298,678	298,545		
Capital outlay		27,058	27,058		0.00
Total Food and Beverage	73,840	479,746	479,574	39	0.01
Administration					
Personal services	227,084	190,084	194,413	(4,329)	-2.28
Operating expenses	73,847	51,847	51,525	322	0.62
Capital outlay					
Total Administration	300,931	241,931	245,938	(4,007)	-1.66
Clubhouse and Grounds					
Operating expenses	126,313	104,313	103,377	936	0.90
Capital outlay	32,500	10,500	9,915	585	5.57
Total Clubhouse and Grounds	158,813	114,813	113,292	1,521	1.32
Insurance and General Liability					
Operating expenses	75,000	57,000	56,923		0.00
Reserves					
Operating	5,000	11,700	11,652	48	0.41
Contingency	235,395	7,489		7,489	100.00
Total Reserves	240,395	19,189	11,652	7,537	39.28
Debt service					
Debt service	578,901	578,901	631,775	(52,874)	(9.13)
Total expenses on the budgetary basis	3,402,777	3,402,777	3,397,218	5,349	0.16
Revenues over (under) expenses	\$	\$	\$ (30,952)	\$ (31,162)	
Adjustments to reconcile to the GAAP Basis					
Total expenses on the budgetary basis			3,397,218		
Less capital outlay costs capitalized			(36,973)		
Less debt service			(631,775)		
Add depreciation expense			476,583		
Total operating expenses			\$ 3,205,053		

STATISTICAL SECTION

STATISTICAL SECTION

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

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

VILLAGE OF NORTH PALM BEACH
NET ASSETS BY COMPONENT
LAST TEN 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>	<u>2009</u>	<u>2010</u>		
Governmental Activities:					
Invested in capital assets, net of related debt	\$ 12,845,093	\$ 16,643,241	\$ 18,184,508		
Restricted	979,182	251,088	390,081		
Unrestricted	<u>9,836,912</u>	<u>11,016,626</u>	<u>10,568,594</u>		
Total governmental activities net assets	<u>23,661,187</u>	<u>27,910,955</u>	<u>29,143,183</u>		
Business-Type Activities:					
Invested in capital assets, net of related debt	2,492,524	2,364,814	2,295,125		
Unrestricted	<u>202,802</u>	<u>434,212</u>	<u>403,261</u>		
Total business-type activities net assets	<u>2,695,326</u>	<u>2,799,026</u>	<u>2,698,386</u>		
Primary government:					
Invested in capital assets, net of related debt	15,337,617	19,008,055	20,479,633		
Restricted	979,182	251,088	390,081		
Unrestricted	<u>10,039,714</u>	<u>11,450,838</u>	<u>10,971,855</u>		
Total primary government net assets	<u>\$ 26,356,513</u>	<u>\$ 30,709,981</u>	<u>\$ 31,841,569</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 TEN FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING) Unaudited

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government	\$ 2,781,333	\$ 3,174,460	\$ 2,127,009	\$ 1,784,528	\$ 2,698,187
Public safety	5,195,338	5,294,399	6,038,846	7,036,117	6,671,490
Public works	3,482,975	3,549,178	5,091,305	4,131,500	3,733,815
Community development and planning	-	-	-	657,112	737,165
Leisure services	1,539,771	1,280,483	1,635,784	2,562,627	2,781,658
Other government	-	-	842,561	2,049	-
Interest on long-term debt	128,507	40,580	151,233	241,995	204,666
Total governmental activities expenses	13,127,924	13,339,100	15,886,738	16,415,928	16,826,981
Business-type activities:					
Country club	2,676,883	2,567,690	2,607,712	2,124,927	3,570,683
Total business-type activities	2,676,883	2,567,690	2,607,712	2,124,927	3,570,683
Total primary government expenses	\$ 15,804,807	\$ 15,906,790	\$ 18,494,450	\$ 18,540,855	\$ 20,397,664
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 342,936	\$ 355,118	\$ 285,386	\$ 158,160	\$ 122,455
Public safety	258,723	273,391	329,081	388,671	345,731
Public works	727,016	895,291	1,326,820	140,923	217,975
Community development and planning	-	-	-	1,175,252	938,188
Leisure services	174,589	147,773	78,475	528,983	496,679
Other government	-	-	-	-	-
Operating grants and contributions	82,134	89,362	1,392,729	998,573	170,389
Capital grants and contributions	102,560	-	-	462,394	1,454,526
Total governmental activities program revenues	1,687,958	1,760,935	3,412,491	3,852,956	3,745,943
Business-type activities:					
Charges for services:					
Country club	2,510,258	2,548,259	2,658,468	2,167,089	3,463,524
Operating grants and contributions	-	-	-	68,883	-
Capital grants and contributions	10,000	-	-	-	-
Total business-type activities program revenues	2,520,258	2,548,259	2,658,468	2,235,972	3,463,524
Total primary government program revenues	\$ 4,208,216	\$ 4,309,194	\$ 6,070,959	\$ 6,088,928	\$ 7,209,467
Net (Expense)/Revenue					
Governmental activities	\$ (11,439,966)	\$ (11,578,165)	\$ (12,474,247)	\$ (12,562,972)	\$ (13,081,041)
Business-type activities	(156,625)	(19,431)	50,756	111,045	(107,159)
Total primary government net expense	\$ (11,596,591)	\$ (11,597,596)	\$ (12,423,491)	\$ (12,451,927)	\$ (13,188,200)
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Property taxes	\$ 6,365,000	\$ 8,451,783	\$ 10,070,977	\$ 10,881,501	\$ 12,076,184
Local option gas taxes	-	-	-	307,043	292,332
Utility service taxes	1,755,153	1,830,339	1,955,403	2,001,164	2,001,443
Franchise taxes	890,285	861,708	890,297	1,150,974	1,207,552
Sales and use taxes	1,148,210	1,230,803	1,277,124	1,415,917	1,339,893
Unrestricted grants and contributions	276,302	291,710	421,254	-	-
Investment earnings	75,023	53,600	196,699	477,420	650,022
Miscellaneous	54,875	92,260	111,927	53,264	8,836
Contributions for Support Our Troops	-	-	-	-	15,502
Transfers	-	-	-	36,445	5,111
Total governmental activities	10,564,848	12,812,203	14,923,681	16,323,728	17,596,875
Business-type activities:					
Investment income	4,586	3,450	12,640	112,841	43,917
Miscellaneous	99,553	42,560	-	-	-
Transfers	-	-	-	(36,445)	(5,111)
Total business-type activities	104,139	46,010	12,640	76,396	38,806
Total primary government	\$ 10,668,987	\$ 12,858,213	\$ 14,936,321	\$ 16,400,124	\$ 17,635,681
Change in net assets					
Governmental activities	\$ (875,118)	\$ 1,234,038	\$ 2,449,434	\$ 3,760,756	\$ 4,515,834
Business-type activities	(52,486)	26,579	63,396	187,441	(68,353)
Total primary government	\$ (927,604)	\$ 1,260,617	\$ 2,512,830	\$ 3,948,197	\$ 4,447,481

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$	1,839,228	\$ 2,239,511	\$ 2,679,192
	7,154,578	7,095,043	7,304,233
	3,996,711	4,083,441	4,594,738
	860,448	826,149	806,536
	3,244,045	3,174,623	2,830,292
	-	-	-
	120,549	26,702	4,384
	<u>17,215,559</u>	<u>17,445,469</u>	<u>18,219,375</u>
	<u>3,268,562</u>	<u>3,308,535</u>	<u>3,398,206</u>
	<u>3,268,562</u>	<u>3,308,535</u>	<u>3,398,206</u>
	<u>\$ 20,484,121</u>	<u>\$ 20,754,004</u>	<u>\$ 21,617,581</u>
\$	123,334	\$ 122,569	\$ 126,968
	383,325	378,591	465,263
	288,994	394,082	411,722
	888,015	699,130	734,718
	595,558	912,862	1,063,748
	-	-	-
	88,224	105,080	96,670
	<u>1,602,465</u>	<u>2,017,158</u>	<u>75,845</u>
	<u>3,969,915</u>	<u>4,629,472</u>	<u>2,974,934</u>
	3,616,509	3,404,859	3,227,580
	13,609	-	-
	-	-	-
	<u>3,630,118</u>	<u>3,404,859</u>	<u>3,227,580</u>
	<u>\$ 7,600,033</u>	<u>\$ 8,034,331</u>	<u>\$ 6,202,514</u>
\$	(13,245,644)	\$ (12,815,997)	\$ (15,244,441)
	361,556	96,324	(170,626)
	<u>\$ (12,884,088)</u>	<u>\$ (12,719,673)</u>	<u>\$ (15,415,067)</u>
\$	11,915,355	\$ 11,917,359	\$ 11,053,128
	278,649	267,557	266,077
	2,018,071	2,239,002	2,261,375
	1,212,562	1,256,831	1,204,328
	1,227,341	1,116,107	1,114,945
	-	-	-
	194,652	(1,346)	280,217
	55,719	263,459	213,425
	16,959	6,796	-
	49,296	-	-
	<u>16,968,604</u>	<u>17,065,765</u>	<u>16,393,495</u>
	36,431	7,376	14,686
	-	-	55,300
	(49,296)	-	-
	<u>(12,865)</u>	<u>7,376</u>	<u>69,986</u>
	<u>\$ 16,955,739</u>	<u>\$ 17,073,141</u>	<u>\$ 16,463,481</u>
\$	3,722,960	\$ 4,249,768	\$ 1,149,054
	348,691	103,700	(100,640)
	<u>\$ 4,071,651</u>	<u>\$ 4,353,468</u>	<u>\$ 1,048,414</u>

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund					
Reserved	\$ 354,396	\$ 218,882	\$ 197,163	\$ 308,836	\$ 945,891
Unreserved	1,654,593	2,883,855	5,771,684	7,022,606	8,179,659
Total general fund	<u>\$ 2,008,989</u>	<u>\$ 3,102,737</u>	<u>\$ 5,968,847</u>	<u>\$ 7,331,442</u>	<u>\$ 9,125,550</u>
All other Governmental Funds					
Reserved	\$ 613,459	\$ 470,155	\$ 19,828	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	-	-	-	400,000	224,937
Capital projects funds	-	-	-	397,233	673,232
Total all other governmental funds	<u>\$ 613,459</u>	<u>\$ 470,155</u>	<u>\$ 19,828</u>	<u>\$ 797,233</u>	<u>\$ 898,169</u>
	<u>2008</u>	<u>2009</u>	<u>2010</u>		
General Fund					
Reserved	\$ 775,339	\$ 563,115	\$ 509,810		
Unreserved	8,265,513	10,058,216	10,543,099		
Total general fund	<u>\$ 9,040,852</u>	<u>\$ 10,621,331</u>	<u>\$ 11,052,909</u>		
All other Governmental Funds					
Reserved	\$ 239,979	\$ -	\$ -		
Unreserved, reported in:					
Special revenue funds	594,399	(152,861)	47,379		
Capital projects funds	713,373	825,778	844,742		
Total all other governmental funds	<u>\$ 1,547,751</u>	<u>\$ 672,917</u>	<u>\$ 892,121</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 TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING) Unaudited

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

<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 15,424,638	\$ 15,680,749	\$ 14,784,906
1,047,144	880,016	910,997
2,459,211	3,315,908	1,768,388
1,268,774	1,684,718	1,944,245
235,965	145,340	142,048
194,652	(1,345)	280,218
137,447	300,455	278,062
<u>20,767,831</u>	<u>22,005,841</u>	<u>20,108,864</u>
2,246,461	1,970,257	2,496,342
7,056,833	6,835,730	7,021,231
3,725,450	3,432,556	3,887,034
840,366	784,486	774,121
2,876,840	2,898,252	2,361,388
2,597,065	3,939,455	663,582
716,206	1,395,735	2,250,000
143,726	43,725	4,384
<u>20,202,947</u>	<u>21,300,196</u>	<u>19,458,082</u>
564,884	705,645	650,782
1,254,952	454,111	163,490
(1,254,952)	(454,111)	(163,490)
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 564,884</u>	<u>\$ 705,645</u>	<u>\$ 650,782</u>
4.91%	8.07%	11.99%

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		
2001	2000	745,237,484	122,793,250	40,169,760	908,200,494	5.75
2002	2001	823,286,154	124,216,202	42,791,419	990,293,775	5.60
2003	2002	963,091,506	128,216,552	44,276,499	1,135,584,557	5.80
2004	2003	1,092,433,722	147,927,933	44,914,124	1,285,275,779	6.80
2005	2004	1,180,028,585	208,240,338	49,767,286	1,438,036,209	7.27
2006	2005	1,441,249,707	179,827,665	44,422,817	1,665,500,189	6.80
2007	2006	1,700,678,282	235,776,768	45,084,335	1,981,539,385	6.30
2008	2007	1,744,202,888	229,300,592	43,735,861	2,017,239,341	6.10
2009	2008	1,575,367,916	230,599,951	41,471,282	1,847,439,149	6.70
2010	2009	1,394,954,867	221,443,121	40,552,276	1,656,950,264	6.90

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	
2001	2000	5.750	8.92	4.936	2.263	21.869
2002	2001	5.600	8.95	4.935	2.456	21.941
2003	2002	5.800	8.78	4.808	2.488	21.876
2004	2003	6.800	8.57	4.791	2.556	22.717
2005	2004	7.270	8.43	4.768	2.526	22.994
2006	2005	6.800	8.11	4.719	2.504	22.133
2007	2006	6.300	7.87	4.480	2.325	20.975
2008	2007	6.100	7.36	3.981	2.131	19.572
2009	2008	6.698	7.25	3.966	2.257	20.171
2010	2009	6.900	7.98	4.561	2.493	21.934

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 2001

Unaudited

<u>Taxpayers</u>	<u>2009*</u>			<u>2001</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>
Olen Residential Realty	\$ 18,000,000	1	0.97%	\$ 16,321,086	1	1.80%
Crystal Tree NPB	17,030,531	2	0.92%			
WCI Communities, Inc				11,981,541	2	1.32%
Sanctuary Bay Trust Corporation	14,000,300	3	0.76%	11,247,093	3	1.24%
Greater Fla Inv Co &	12,911,802	4	0.70%	5,840,000	6	0.64%
CF02 Palm Beach III LP	11,000,000	5	0.60%			
Interevest Crystal Tree				10,199,784	4	1.12%
Domani Development, LLC	9,213,927	6	0.50%			
North Palm Properties, LTD				9,002,699	5	0.99%
Village Shoppers at US 1 LLC	7,896,575	7	0.43%			
Old Port Cove Holding, Inc	7,706,522	8	0.42%			
Riverside National Bank of Florida	6,044,474	9	0.33%			
701 US One, Inc	5,839,803	10	0.32%			
Transcontinental Atrium, Inc.				4,590,000	7	0.51%
Roschman, M. Elaine TR				4,100,000	8	0.45%
Pavilion Office Center	5,000,000	11	0.27%	3,240,000	9	0.36%
Old Port Cove Dev.				3,100,000	10	0.34%
				3,025,889	11	0.33%
Total	\$ 114,643,934		6.22%	\$ 82,648,092		9.10%

*2010 Information not yet available

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
2001	2000	5,196,021	5,013,269	96.48%	4,687	5,017,956	96.57%
2002	2001	5,562,239	5,357,206	96.31%	12,175	5,369,381	96.53%
2003	2002	6,597,909	6,359,478	96.39%	5,522	6,365,000	96.47%
2004	2003	8,825,061	8,441,383	95.65%	10,401	8,451,784	95.77%
2005	2004	10,463,873	10,059,478	96.14%	9,476	10,068,954	96.23%
2006	2005	11,329,648	10,690,869	94.36%	172,744	10,863,613	95.89%
2007	2006	12,624,307	11,802,457	93.49%	228,352	12,030,809	95.30%
2008	2007	12,360,135	11,546,732	93.42%	333,756	11,880,488	96.12%
2009	2008	12,401,519	11,530,384	92.98%	349,642	11,880,026	95.79%
2010	2009	11,564,281	10,683,829	92.39%	284,004	10,967,833	94.84%

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 Sept 30.	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	Percent of Median Personal <u>Income (1)</u>	Per <u>Capita (1)</u>
	<u>Loans Payable</u>	<u>Capital Leases</u>	<u>Loans Payable</u>	<u>Capital Leases</u>			
2001	8,067,736	245,059	785,781		9,098,576	N/A	745.91
2002	7,334,853	736,967	651,058		8,722,878	N/A	715.11
2003	6,947,633	587,792	513,472		8,048,897	N/A	659.85
2004	6,376,387	433,855	411,573		7,221,815	N/A	592.05
2005	5,754,677	275,840	454,131		6,484,648	N/A	513.31
2006	4,941,765	209,224	5,185,978		10,336,967	17.20%	786.20
2007	4,280,842	81,100	5,026,895		9,388,837	14.67%	715.61
2008	3,605,639	40,097	4,662,833	192,892	8,501,461	12.92%	692.64
2009	2,250,000	-	4,383,033	97,049	6,730,082	10.14%	583.15
2010	-	-	4,090,284	235,176	4,325,460	6.74%	371.64

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 94 for personal income and population data.

N/A Data not available.

VILLAGE OF NORTH PALM BEACH
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2010
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	\$ 250,470,000	1.17%	\$ 2,930,499
Palm Beach County School Board		1.17%	
Other debt:			
Palm Beach County	907,950,000	1.17%	10,623,015
Palm Beach County School Board	29,555,000	1.17%	<u>345,794</u>
Subtotal, overlapping debt			13,899,308
Village of North Palm Beach Direct Debt		100%	-
Total direct and overlapping debt			<u>\$ 13,899,308</u>

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

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

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

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

<u>Fiscal Year</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenue</u>	<u>Required Debt Service</u>	<u>Coverage (3)</u>
(4)					
2006	\$ 2,348,813	\$ 1,910,640	\$ 438,173	\$ 106,936	4.10 (4)
2007	3,507,441	2,991,621	515,820	392,505	1.31
2008	3,652,940	2,558,591	1,094,349	394,900	2.77
2009	3,412,235	2,587,171	825,064	394,900	2.09
2010	3,242,266	2,728,470	513,796	394,900	1.30

(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)
2001	12,198	-	-	5.0
2002	12,198	-	-	6.0
2003	12,198	-	-	5.6
2004	12,198	-	-	5.0
2005	12,633	-	-	4.0
2006 (estimate)	13,148	60,101	46,726	3.3
2007 (estimate)	13,120	63,984	42,224	4.1
2008 (estimate)	12,274	65,815	45,563	6.3
2009 (estimate)	11,541	66,401	49,350	10.8
2010 (estimate)	11,639	64,156	49,130	12.0

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>2010***</u>			<u>2001</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>		<u>Employees</u>	<u>Percentage of Total Employment</u>
Palm Beach Country School Board	21,718	3.51%	Palm Beach Country School Board	18,000	3.19%
Palm Beach County Government	11,381	1.84%	Palm Beach County	9,000	1.59%
State Government	9,300	1.50%	State Government	8,600	1.52%
Federal Government	6,300	1.02%	Federal Government	5,200	0.92%
Tenet Healthcare Corp (2)	5,127	0.83%	HCA (Hospital Corp. of America) (1)	4,000	0.71%
HCA (Hospital Corp. of America) (1)	4,150	0.67%	Intracoastal Health Systems, Inc (2)	3,200	0.57%
Florida Power & Light	3,658	0.59%	Applied Cards (Financial - Credit Cards)	2,500	0.44%
Wackenhut Corporation	3,000	0.48%	Florida Power & Light Company (Utilities)	2,300	0.41%
Florida Atlantic University	2,776	0.45%	Florida Crystals	2,300	0.41%
Bethesda Memorial Hospital	2,300	0.37%	Boca Raton Resort & Club (Hotel)	1,850	0.33%
Total	<u>69,710</u>	<u>11.26%</u>	Total	<u>56,950</u>	<u>10.09%</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.

*** Data as of March 2010

Notes:

- (1) Formerly Columbia Palm Beach Health Care Systems, Inc
- (2) Intracoastal Health Systems, Inc - now part of Tenet Healthcare Corp

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Number of Employees:										
General Government										
Village Manager - Full-Time	1	1	1	1	1	1	1	1	1	1
Assistant Village Manager - Full-Time	1	1	1	1	1	0	0	0	0	0
Systems Specialist										
Full-Time	1	1	1	1	1	2	2	2	2	2
Part-Time	0	0	0	0	0	0	0	0	1	1
Executive Secretary - Full-Time	1	1	1	1	1	1	1	1	1	1
Human Resources						2	2	2	2	2
Village Clerk - Full-Time	0	0	0	0	3	3	3	3	3	3
Finance										
Full-time	4	5	5	5	5	5	5	5	5	5
Part-Time	1	0	0	0	0	0	0	1	1	1
Public Works										
Full-time	61	61	61	61	62	54	47	48	38	37
Part-Time	4	4	8	8	6	3	0	0	0	0
Public Safety										
Full-time	63	63	66	66	61	66	68	68	67	67
Part-Time	12	12	14	14	15	14	13	12	11	12
Community Development and Planning										
Full-time	0	0	0	0	0	0	9	10	9	9
Part-Time	0	0	0	0	0	0	1	1	2	2
Leisure Services										
Library										
Full-time	9	9	9	9	8	7	7	7	6	6
Part-Time	8	8	7	7	7	8	8	8	10	10
Recreation										
Full-time	5	5	6	6	5	15	15	17	9	7
Part-Time	14	14	14	14	15	31	39	42	42	42
Other Government - Country Club										
Full-time	22	24	25	25	24	18	19	18	5	5
Part-Time	34	36	27	27	27	24	25	22	21	21
Total Number of Employees Budgeted FY Ending	241	245	246	246	242	254	265	268	236	234

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

Source: Village of North Palm Beach Budget Report

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

FUNCTION/PROGRAM	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
GENERAL GOVERNMENT										
Number of Parcels	-	-	-	-	-	-	7,411	7,422	7,472	7,466
PUBLIC WORKS										
Street Maintenance (No. of lane miles maintained)	31,155	31,155	31,155	31,155	31,155	31,155	31	31	31	31
Sanitation (Tons of Refuse Collected)	11,633	12,996	13,136	18,842	14,037	13,203	12,085	11,974	10,667	10,165
No. of collection units for solid waste (residential)	7,241	7,328	7,434	7,470	7,519	7,558	7,152	7,163	7,214	7,070
Number of vehicles maintained	93	95	95	95	95	95	104	104	110	110
Number of repair overlays completed (miles)	0.662	2.840	3.787	5.587	2.462	2.935	2	3	2.5	2.71
PUBLIC SAFETY										
Number of arrests by police officers	381	246	320	315	331	410	545	549	448	402
Number of traffic citations issued	6,502	3,936	2,564	3,110	5,743	4,272	4,269	5,520	6,305	4,951
EMS average response times (minutes)	5.43	3.33	2.94	4.42	3.98	4.69	4.73	5.17	5.01	5.12
Number of EMS calls	812	853	922	1,066	965	1,056	1,034	1,114	1,214	1,146
COMMUNITY DEVELOPMENT & PLANNING										
Building Department - Number of Permits	278	205	224	201	201	(2)	1,875	1,619	1,548	1,744
Number of code enforcement violations	-	-	-	-	-	1,767	1,617	729	613	391
Number of code violations brought to board (Calendar Yr End)	-	101	120	145	165	144	126	115	73	38
RECREATION										
Number of community events presented	13	13	14	15	22	21	24	23	28	28
Number of registrants in athletic programs	2,185	2,185	1,750	1,575	1,400	1,520	1,600	1,400	1,125	1,005
LIBRARY										
Library - Number of Volumes	45,700	47,339	47,960	47,531	54,074	47,371	42,372	33,122	35,681	39,277
OTHER GOVERNMENT										
Country Club										
Number of Golf Members	-	-	-	-	-	365	579	389	297	241
Number of Tennis Members	-	-	-	-	-	136	171	171	180	174

(1) Available information for fiscal years 2001 through 2010 is presented.

(2) An accurate number of building permits issued for 2006 is not available - computer systems crash.

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

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

Function/Program:	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government										
No. of General Government Buildings	11	11	11	11	11	11	11	11	23	23
Public Works										
Square Miles	5.18	5.18	5.18	5.18	5.18	5.18	5.18	5.18	5.18	5.18
Miles of Streets	36.00	36.00	36.00	36.00	36.00	36.00	36.00	36.00	36.00	36.00
Number of Street Lights	425	425	425	425	425	425	425	513	513	513
Public Safety										
Fire:										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Number of Fireman & Officers	5	8	8	8	8	0	0	0	0	0
Number of Fireman/Paramedics	0	0	0	0	0	23	23	23	23	23
Police/EMS Protection:										
Number of Stations	2	2	1	1	1	1	1	1	1	1
Number of Policemen & Officers	56	33	35	35	35	33	32	32	31	31
EMS Protection	12	13	13	13	13	0	0	0	0	0
Leisure Services										
Recreation										
Number of Parks	4	4	4	4	4	4	4	4	4	4
Public Tennis Courts	4	4	4	4	4	2	2	2	2	2
Swimming Pool	1	1	1	1	1	1	1	1	1	1
Number of Marinas	1	1	1	1	1	1	1	1	1	1
Library										
Number of Libraries	1	1	1	1	1	1	1	1	1	1
Number of Volumes	45,700	47,339	47,960	47,531	54,074	47,371	42,372	33,122	35,681	39,277
Other Government										
Country Club										
Golf Course	1	1	1	1	1	1	1	1	1	1
Driving Range	1	1	1	1	1	1	1	1	1	1
Tennis Courts	10	10	10	10	10	10	10	10	10	10
Restaurant/Sanck Bar	-	-	-	-	-	-	-	-	-	1

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 the Village of North Palm Beach, Florida, as of and for the year ended September 30, 2010, which collectively comprise the Village of North Palm Beach, Florida's basic financial statements and have issued our report thereon dated March 11, 2011. 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the Village of North Palm Beach, Florida in the attached Management Letter dated March 11, 2011.

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

Nowlen, Holt & Mimes, P.A.

March 11, 2011
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 financial statements of the Village of North Palm Beach, Florida, as of and for the year ended September 30, 2010, and have issued our report thereon dated March 11, 2011.

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. 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 11, 2011, should be considered in assessing the results of our audit.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report.

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, 2010, we did not have any such recommendations.

Investment of Public Funds

Rules of the Auditor General, require our audit to include a review of the Village's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit for the fiscal year ended September 30, 2010, the results of our procedures did not disclose any instances of noncompliance with Section 218.415, Florida Statutes.

Violations of Contracts and Grant Provisions or Abuse

Rules of the Auditor General, require 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, 2010, we did not have any such findings.

Matters Inconsequential to the Financial Statements

Rules of the Auditor General, require based on professional judgment, the reporting of the following matters that have an inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit for the fiscal year ended September 30, 2010, we did not have any such findings.

Oversight Unit and Component Units

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

Consideration of Financial Emergency Criteria

Rules of the Auditor General require 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, 2010.

Annual Financial Report

Rules of the Auditor General require that we determine whether the annual financial report for the Village of North Palm Beach, Florida for the fiscal year ended September 30, 2010, 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, 2010. In connection with our audit, we noted that the two reports were in substantial agreement.

Financial Condition Assessment Procedures

Rules of the Auditor General, require that we apply financial condition assessment procedures as of September 30, 2010. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the Village's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provide by management. The results of our procedures did not disclose any matters that are required to be reported.

Excess of Expenditures Over Appropriations

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

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the audit committee, Village Council, federal and state awarding agencies and pass-through entities, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Mimer, P.A.

March 11, 2011
West Palm Beach, Florida