



# The Village of North Palm Beach, FL



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2012

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



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Fiscal Year Ended September 30, 2012**

**Prepared by:  
Finance Department**

**Samia Janjua  
Director of Finance**

# THE VILLAGE OF NORTH PALM BEACH, FLORIDA

## FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

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## INTRODUCTORY SECTION



# THE VILLAGE OF NORTH PALM BEACH

*"THE BEST PLACE TO LIVE UNDER THE SUN"*

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March 28, 2013

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, 2012.

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, 2012. 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 12,177 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 the 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 (changed to fund level in 2013) 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 2002 through 2006, but slowed significantly in 2007. In years 2008 through 2012, area property values declined in value, in many instances significantly, as a result of the economic downturn. This unprecedented decline in property values was exacerbated by the number of properties in various stages of foreclosure. Both of these real-estate issues have had an adverse impact upon the financial resources of the Village. However, based on current market trends, it appears that there is new growth in our community. We are processing a large number of building permits and recently have approved plans for a very large residential development (Water Club) that will bring jobs to the community and additional revenues to the Village. In addition, we are beginning to see an influx of new businesses to our community that include both commercial and corporate entities. There is a delayed effect on revenues as a result of these new businesses, but near term improvements in building permit revenues will be realized and approximately three years from now, we will start to see significant increases in our ad valorem revenues.

Certainly, another area of good news is the turn-around in valuation of homes. Recently, the state has seen dramatic increases in the value of individual properties and this has been coupled with a decrease in both foreclosures and the total time a home is on the market. That trend is certainly apparent in South Florida where we are seeing an increase in the valuation of individual homeowner properties which will eventually lead to the attendant improvement in our ad valorem revenues.

The Village continues 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.

### **Investment Revenues**

The economic downturn and softening of the money market has had a significant impact on Village investment revenues over the past few years. 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 free fall but impacted the interest/dividend revenues to the Village. Four years ago, with the assistance of the Village's Audit Committee, the Village adopted a "revised" Investment Policy designed to provide safety and liquidity while maximizing investment return(s). The newly adopted policy provided numerous investment strategies, parameters, and safeguards. The policy additionally provided for 1/12 of the annual operating budget to be deposited in a liquid interest bearing account so as not to impede operations should other funds be temporarily unavailable. The Audit Committee and staff are currently exploring other investment opportunities that we believe will improve yields in future years while still ensuring the safety of our investments.

## **Personnel Costs**

The Village will continue to face increased financial challenges in the areas of personnel costs for both salaries and benefits. 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 impact of these changes as well as the continuous improvement in the financial markets has slowly begun to have a positive financial impact on both plans, but continued Village funding is still required. Due to legislative changes and catastrophic claims losses, the Village has encountered significant increases in annual health insurance costs during the past few years. In an attempt to fight the continual rising cost of healthcare, the Village transitioned to a semi self-insured health program in 2012 which offers the potential for possible savings if claims are minimized. The Village intends to focus on Employee Wellness in the coming year in order to increase prospects for savings. Changes mandated by the Patient Protection and Affordable Care Act (PPACA) will continue to have a heavy financial impact on the cost of healthcare for the Village on an ongoing basis.

In 2012, agreements for all three of the Village's collective bargaining units (police, fire, and public service workers) were successfully re-bargained in annual contractual re-openers to maintain status quo for base salaries, with the FPE agreement amended to slightly increase the lump sum payouts for employees topped out at the maximum salary according to the Village Pay Plan. All Collective Bargaining Agreements run through September 30, 2013 and negotiations are expected to begin in the spring of 2013. All wage provisions must be renegotiated during this process.

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**

The FY2012/2013 budget reflects a renewed commitment and predictable funding for community infrastructure in areas such as roadways, neighborhood sidewalks and lighting, public buildings, and park facilities.

The Community Development Department continues to meet the demands of our Village's business and neighborhood redevelopment. Community Development will continue to concentrate staff resources in areas of construction, permitting, licensing, and community planning while reinforcing improvements in customer service. The continuing analysis and pursuit of annexation opportunities, zoning and redevelopment enhancements and improvement of our business and development regulations is also a function of the Community Development Department. This Department will better align our Village with statutory development guidelines and help to meet steadily growing expectations of homeowners and developers. In addition, Community Development will work closely with our newly formed Business Advisory Board to assist in the growth of our current businesses and to encourage new businesses to come to our community.

The Parks and Recreation Department continues to enhance programs for all age groups at each of its six facilities. The newly redeveloped Anchorage Park will host a variety of events in the upcoming year, to include: movies in the park; organized volleyball leagues; the Village's annual fishing tournament; and Heritage Day. The parks continue to be maintained by an outside service which has been funded under the "contractual services" line.

The Village will be exploring the possibility of accomplishing Phase 2 of the Anchorage Park redevelopment which will improve the dry storage facilities at the park and also create numerous new

amenities while preserving as much green space as possible. We hope to obtain several grants associated with this project which will defray as much as half of the cost of these improvements.

Additionally, the Village has applied for a matching grant that will pay for up to half of the proposed cost for a new "Veterans Memorial" to be located adjacent to the Public Library. We hope to have this memorial completed by Veterans Day, November 11, 2013.

The Public Works Department is planning to continue oversight and maintenance of Village sanitation, infrastructure, streets, facilities, equipment, and roadways. This Department will play a major role in maintaining and expanding our focus on community appearance during the coming year.

Public Works improvements include funding for safety improvements to every Village facility. Public Works will also accomplish a host of infrastructure projects aimed at improving the condition of our facilities. Public Works also plans to take steps to improve neighborhood lighting in areas identified as having acute need throughout the Village. Roadway appearance will also be emphasized with improved median and swale plantings.

The Police Department has continued improvements in neighborhood outreach, crime suppression, and crime clearances. In 2008, and again in 2011 and 2012, the Village's Police Department was awarded the coveted CALEA National Accreditation for law enforcement agencies. The Police budget includes funding for the purchase/replacement of needed marked patrol vehicles and unmarked detective vehicles.

The Human Resources Department is currently involved in the development of a comprehensive pay and benefits study and associated pay plan. Earlier this year, HR accomplished the conversion of our health care coverage to a carrier that provided a more cost effective customer focused plan. We are also in process of converting our time and attendance documentation from a manual system to a modern systems based alternative. HR has also spearheaded an organization wide emphasis on employee safety and will be introducing a wellness program for employees later in the year. Union related matters were also successfully addressed and all three of the unions agreed to extension of their agreements through FY 2013.

The Administration continues its ongoing implementation of an optical records storage system for use by all Village operating departments. Optical record storage systems are now widely used by governments and meet all State record storage requirements. This allows the Village to transition – over time – from "paper" records to optically stored records. Optical storage permits digital "look up" of any optical record "at will" through the convenience of a simple computer search. Optical storage systems have become commonly used by many local governments, and the cost is relatively modest when considering the time savings and customer service improvements they offer.

Our Country Club Enterprise Fund continued to show improvement in its bottom line. In 2012, the Country Club experienced a \$172,332 increase in its unrestricted fund balance, from \$385,622 to \$557,954. Golf operations were responsible for this improved financial picture, with the driving range showing a dramatic improvement in overall revenues. However, we also saw dramatic improvement in the bottom line for our restaurant operations which reduced its annual losses by about \$100,000 from 2011 to 2012. The Enterprise Fund is on solid financial footing. We believe there will be steady growth in fund balance in future years based on improved performance in restaurant operations and based on the continued steady performance of golf operations.

At the request of Village Council, the leadership team developed a strategic plan for the Village. The plan developed focuses on identification of critical objectives and the accomplishment of key improvement projects which help the Village attain those objectives.

Staff developed a total of 19 strategic initiatives which are broken into high, medium, and lower priority projects. These projects range from infrastructure improvements to the development of new programs. Some of the near term initiatives we are focusing on for 2013 include:

- Completion of design and construction of a new Veterans Memorial located just north of the Village Library to honor our veterans who served in all branches of the military.
- Completion of design and construction of the second phase of improvements at our flagship park, Anchorage Park, to improve boat storage and park amenities while optimizing the amount of green space available.
- Implementation of a computerized timekeeping system for all employees to improve accuracy and legal compliance associated with our timekeeping records.
- Conduct of a compensation and benefits study and subsequent development of a pay plan that aligns with the findings in the compensation study to ensure that we fairly compensate and retain the talented and committed staff we have.
- Creation of a vigorous safety program driven by staff from throughout the organization to critically evaluate the safety of our facilities and our work processes.
- Conduct statistically based focus groups which will be used to accurately ascertain the priorities of our residents and to identify future actions and improvement projects that will address those resident priorities.

As a part of our strategic focus, we recognize that our planning must be fluid and that we must be able to adapt to changes as they occur in our community. Because of this, we will regularly calibrate our strategic initiatives with input from both Council and our residents. The ultimate goal is to sustain the Village as the “Best Place to Live Under the Sun” by providing superior services, embracing and supporting timeless traditions of the community, and by ensuring that we continue to integrate modern amenities throughout the Village to make it a safe, comfortable, and very pleasant place to live.

## OTHER INFORMATION

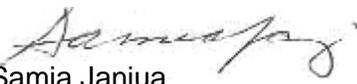
### Independent Audit

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, 2011. 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

  
Ed Green  
Village Manager

# **THE VILLAGE OF NORTH PALM BEACH, FLORIDA**

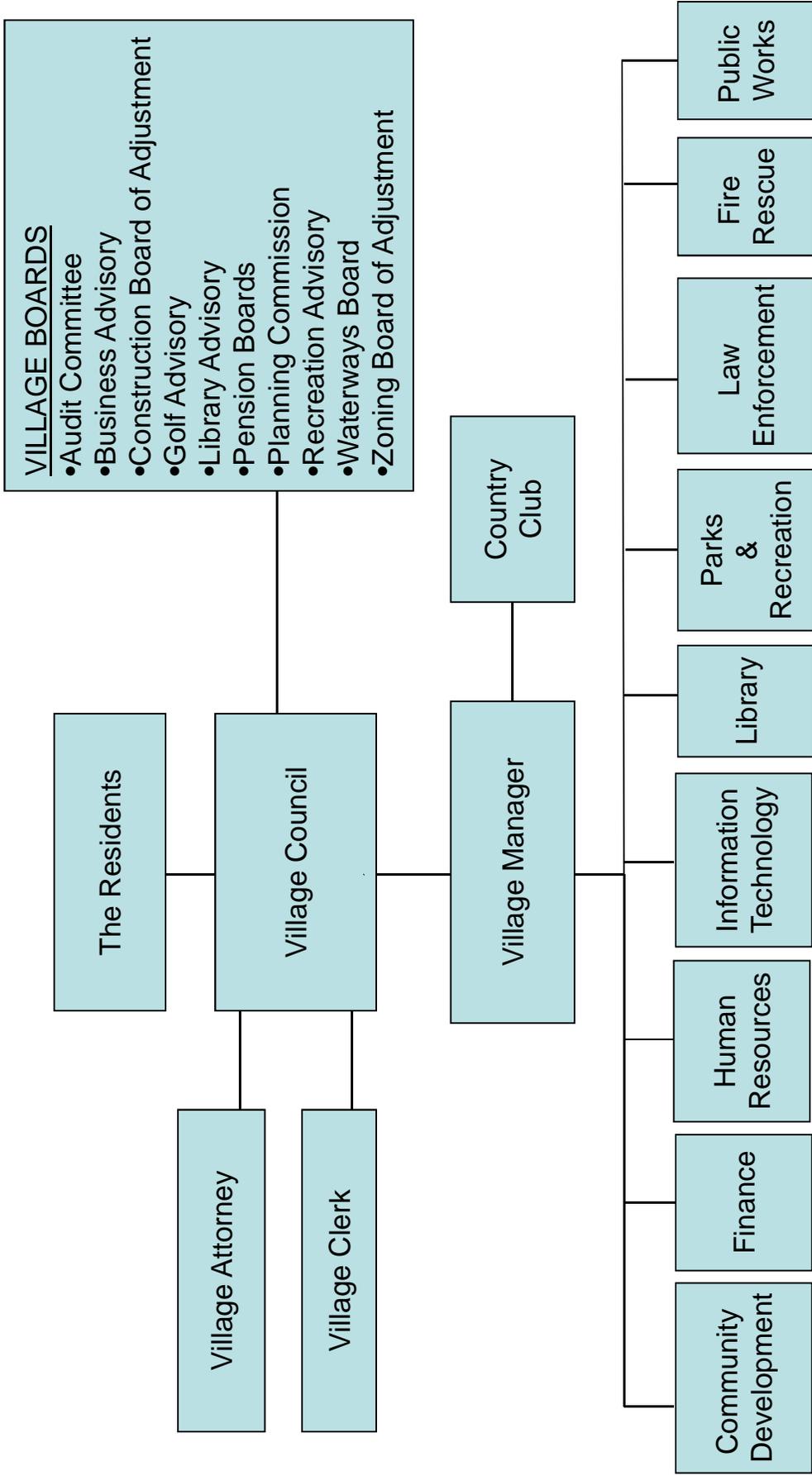
## **PRINCIPAL VILLAGE OFFICIALS**

**SEPTEMBER 30, 2012**

<u>Title</u>	<u>Name</u>
Mayor	David B. Norris
Vice Mayor	William L. Manuel
President Pro Tem	Darryl C. Aubrey
Council Member	Robert A. Gebbia
Council Member	Doug Bush
Village Manager	Ed Green
Director of Finance	Samia Janjua
Village Clerk	Melissa Teal

# VILLAGE OF NORTH PALM BEACH

## Organizational Structure



# 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, 2011

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.



*Christopher P. Mouill*

President

*Jeffrey R. Emer*

Executive Director

## FINANCIAL SECTION



# NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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KARA D. PETERSON, CFE, CPA  
MARK J. BYMASTER, CPA  
PUI K. LAI, CPA  
RYAN M. SHORE, CPA

## INDEPENDENT AUDITORS' REPORT

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

BELLE GLADE OFFICE  
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POST OFFICE BOX 388  
BELLE GLADE, FLORIDA 33430-0388  
TELEPHONE (561) 998-5312  
FAX (561) 996-6748

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, 2012, 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 respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of North Palm Beach, Florida as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flow, 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 19, 2013, 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 64 through 67, and budgetary comparison information on pages 68 through 69 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 are the responsibility of management and were 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 & Mimer, P.A.*

March 19, 2013  
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, 2012. 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 #
	2012	2011		
Total net assets	\$31.25	\$32.14	(\$0.89)	13
Unrestricted net assets available for future use	\$12.40	\$12.16	\$0.24	13
Governmental net assets	\$28.61	\$29.56	(\$0.95)	13
Total revenues from all sources	\$21.46	\$21.92	(\$0.46)	14
Governmental revenues	\$17.88	\$18.35	(\$0.47)	14
Total cost of all Village programs	\$22.36	\$21.62	\$0.74	14
Governmental revenues over (under) expenses	(\$0.95)	\$0.42	(\$1.37)	15
General fund revenues over (under) expenses	\$1.00	\$1.98	(\$0.98)	18
General fund unassigned fund balance	\$11.24	\$10.68	\$0.56	16
As a percent of general fund expenditures	66.01%	64.35%	(0.11)	
Country Club revenues over (under) expenses	\$0.05	(\$0.11)	\$0.16	21
Change in total long-term debt for the Village	(\$0.30)	(\$0.31)	\$0.01	

### 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 and the Capital Projects Fund, both of which are considered *major funds* (generally accepted accounting principles define a fund as major based on that fund's size relative to the other funds of the government, or a fund may be reported as major if the government's officials believe that fund is particularly important to financial statement users). 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 \$31.25 million at the close of the most recent fiscal year.

A significant portion of the Village's net assets (58.21%) 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	
	2012	2011	2012	2011	2012	2011
<b>Assets:</b>						
Current and other assets	\$ 16,227	\$ 15,799	\$ 1,001	\$ 890	\$ 17,228	\$ 16,689
Capital assets	16,109	17,237	5,764	6,219	21,873	23,456
Total assets	<u>32,336</u>	<u>33,036</u>	<u>6,765</u>	<u>7,109</u>	<u>39,101</u>	<u>40,145</u>
<b>Liabilities:</b>						
Current liabilities	1,289	1,500	346	461	1,635	1,961
Long-term liabilities	2,433	1,974	3,778	4,061	6,211	6,035
Total liabilities	<u>3,722</u>	<u>3,474</u>	<u>4,124</u>	<u>4,522</u>	<u>7,846</u>	<u>7,996</u>
<b>Net assets:</b>						
Invested in capital assets, net of debt	16,109	17,237	2,083	2,201	18,192	19,438
Restricted	659	548			659	548
Unrestricted	11,846	11,776	558	386	12,404	12,162
Total net assets	<u>\$ 28,614</u>	<u>\$ 29,561</u>	<u>\$ 2,641</u>	<u>\$ 2,587</u>	<u>\$ 31,255</u>	<u>\$ 32,148</u>

**Governmental Activities**

The cost of all governmental activities this year was \$18.82 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 \$15.81 million was financed through general revenues. Governmental activities decreased the Village's net assets by \$0.95 million, thereby accounting for 106% of the total decrease in the net assets of the Village. Key elements of this decrease are as follows:

- Increase in OPEB expense (\$156,403).
- Decrease in Ad-Valorem Taxes (\$430,121).

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	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,798	\$ 2,857	\$ 3,583	\$ 3,571	\$ 6,381	\$ 6,428
Operating grants and contributions	150	127			150	127
Capital grants and contributions	6	5			6	5
General revenues:						
Property taxes	10,012	10,442			10,012	10,442
Local option gas taxes	263	260			263	260
Utility service taxes	2,165	2,198			2,165	2,198
Sales and use taxes	1,138	1,141			1,138	1,141
Franchise taxes	1,179	1,191			1,179	1,191
Investment earnings	91	97	7	9	98	106
Miscellaneous	75	31			75	31
Gain on asset disposals						-
Total revenues	17,877	18,349	3,590	3,580	21,467	21,929
<b>Expenses:</b>						
Program expenses:						
General Government	2,521	2,404			2,521	2,404
Public Safety	7,892	7,233			7,892	7,233
Public Works	4,653	4,734			4,653	4,734
Community Development & Planning	885	811			885	811
Leisure Services	2,873	2,749			2,873	2,749
Interest on long-term debt						-
Country Club			3,536	3,691	3,536	3,691
Total expenses	18,824	17,931	3,536	3,691	22,360	21,622
Increase (decrease) in net assets	(947)	418	54	(111)	(893)	307
Net assets - beginning of year	29,561	29,143	2,587	2,698	32,148	31,841
Net assets - end of year	\$ 28,614	\$ 29,561	\$ 2,641	\$ 2,587	\$ 31,255	\$ 32,148

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)**

	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 2,521	\$ (2,370)	\$ 2,404	\$ (2,266)
Public safety	7,892	(7,381)	7,233	(6,773)
Public works	4,653	(4,219)	4,734	(4,263)
Community development and planning	885	(68)	811	50
Leisure services	2,873	(1,832)	2,749	(1,689)
Interest on long-term debt				
	<u>\$ 18,824</u>	<u>\$ (15,870)</u>	<u>\$ 17,931</u>	<u>\$ (14,941)</u>

At the end of the current year, as compared to the prior year, many of the departments realized an increase in their overall costs (for example, General Government increased by \$0.12 million, Public Safety increased by \$0.66 million, Community Development and Planning increased by \$0.07 million, and Leisure Services increased by \$0.12 million). The increase is a result of the increase in the Village's OPEB expense.

**Business Type Activities**

Charges for Services (revenues) in the Business Type Activities experienced an overall increase (\$0.01 million) from that of the previous year. Also, during this same time period, expenses decreased by \$0.16 million. Net assets of the Proprietary Fund (Country Club) at September 30, 2012, were \$2.64 million. Net assets increased by \$54,072.

Golf operations were responsible for this improved financial picture, with the driving range showing a dramatic improvement in overall revenues. However, we also saw dramatic improvement in the bottom line for our restaurant operations which reduced its annual losses by about \$100,000 from 2011 to 2012. An increase in revenues, while holding the line on operating costs, resulted in a positive impact in the Village's Business Type Activities.

The Enterprise Fund is on solid financial footing. We believe there will be steady growth in fund balance in future years based on improved performance in restaurant operations and based on the continued steady performance of golf operations.

## **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, unrestricted (unassigned/assigned) 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 \$14.38 million, a \$0.84 increase over the 2011 fund balance of \$13.54 million. Approximately 94% of the combined ending fund balance (\$13.55 million) constitutes unrestricted (unassigned/assigned) fund balance, which is available for spending at the government's discretion. The remainder of fund balance (\$0.83 million) is restricted (non-spendable/restricted) to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes.

### **General Fund**

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$11.24 million while the General Fund total fund balance was \$12.20 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance is 66% of total general fund expenditures, while total fund balance represents 72% of that same amount.

The general fund unassigned fund balance (\$11.24 million) represents an increase of \$0.56 million over the 2011 unassigned general fund balance of \$10.68 million. Key elements of this increase are listed below:

- Franchise Fees, Utility Service Taxes and Sales & Use Tax Revenues were budgeted based on prior year trends (\$3.48 million). For the current year, the Village received \$3.61 million.
- Due to discounts for prompt payments, State law requires that only 95% of the gross ad-valorem taxes be budgeted as revenue (\$9.9 million). For the current year, the Village received \$10.01 million.

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 \$186,594 and can be briefly summarized as follows:

- Small Business Grant Carryover (\$95,000)
- Prior Year Open Purchase Order Carryover (\$91,594)

### **General Fund Budget Analysis**

As shown on pages 70-72 of this report, in the Schedule of Departmental Expenditures – Budget and Actual, there was a favorable budget to actual cost variance of \$167,851 in General Fund Departmental Expenditures. The areas of significant budget to actual variances for the General Fund expenditures are summarized below:

- The Village realized an overall budgetary savings of \$52,883 in its anticipated employee related costs: during the budgeting process, various assumptions, along with previous year costs, are used in the development of the current year budget. The actual costs came in well under the projected budgeted amount.
- To counter the decrease in revenue brought about by property tax reform and the economic downturn, the Village Manager directed 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 Village saw overall budgetary savings in operating costs of \$106,231. The areas of significant budget to actual variances for the General Fund operating costs are summarized below:
  - The Village saw overall budgetary savings in its utility costs (\$29,230): the budgeted amount included a slight increase for utilities, but the actual costs were well under the budgeted amount.
  - The Village’s “*Small Business Grant 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 2012, there were only three (3) applications approved for the Grant which resulted in a budgetary savings (\$84,580) in the Community Development Department.

### **Capital Projects Fund**

The Village’s Capital Projects Fund is project specific and involves multi-year projects. Appropriations in this fund remain open and carry over to succeeding years until planned expenditures are made, or until they are amended or cancelled. At the end of the current fiscal year, the total fund balance was \$2.13 million, a \$0.33 million increase over the 2011 fund balance of \$1.79 million. This is primarily due to capital activity and a transfer in from the General Fund to fund future capital projects.

## **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, 2012 and 2011 amounts to \$21.87 million and \$23.42 million, respectively (net of accumulated depreciation).

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

	Governmental Activities		Business Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,151	\$ 2,151	\$ 1,051	\$ 1,051	\$ 3,202	\$ 3,202
Construction in progress	268	212			268	212
Buildings and improvements	22,367	22,090	1,405	1,405	23,772	23,495
Improvements other than buildings			272	272	272	272
Improvements - golf course			5,824	5,824	5,824	5,824
Furniture, fixtures and equipment	6,944	6,959	665	678	7,609	7,637
Total assets	31,730	31,412	9,217	9,230	40,947	40,642
Less accumulated depreciation	(15,621)	(14,175)	(3,453)	(3,050)	(19,074)	(17,225)
Net assets	\$ 16,109	\$ 17,237	\$ 5,764	\$ 6,180	\$ 21,873	\$ 23,417

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 \$3.72 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	
	2012	2011	2012	2011	2012	2011
Loans payable			\$ 3,608	\$ 3,845	\$ 3,608	\$ 3,845
Capital leases			107	173	107	173
Total	\$	\$	\$ 3,715	\$ 4,018	\$ 3,715	\$ 4,018

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 Unassigned Fund Balance is viewed by the Administration as a measurement of Village financial stability. Unassigned general fund balance increased to \$11.24 million during the current 2012 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, 2012**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 5,652,931	\$ 847,027	\$ 6,499,958
Investments	8,506,703		8,506,703
Accounts receivable	448,408	16,014	464,422
Inventories	46,458	76,806	123,264
Prepays	120,381	27,459	147,840
Due from other governments	230,204		230,204
Restricted assets:			
Cash and cash equivalents	658,194		658,194
Net pension assets	562,812		562,812
Intangible assets, net of amortization		34,005	34,005
Capital assets:			
Nondepreciable	2,418,582	1,051,311	3,469,893
Depreciable (net of depreciation)	13,691,125	4,712,579	18,403,704
<b>Total assets</b>	<b>32,335,798</b>	<b>6,765,201</b>	<b>39,100,999</b>
<b>Liabilities</b>			
Accounts payable	362,683	68,872	431,555
Accrued liabilities	601,701		601,701
Deposits		2,100	2,100
Unearned revenue	323,828	275,522	599,350
Noncurrent liabilities:			
Due within one year	981,747	368,587	1,350,334
Due in more than one year	1,451,797	3,409,498	4,861,295
<b>Total liabilities</b>	<b>3,721,756</b>	<b>4,124,579</b>	<b>7,846,335</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	16,109,707	2,082,668	18,192,375
Restricted for:			
Recreation	529,939		529,939
Streets and roads	59,646		59,646
Public safety	21,455		21,455
Library	44,441		44,441
Other purposes	2,713		2,713
Unrestricted	11,846,141	557,954	12,404,095
<b>Total net assets</b>	<b>\$ 28,614,042</b>	<b>\$ 2,640,622</b>	<b>\$ 31,254,664</b>

See notes to the financial statements.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Statement of Activities**  
**For the Year Ended September 30, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Activities</u>
<b>Government:</b>		
Governmental activities		
General government	\$ 2,520,815	\$ 135,372
Public safety	7,892,561	440,568
Public works	4,652,620	386,974
Community development and planning	884,773	816,673
Leisure services	2,873,496	1,018,883
Total governmental activities	<u>18,824,265</u>	<u>2,798,470</u>
Business-type activities - country club	<u>3,536,139</u>	<u>3,582,760</u>
Total business-type activities	<u>3,536,139</u>	<u>3,582,760</u>
 <b>Total government</b>	 <u><u>\$ 22,360,404</u></u>	 <u><u>\$ 6,381,230</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
\$ 15,415	\$	\$ (2,370,028)	\$	\$ (2,370,028)
71,141		(7,380,852)		(7,380,852)
46,737		(4,218,909)		(4,218,909)
		(68,100)		(68,100)
16,280	5,686	(1,832,647)		(1,832,647)
149,573	5,686	(15,870,536)		(15,870,536)
			46,621	46,621
			46,621	46,621
\$ 149,573	\$ 5,686	(15,870,536)	46,621	(15,823,915)

**General Revenues:**

Taxes:				
Property taxes		10,011,748		10,011,748
Local option gas taxes		263,369		263,369
Utility service taxes		2,164,920		2,164,920
Franchise taxes		1,178,598		1,178,598
Sales and use taxes		1,138,097		1,138,097
Investment income		90,968	7,451	98,419
Miscellaneous		75,413		75,413
<b>Total general revenues</b>		14,923,113	7,451	14,930,564
<b>Change in net assets</b>		(947,423)	54,072	(893,351)
<b>Net assets, beginning of year</b>		29,561,465	2,586,550	32,148,015
<b>Net assets, end of year</b>		\$ 28,614,042	\$ 2,640,622	\$ 31,254,664

See notes to the financial statements.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2012**

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 3,468,353	\$ 2,129,831	\$ 54,747	\$ 5,652,931
Investments	8,506,703			8,506,703
Accounts receivable	448,408			448,408
Inventories	46,458			46,458
Prepays	120,381			120,381
Due from other governments	162,384		67,820	230,204
Restricted cash and cash equivalents	658,194			658,194
Total assets	<u>\$ 13,410,881</u>	<u>\$ 2,129,831</u>	<u>\$ 122,567</u>	<u>\$ 15,663,279</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 293,899	\$	\$ 68,784	\$ 362,683
Accrued liabilities	601,701			601,701
Deferred revenue	317,697		6,131	323,828
Total liabilities	<u>1,213,297</u>		<u>74,915</u>	<u>1,288,212</u>
<b>Fund balances</b>				
Nonspendable:				
Inventories and prepaids	166,839			166,839
Restricted for:				
Recreation	529,939			529,939
Streets and roads	59,646			59,646
Public safety	21,455			21,455
Library	44,441			44,441
Other purposes	2,713			2,713
Assigned for:				
Small business grants	84,580			84,580
Subsequent year's expenditures	42,994			42,994
Special revenue funds			47,652	47,652
Capital project funds		2,129,831		2,129,831
Unassigned	11,244,977			11,244,977
Total fund balances	<u>12,197,584</u>	<u>2,129,831</u>	<u>47,652</u>	<u>14,375,067</u>
Total liabilities and fund balances	<u>\$ 13,410,881</u>	<u>\$ 2,129,831</u>	<u>\$ 122,567</u>	<u>\$ 15,663,279</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, 2012**

Fund balances - total governmental funds		\$ 14,375,067
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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	\$ 31,730,552	
Less: accumulated depreciation	<u>(15,620,845)</u>	
		16,109,707

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:

562,812

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	(50,000)	
Other postemployment benefits	(1,160,945)	
Accrued compensated absences	<u>(1,222,599)</u>	
		<u>(2,433,544)</u>

Net assets of governmental activities		<u>\$ 28,614,042</u>
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See notes to the financial statements.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2012**

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 13,618,635	\$	\$	\$ 13,618,635
Licenses and permits	810,390			810,390
Intergovernmental	1,276,129		315,549	1,591,678
Charges for services	1,966,179			1,966,179
Fines and forfeitures	140,610			140,610
Investment	90,968			90,968
Miscellaneous	130,293			130,293
Total revenues	<u>18,033,204</u>		<u>315,549</u>	<u>18,348,753</u>
Expenditures				
Current				
General government	2,328,568			2,328,568
Public safety	7,284,206		298,812	7,583,018
Public works	3,886,698			3,886,698
Community development and planning	844,748			844,748
Leisure services - recreation	2,374,748			2,374,748
Capital outlay	317,319	161,743	16,192	495,254
Total expenditures	<u>17,036,287</u>	<u>161,743</u>	<u>315,004</u>	<u>17,513,034</u>
Excess (deficiency) of revenues over (under) expenditures	<u>996,917</u>	<u>(161,743)</u>	<u>545</u>	<u>835,719</u>
Other financing sources (uses)				
Transfers in		500,000		500,000
Transfers out	(500,000)			(500,000)
Total other financing sources (uses)	<u>(500,000)</u>	<u>500,000</u>		
Net change in fund balances	496,917	338,257	545	835,719
Fund balances				
Beginning of year	11,700,667	1,791,574	47,107	13,539,348
End of year	<u>\$ 12,197,584</u>	<u>\$ 2,129,831</u>	<u>\$ 47,652</u>	<u>\$ 14,375,067</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, 2012**

Net change in fund balances - total governmental funds		\$ 835,719
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	\$ 484,562	
Less: current year depreciation	<u>(1,611,059)</u>	(1,126,497)
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		(1,151)
Governmental funds report revenues when earned and available. However, in the Statement of Activities, revenues are recognized when earned, regardless of availability:		
Developer fee		(175,000)
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	(27,681)	
Change in net pension asset of defined benefit pension plans	(21,748)	
Change in other postemployment benefits	(399,528)	
Change in insurance liability	<u>(31,537)</u>	<u>(480,494)</u>
Change in net assets		<u>\$ (947,423)</u>

See notes to the financial statements.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Statement of Net Assets**  
**Proprietary Fund**  
**September 30, 2012**

	<b>Enterprise</b>
Assets	
Current assets	
Cash and cash equivalents	\$ 847,027
Accounts receivable	16,014
Inventories	76,806
Prepays	27,459
Total current assets	967,306
Non-current assets	
Intangible asset, net	34,005
Land, buildings, and equipment, net	5,763,890
Total non-current assets	5,797,895
Total assets	6,765,201
Liabilities	
Current liabilities	
Accounts payable	68,872
Deposits	2,100
Deferred revenue	275,522
Compensated absences - current portion	11,263
Capital leases - current portion	106,933
Loans payable - current portion	250,391
Total current liabilities	715,081
Non-current liabilities	
Other postemployment benefits	45,168
Compensated absences	6,427
Loans payable	3,357,903
Total non-current liabilities	3,409,498
Total liabilities	4,124,579
Net Assets	
Invested in capital assets, net of related debt	2,082,668
Unrestricted	557,954
Total net assets	\$ 2,640,622

See notes to the financial statements.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Fund**  
**For the Year Ended September 30, 2012**

	<b>Enterprise</b>
Operating revenue	
Greens fee/cart rentals/membership fees	\$ 2,389,526
Golf shop revenues	318,305
Driving range revenues	257,123
Restaurant revenues	612,937
Miscellaneous	4,869
Total operating revenues	3,582,760
Operating expenses	
Golf course maintenance expenses	1,235,653
Clubhouse grounds expenses	103,210
Golf shop expenses	803,449
Food and beverage expenses	653,512
Administrative and general	97,055
Insurance	39,864
Depreciation and amortization	436,045
Total operating expenses	3,368,788
Operating income	213,972
Nonoperating revenues (expenses)	
Interest revenue	7,451
Interest expense	(167,351)
Total nonoperating revenues (expenses)	(159,900)
Change in net assets	54,072
Net assets - beginning	2,586,550
Net assets - ending	\$ 2,640,622

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, 2012**

	<b>Enterprise</b>
Cash flows from operating activities:	
Receipts from customers	\$ 3,535,934
Payments to suppliers for goods or services	(2,203,179)
Payments to employees for services	(757,329)
Net cash provided by operating activities	575,426
Cash flows from capital and related financing activities:	
Principal paid on long term debt	(302,785)
Interest paid on debt	(167,351)
Acquisition of capital assets	(15,000)
Net cash provided (used) by capital and related financing activities	(485,136)
Cash flows from investing activities:	
Interest and dividends on investments	7,451
Net increase (decrease) in cash and cash equivalents	97,741
Cash and cash equivalents at beginning of year	749,286
Cash and cash equivalents at end of year	\$ 847,027
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 213,972
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	436,045
Change in assets and liabilities	
Decrease in accounts receivable	15,548
(Increase) in inventory	(9,585)
Decrease in prepaids	14,002
(Decrease) in accounts payable	(51,118)
(Decrease) in deposits	(3,150)
Increase in compensated absences payable	16,734
(Decrease) in deferred revenue	(59,224)
Increase in other postemployment benefits	2,202
Total adjustments	361,454
Net cash provided by operating activities	\$ 575,426

See notes to the financial statements.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**September 30, 2012**

	Employee Retirement Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 1,565,717	\$ 349,412
<b>Investments:</b>		
Common equity securities	6,505,349	
U.S. Government agencies	963,792	
Municipal bonds	148,269	
Corporate bonds	2,583,405	
U.S. Treasury bonds	452,856	
Equity mutual funds	5,583,405	
Fixed income mutual funds	3,214,473	
Accrued interest and dividends	39,052	
Accounts receivable	128,402	
Prepays	1,506	
Total assets	21,186,226	349,412
<b>Liabilities</b>		
Accounts payable	96,677	
Due to others		349,412
Total liabilities	96,677	349,412
<b>Net Assets</b>		
Held in trust for pension benefits and other purposes	\$ 21,089,549	\$

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, 2012**

	<u>Employee Retirement Funds</u>
Additions	
Contributions	
Employer	\$ 1,363,717
Plan members	246,624
State on-behalf payments	296,911
Total contributions	<u>1,907,252</u>
Investment earnings	
Dividends and interest	520,608
Net increase in fair value of investments	<u>2,360,855</u>
Total investment gains	2,881,463
Less: investment expenses	<u>114,512</u>
Total net investment gains	<u>2,766,951</u>
Total additions	<u>4,674,203</u>
Deductions	
Administrative expense	75,682
Benefits	793,916
Refund of contributions	3,003
Total deductions	<u>872,601</u>
Change in net assets	3,801,602
Net assets - beginning	<u>17,287,947</u>
Net assets - ending	<u><u>\$ 21,089,549</u></u>

See notes to the financial statements.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2012**

**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.

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, 2012**

**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, intergovernmental revenue, investment income, and charges for services are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenues are considered to be measurable and available only when received in cash by the Village.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2012**

**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.

*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.

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.

*Employee Retirement Funds*

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

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2012**

**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, 2012**

**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, 2012**

**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 capitalizes all land purchases. The capitalization policy for other assets are items with an estimated life in excess of one year and an initial individual cost of \$250,000 for infrastructure, \$25,000 for land improvements, \$50,000 for buildings and building improvements, and \$5,000 for equipment and vehicles. 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, 2012**

**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, 2012**

**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*

Fund balance is the difference between assets and liabilities reported in governmental funds. There are five possible components of fund balance:

- Nonspendable fund balance represents amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted fund balance represents amounts that can be spent only for specific purposes stipulated by external providers (e.g. creditors, grantors, contributor, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance represents amounts that can be used only for the specific purposes pursuant to constraints imposed by Village Commission by the adoption of an ordinance, the Village's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Village removes or changes the specified use by the adoption of an ordinance. The Village has no committed funds.
- Assigned fund balance includes spendable fund balance amounts that are intended to be used for specific purposes, as expressed by the Village Commission or Village Manager, that are neither considered restricted or committed. The Small Business Grants is a program the Village Council approved in the prior fiscal year to provide matching grants of up to \$5,000 for improvements to small business properties.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

*Fund Equity* (Continued)

- Unassigned fund balance is the residual fund balance classification for the general fund.

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. The Village will first use committed fund balance, then assigned fund balance, and then unassigned fund balance when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

*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 collectability 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 VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2012**

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY** (Continued)

*A. Budgetary Data* (Continued)

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 1<sup>st</sup>. The proposed budget includes expenditures and the means of financing them.
- During the third week of July, the Council holds public meetings to obtain taxpayer comments.
- Upon completion of the public hearings and prior to October 1, a final operating budget is legally enacted through the passage of an ordinance. Estimated beginning fund balances are considered in the budgetary process.
- The Village 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, 2012, was 6.9723 (\$6.9723 for each \$1,000 of assessed valuation).

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2012**

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

**B. Property Taxes** (Continued)

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

After sale, tax certificates bear interest at 18% per year or at any lower rate bid by the buyer. The certificate holder may make application for a tax deed on any unredeemed tax certificate after a period of two years. The County holds unsold certificates. Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations. At September 30, 2012, unpaid delinquent taxes are not material and have not been recorded by the Village.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**Deposits**

As of September 30, 2012, the carrying amount of the Village's deposits (including fiduciary funds) was \$7,430,023, and the bank balances totaled \$7,579,139. 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**

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, 2012**

**NOTE 3 – DEPOSITS AND INVESTMENTS** (Continued)

Investments (Continued)

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.

At September 30, 2012, Florida PRIME was assigned a "AAA(m)" principal stability fund rating by the Standard and Poor's Ratings. Florida PRIME is considered a SEC 2a7-like fund, thus, the account balance should also be considered its fair value. Fund B is not considered a SEC 2a7-like fund and is not rated by any nationally recognized rating agency.

Fund B is accounted for as a fluctuating NAV pool. The fair value factor for September 30, 2012, was 0.94896811. The factor should be multiplied by the 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, 2012, was 39 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 (WAL) of Fund B at September 30, 2012, was 4.08 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL is based on legal final maturity dates for Fund B as of September 30, 2012. However, because Fund B consists of restricted or defaulted securities, there is considerable uncertainty regarding the weighted average life.

As of September 30, 2012, the Village had \$279,875 invested in Florida PRIME. The cost basis of Fund B as of September 30, 2012, was \$209,153 and the fair value was \$198,479. 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, 2012**

**NOTE 3 – DEPOSITS AND INVESTMENTS** (Continued)

Investments (Continued)

As of September 30, 2012, the Village held the following investments:

	Moody's Credit Rating	Fair Value	Weighted Average Maturity
<i><u>Governmental Funds:</u></i>			
Wells Fargo municipal money market fund	N/R	\$ 150,890	N/A
State Board of Administration Investment Fund B	N/R	198,479	4.08 yrs. (WAL)
Florida PRIME	(1) AAA(m)	279,875	39 days
Money Market Funds	N/R	42,654	N/A
U.S. Government and Agency Obligations	Aaa	1,326,863	1.60 yrs.
U.S. Treasury Notes	Aaa	6,938,707	1.87 yrs.
<i><u>Fiduciary Funds:</u></i>			
Money Market Funds	N/R	1,206,743	N/A
GNMA, FNMA, FHLMC Pools	N/R	653,043	19.59 yrs.
U.S. Government Agencies	Aaa	310,749	10.71 yrs.
Corporate Bonds	Aaa to A3	2,583,405	6.54 yrs.
U.S. Treasury Obligations	Aaa	452,856	17.05 yrs.
Municipal Bonds	Aaa to Aa2	148,269	21.74 yrs.
Common Equity Securities	N/R	6,505,348	N/A
Equity Mutual Funds	N/R	5,583,405	N/A
Fixed Income Mutual Funds	N/R	3,214,473	N/A
 Total investments		 <u><u>\$29,595,759</u></u>	

(1) Credit rating by Standard & Poor's

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, 2012**

**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, 2012, 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 five (5) percent of the Fund's assets shall be invested in the common stock or capital stock of any one issuing company.

*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 collateral pledge level of 25% or 50% as established by the State Chief Financial Officer;

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2012**

**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, 2012**

**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, 2012**

**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	\$ 7,430,023
Petty cash	5,750
Investments	<u>29,595,759</u>
Total deposits and investments	<u><u>\$37,031,532</u></u>

Presented in the statement of net assets

Governmental activities	
Cash and cash equivalents	\$ 5,652,931
Restricted cash and cash equivalents	658,194
Investments	8,506,703
Business-type activities	
Cash and cash equivalents	<u>847,027</u>
Total statements of net assets	<u><u>15,664,855</u></u>

Presented in the statement of fiduciary net assets

Pension trust funds	
Cash and cash equivalents	1,565,717
Investments	19,451,548
Agency funds	
Cash and cash equivalents	<u>349,412</u>
Total fiduciary funds	<u><u>21,366,677</u></u>
Total deposits and investments	<u><u>\$37,031,532</u></u>

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2012**

**NOTE 4 – RECEIVABLES**

Receivables at September 30, 2012, were as follows:

	<u>General Fund</u>	<u>Country Club</u>	<u>Total</u>
Utility franchise fees & taxes	\$ 413,054	\$	\$ 413,054
Conroy Drive assessment	24,972		24,972
Other accounts receivable	<u>10,382</u>	<u>16,014</u>	<u>26,396</u>
Total accounts receivable	<u>\$ 448,408</u>	<u>\$ 16,014</u>	<u>\$ 464,422</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. 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, 2012**

**NOTE 7 – CAPITAL ASSETS**

Capital Assets activity for the year ended September 30, 2012, was as follows:

**Primary Government**

<b>Governmental Activities:</b>	<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	211,625	109,744	(53,876)		267,493
Capital assets being depreciated:					
Buildings	9,304,419	97,815	(5,114)		9,397,120
Improvements	12,785,828	184,647			12,970,475
Machinery and equipment	3,303,531	63,193	(109,747)		3,256,977
Vehicles	3,656,388	83,039	(52,029)		3,687,398
<b>Total at historical cost:</b>	<u>31,412,880</u>	<u>538,438</u>	<u>(220,766)</u>		<u>31,730,552</u>
Less accumulated depreciation for:					
Buildings	(4,507,530)	(294,485)	5,114		(4,796,901)
Improvements	(4,387,585)	(872,275)			(5,259,860)
Machinery and equipment	(2,562,541)	(197,555)	108,596		(2,651,500)
Vehicles	(2,717,869)	(246,744)	52,029		(2,912,584)
<b>Total accumulated depreciation</b>	<u>(14,175,525)</u>	<u>(1,611,059)</u>	<u>165,739</u>		<u>(15,620,845)</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 17,237,355</u>	<u>\$ (1,072,621)</u>	<u>\$ (55,027)</u>	<u>\$</u>	<u>\$ 16,109,707</u>

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

<b>Governmental activities:</b>	
General government	\$ 110,006
Public safety	353,149
Public works	684,003
Community development	12,278
Leisure services	451,623
<b>Total depreciation expense, governmental activities</b>	<u>\$1,611,059</u>

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2012**

**NOTE 7 – CAPITAL ASSETS** (Continued)

<b>Business-type activities:</b>	<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	6,095,930				6,095,930
Machinery and equipment	386,413	15,000	(6,633)		394,780
Vehicles	291,055		(20,820)		270,235
<b>Total at historical cost:</b>	<u>9,229,744</u>	<u>15,000</u>	<u>(27,453)</u>		<u>9,217,291</u>
Less accumulated depreciation for:					
Buildings	(957,342)	(26,731)			(984,073)
Improvements	(1,635,377)	(309,260)			(1,944,637)
Machinery and equipment	(320,137)	(20,706)	6,633		(334,210)
Vehicles	(136,990)	(74,311)	20,820		(190,481)
<b>Total accumulated depreciation</b>	<u>(3,049,846)</u>	<u>(431,008)</u>	<u>27,453</u>		<u>(3,453,401)</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 6,179,898</u>	<u>\$ (416,008)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 5,763,890</u>

**Construction Commitments**

Contracts awarded but not yet completed were as follows:

<u>Project Description</u>	<u>Estimated Cost</u>
Governmental activities:	
SW Neighborhoods Sidewalks and Streetlights	\$340,157
Business-type activities	
Driving Range Building renovation	73,581

In addition, subsequent to September 30, 2012, the Village approved purchasing three police vehicles at a cost of \$115,510 and approved the lease/purchase of eighty-two golf carts for \$472,122.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2012**

**NOTE 8 – LONG TERM LIABILITIES**

**Change in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2012, was as follows:

	Balance October 1, 2011	Additions	Reductions	Balance September 30, 2012	Amount Due Within One Year
Governmental activities					
Claims and settlements	\$ 18,463	\$ 31,537	\$	\$ 50,000	\$
OPEB (see note 15)	761,417	399,528		1,160,945	
Compensated absences payable	1,194,918	1,170,860	(1,143,179)	1,222,599	981,747
<b>Total</b>	<b>\$ 1,974,798</b>	<b>\$ 1,601,926</b>	<b>\$ (1,143,179)</b>	<b>\$ 2,433,544</b>	<b>\$ 981,747</b>
Business-type activities:					
Loans payable	\$ 3,844,928	\$	\$ (236,634)	\$ 3,608,294	\$ 250,391
Capital leases	173,084		(66,151)	106,933	106,933
OPEB (see note 15)	28,434	16,734		45,168	
Compensated absences payable	15,488	11,997	(9,795)	17,690	11,263
<b>Total</b>	<b>\$ 4,061,934</b>	<b>\$ 28,731</b>	<b>\$ (312,580)</b>	<b>\$ 3,778,085</b>	<b>\$ 368,587</b>

Governmental activities other post employment benefit obligations and compensated absences are expected to be paid out of the general fund.

**Loans Payable**

**\$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. The revenues of the Country Club are pledged to secure the loan. Principal and interest payments are due semi-annually in the amount of \$199,079, 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, 2012, the principal amount outstanding was \$3,608,294 and was for the purpose of business-type activities.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2012**

**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>
2013	\$ 250,391	\$ 147,768	\$ 398,159
2014	260,934	137,225	398,159
2015	271,920	126,239	398,159
2016	283,040	115,119	398,159
2017	295,287	102,872	398,159
2018 - 2022	1,673,531	317,264	1,990,795
2023 - 2024	573,191	24,048	597,239
	<u>\$ 3,608,294</u>	<u>\$ 970,535</u>	<u>\$ 4,578,829</u>

**\$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, 2012, the principal amount outstanding was \$106,933 and the net book value of the equipment was \$76,920. 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>
2013	<u>\$ 106,933</u>	<u>\$ 1,606</u>	<u>\$ 108,539</u>

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2012**

**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, 2012, there is a long-term governmental liability of \$50,000 for pending claims activity for SERMA (see related Note 9.) The liability is an estimated based on the 2011 valuation; the 2012 valuation is not yet available. The liability 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.

**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 \$50,000 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.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2012**

**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, 2012, 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 65.

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.

**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, 2012**

**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, 2011, 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, 2011, the date of the latest actuarial valuation:

	<u>GERF</u>	<u>F&amp;P</u>
Active Participants:		
Vested	51	17
Non-vested	11	36
Retirees and Beneficiaries receiving benefits	8	11
Terminated vested members	<u>43</u>	<u>8</u>
Total	<u>113</u>	<u>72</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 1<sup>st</sup> 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, 2012**

**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, 2012**

**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 1<sup>st</sup> 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**  
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**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 \$264,570 during the fiscal year ended September 30, 2012.

*All Retirement Plans*

Annual Pension Cost and Net Pension Obligation. The Village's 2012 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, 2011, 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	\$638,425	\$625,209	N/A
Fire and Police Retirement Fund	\$977,735	\$738,250	\$230,696

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2012**

**NOTE 10 – EMPLOYEE RETIREMENT PLANS** (Continued)

The following schedule was determined as part of the October 1, 2011, 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)	\$ 625,209	\$ 968,946
Interest on net pension obligation (NPO)	(24,410)	(20,427)
Adjustment to ARC	<u>37,626</u>	<u>29,216</u>
Annual pension cost	638,425	977,735
Actual contributions	<u>625,209</u>	<u>969,203</u>
Decrease in NPO	13,216	8,532
NPO at beginning of year	<u>(326,568)</u>	<u>(257,992)</u>
NPO at end of year	<u><u>\$(313,352)</u></u>	<u><u>\$(249,460)</u></u>

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'	9/30/10	\$ 739,704	\$ 759,529	102.7%	\$ (185,330)
	9/30/11	509,921	651,159	127.7%	(326,568)
	9/30/12	638,425	625,209	97.9%	(313,352)
Fire and					
Police	9/30/10	\$ 893,728	\$ 884,076	98.9 %	\$ (255,334)
	9/30/11	869,409	872,067	100.3 %	(257,992)
	9/30/12	977,735	969,203	99.1 %	(249,460)

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2012**

**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	10/1/2011	10/1/2011
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*	7.5% 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, 2012**

**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
10/01/11	\$11,656,106	\$14,634,876	\$2,978,770	79.65%	\$3,852,019	77.33%

*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
10/01/11	\$7,771,444	\$11,103,522	\$3,332,078	69.99%	\$3,251,285	102.48%

**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 General Employees' pension fund does not have a separate GAAP report issued, and the financial information September 30, 2012 is presented below.

**STATEMENT OF FIDUCIARY NET ASSETS**

	<b>General Employee's Pension</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 537
Investments:	
Equity mutual funds	5,560,676
Fixed income mutual funds	3,214,473
Accounts receivable/accrued interest and dividends	<u>30,048</u>
Total assets	<u>8,805,734</u>
<b>Liabilities</b>	
Accounts payable	<u>8,129</u>
<b>Net Assets</b>	
Held in trust for pension benefits and other purposes	<u><u>\$ 8,797,605</u></u>

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2012**

**NOTE 11 – PENSION PLAN FINANCIAL INFORMATION** (Continued)

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

	<b>General Employees' Pension</b>
Additions	
Contributions	
Employer	\$ 625,209
Plan members	169,466
Total contributions	794,675
Investment earnings	
Dividends and interest	232,419
Net increase in the fair value of investments	1,017,751
Less investment expense	(26,738)
Total investment earnings	1,223,432
Total additions	2,018,107
Deductions	
Administration	18,416
Benefit	93,868
Total deductions	112,284
Change in net assets	1,905,823
Net assets - beginning	6,891,782
Net assets - ending	\$ 8,797,605

**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, 2012, \$296,911 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, 2012**

**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, 2012, is listed below:

	<u>Director's</u>	<u>General Employees</u>	<u>Municipal Employees</u>	<u>Total</u>
Village contributions	\$79,045	\$65,669	\$69,241	\$213,955
Employee contributions	\$32,617	\$15,166	\$21,815	\$69,598

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2012**

**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 on the option selected by the employee.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2012**

**NOTE 15 – OTHER POST EMPLOYMENT BENEFITS** (Continued)

*Plan Description* (Continued)

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	\$ 298,096
Interest on normal cost	11,924
Amortization	190,885
Interest on amortization	<u>7,635</u>
Annual required contribution (ARC)	<u>508,540</u>
Interest on net unfunded OPEB obligation	31,594
Adjustment to ARC	<u>(45,677)</u>
Annual OPEB cost	494,457
Contributions made	<u>(78,195)</u>
Increase in net OPEB obligation	416,262
Net OPEB obligation October 1, 2011	<u>789,851</u>
Net OPEB obligation September 30, 2012	<u>\$ 1,206,113</u>

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2012**

**NOTE 15 – OTHER POST EMPLOYMENT BENEFITS** (Continued)

*Trend Information*

<u>Three-Year Trend Information</u>			
Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/10	\$425,505	43.0%	\$537,647
09/30/11	\$435,205	42.0%	\$789,852
09/30/12	\$494,457	15.8%	\$1,206,114

*Funded Status*

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

Actuarial valuation date	10/01/2011
Actuarial accrued liability	\$3,432,815
Actuarial value of plan assets	\$
Unfunded actuarial accrued liability (UAAL)	\$3,432,815
Funded ratio	0.0%
Covered payroll	\$7,103,304
UAAL as a percentage of covered payroll	48.3%

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. 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, 2012**

**NOTE 15 – OTHER POST EMPLOYMENT BENEFITS** (Continued)

*Actuarial Methods and Assumptions* (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	Level dollar, 30 Years, closed
Remaining amortization period	28 years
Asset valuation method	Unfunded
Actual assumptions:	
Investment rate of return	4%
Healthcare cost trend	6.6% for 2012 decreasing to 4% in 2083

**NOTE 16 – JOINTLY GOVERNED ORGANIZATION**

The Village, through an interlocal agreement with certain other municipalities and Palm Beach County, created the Seacoast Utility Authority (“Seacoast”) which provides water and sewer service to the citizens of each of the participating municipalities and a portion of Palm Beach County. Seacoast’s governing board consists of one member from each participating entity. Seacoast is an Independent Authority organized under the laws of the State of Florida, and the Village has no participating equity ownership in Seacoast. The Village paid \$153,968 to Seacoast during the fiscal year for water and sewer service.

**NOTE 17 – TRANSFERS**

Interfund transfers during the year ended September 30, 2012, are as follows:

	<i>Transfer Out:</i>
	General Fund
	<hr/>
<i>Transfer in:</i>	
Capital Projects Fund	\$500,000

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.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2012**

**NOTE 18 – 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 19 – NEW ACCOUNTING STANDARDS**

Below is a brief description and effective date of new accounting standards that could have a significant impact on the Village.

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement is effective for the fiscal year ending September 30, 2013. Management is currently evaluating the impact of the adoption of this statement on the Village's financial statements.

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 directly incorporates the applicable guidance from FASB and AICPA pronouncements into the state and local government accounting and financial reporting standards, with provisions modified, as appropriate, to recognize the effects of the governmental environment and the needs of governmental financial statement users without affecting the substance of the applicable guidance. This statement is effective for the fiscal year ending September 30, 2013. Management is currently evaluating the impact of the adoption of this statement on the Village's financial statements.

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. This statement is effective for the fiscal year ending September 30, 2013. Management is currently evaluating the impact of the adoption of this statement on the Village's financial statements.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Basic Financial Statements**  
**September 30, 2012**

**NOTE 19 – NEW ACCOUNTING STANDARDS** (Continued)

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for the fiscal year ending September 30, 2014. Management is currently evaluating the impact of the adoption of this statement on the Village's financial statements.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. GASB 66 improves accounting and financial reporting for a governmental reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective for the fiscal year ending September 30, 2014. Management is currently evaluating the impact of the adoption of this statement on the Village's financial statements.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*. GASB 67 improves financial reporting by state and local governmental pension plans primarily through enhanced note disclosures and schedules of required supplementary information. This statement is effective for the fiscal year ending September 30, 2014. Management is currently evaluating the impact of the adoption of this statement on the Village's financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*. GASB 68 improves financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This statement is effective for the fiscal year ending September 30, 2015. Management is currently evaluating the impact of the adoption of this statement on the Village's financial statements.

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, 2012**

Schedule of Funding Progress

Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (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>Other Post Employment Benefits (OPEB)</u>						
10/01/08	\$	\$ 2,741,387	\$ 2,741,387	0.0%	\$ 6,231,104	44.0%
10/01/11	\$	\$ 3,432,815	\$ 3,432,815	0.0%	\$ 7,103,304	48.3%

\* These are the only actuarial valuation performed to date.

(1) Projected unit credit

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 Village elected to apply the statement prospectively, only two years are 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.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Required Supplemental Information**  
**September 30, 2012**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)- Entry Age(1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>General Employees Retirement Fund (1)</u>						
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	8,328,331	2,279,523	72.63%	3,046,421	74.83%
10/1/2010	6,863,057	10,516,549	3,653,492	65.26%	3,424,324	106.69%
10/1/2011	7,771,444	11,103,522	3,332,078	69.99%	3,251,285	102.48%
<u>Fire and Police Retirement Fund (2)</u>						
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%	3,488,338	57.50%
10/1/2010	11,240,540	14,121,958	2,881,418	79.60%	3,922,596	73.46%
10/1/2011	11,656,106	14,634,876	2,978,770	79.65%	3,852,019	77.33%

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, 2012**

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>				
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	734,626	759,529	N/A	103.4%
2011	499,954	646,537	N/A	129.3%
2012	625,209	625,209	N/A	100.0%
<u>Fire and Police Retirement Fund</u>				
2007	\$ 539,651	\$ 401,451	\$ 138,200	100.0%
2008	715,784	577,584	138,200	100.0%
2009	728,729	599,505	221,372	112.6%
2010	884,067	653,372	230,696	100.0%
2011	869,407	641,371	230,696	100.3%
2012	968,946	738,507	230,696	100.0%

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**

**Notes to the Trend Data**

**September 30, 2012**

	General Employees Retirement Fund	Police and Fire Retirement Fund
Contribution rates as of 9/30/12:		
Village	19.57%	24.21%
Plan Members	6.00% (1)	2.00%
Actuarially Determined Contribution	625,209	968,946
Contributions Made	625,209	969,203
Valuation date	10/1/2011	10/1/2011
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 *	7.5% 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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Taxes	\$ 13,387,331	\$ 13,387,331	\$ 13,618,635	\$ 231,304
Licenses and permits	741,454	741,454	810,390	68,936
Intergovernmental	1,203,524	1,203,524	1,276,129	72,605
Charges for services	1,901,895	1,901,895	1,966,179	64,284
Fines and forfeitures	109,200	109,200	140,610	31,410
Investment	85,740	85,740	90,968	5,228
Miscellaneous	8,400	8,400	130,293	121,893
Total revenues	<u>17,437,544</u>	<u>17,437,544</u>	<u>18,033,204</u>	<u>595,660</u>
Expenditures				
Current				
General government	2,495,485	2,329,563	2,293,739	35,824
Public safety	7,370,838	7,290,538	7,284,206	6,332
Public works	4,045,545	3,898,365	3,886,698	11,667
Community development and planning	837,613	932,613	844,748	87,865
Leisure services - recreation	2,400,784	2,388,459	2,374,748	13,711
Other government	108,347	38,544	34,829	3,715
Capital outlay	258,932	326,056	317,319	8,737
Total expenditures	<u>17,517,544</u>	<u>17,204,138</u>	<u>17,036,287</u>	<u>167,851</u>
Excess of revenues over expenditures	<u>(80,000)</u>	<u>233,406</u>	<u>996,917</u>	<u>763,511</u>
Other financing sources (uses)				
Appropriated fund balance	80,000	266,594		(266,594)
Transfer out		(500,000)	(500,000)	
Total other financing uses	<u>80,000</u>	<u>(233,406)</u>	<u>(500,000)</u>	<u>(266,594)</u>
Net change in fund balances	<u>\$</u>	<u>\$</u>	496,917	<u>\$ 496,917</u>
Fund Balances				
Beginning of year			<u>11,700,667</u>	
End of year			<u>\$ 12,197,584</u>	

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Notes to the Budgetary**  
**Required Supplementary Information (RSI)**  
**General Fund**  
**September 30, 2012**

**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, 2012**

	<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					
Personnel services	\$ 50,452	\$ 50,452	\$ 49,642	\$ 810	1.61
Operating expenses	95,902	95,902	76,236	19,666	20.51
Total Village Council	<u>146,354</u>	<u>146,354</u>	<u>125,878</u>	<u>20,476</u>	<u>13.99</u>
Village Manager					
Personnel services	257,853	251,853	250,866	987	0.39
Operating expenses	18,861	28,861	28,721	140	0.49
Total Village Manager	<u>276,714</u>	<u>280,714</u>	<u>279,587</u>	<u>1,127</u>	<u>0.40</u>
Village Finance					
Personnel services	482,938	469,938	469,444	494	0.11
Operating expenses	50,770	45,770	45,312	458	1.00
Total Village Finance	<u>533,708</u>	<u>515,708</u>	<u>514,756</u>	<u>952</u>	<u>0.18</u>
Village Attorney					
Operating expenses	170,000	150,000	149,700	300	0.20
Village Clerk					
Personnel services	261,714	254,639	254,641	(2)	0.00
Operating expenses	26,507	36,385	36,386	(1)	0.00
Total Village Clerk	<u>288,221</u>	<u>291,024</u>	<u>291,027</u>	<u>(3)</u>	<u>0.00</u>
Information Technology					
Personnel services	295,378	292,803	286,355	6,448	2.20
Operating expenses	22,661	25,236	25,236		0.00
Total Information Technology	<u>318,039</u>	<u>318,039</u>	<u>311,591</u>	<u>6,448</u>	<u>2.03</u>
Human Resources					
Personnel services	214,464	209,138	205,067	4,071	1.95
Operating expenses	26,894	32,220	32,219	1	0.00
Total Human Resources	<u>241,358</u>	<u>241,358</u>	<u>237,286</u>	<u>4,072</u>	<u>1.69</u>
Police					
Personnel services	4,333,397	4,162,944	4,133,496	29,448	0.71
Operating expenses	204,220	271,367	295,682	(24,315)	-8.96
Total Police	<u>4,537,617</u>	<u>4,434,311</u>	<u>4,429,178</u>	<u>5,133</u>	<u>0.12</u>
Fire Rescue					
Personnel services	2,525,621	2,574,230	2,574,231	(1)	0.00
Operating expenses	176,631	181,428	181,428		0.00
Total Fire Rescue	<u>2,702,252</u>	<u>2,755,658</u>	<u>2,755,659</u>	<u>(1)</u>	<u>0.00</u>
Public Works/Streets and Grounds					
Personnel services	324,638	324,638	349,643	(25,005)	-7.70
Operating expenses	34,711	34,711	31,259	3,452	9.94
Total Public Works	<u>359,349</u>	<u>359,349</u>	<u>380,902</u>	<u>(21,553)</u>	<u>-6.00</u>

(Continued)

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Schedule of Departmental Expenditures - Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2012**

	<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					
Personnel services	\$ 1,296,358	\$ 1,270,358	\$ 1,246,430	\$ 23,928	1.88
Operating expenses	155,150	131,150	126,117	5,033	3.84
Total Sanitation	<u>1,451,508</u>	<u>1,401,508</u>	<u>1,372,547</u>	<u>28,961</u>	<u>2.07</u>
Facility Services					
Personnel services	291,588	291,588	297,345	(5,757)	-1.97
Operating expenses	339,655	289,475	265,958	23,517	8.12
Total Facility Services	<u>631,243</u>	<u>581,063</u>	<u>563,303</u>	<u>17,760</u>	<u>3.06</u>
Street Maintenance					
Personnel services	533,206	486,206	480,374	5,832	1.20
Operating expenses	681,261	681,261	671,404	9,857	1.45
Total Street Maintenance	<u>1,214,467</u>	<u>1,167,467</u>	<u>1,151,778</u>	<u>15,689</u>	<u>1.34</u>
Vehicle Maintenance					
Personnel services	190,653	190,653	188,705	1,948	1.02
Operating expenses	198,325	198,325	229,463	(31,138)	-15.70
Total Vehicle Maintenance	<u>388,978</u>	<u>388,978</u>	<u>418,168</u>	<u>(29,190)</u>	<u>-7.50</u>
Planning and Engineering					
Personnel services	212,131	215,197	214,722	475	0.22
Operating expenses	18,506	110,440	20,556	89,884	81.39
Total Planning and Engineering	<u>230,637</u>	<u>325,637</u>	<u>235,278</u>	<u>90,359</u>	<u>27.75</u>
Building					
Personnel services	470,721	470,721	487,521	(16,800)	-3.57
Operating expenses	17,304	17,304	17,849	(545)	-3.15
Total Building	<u>488,025</u>	<u>488,025</u>	<u>505,370</u>	<u>(17,345)</u>	<u>-3.55</u>
Code Enforcement					
Personnel services	113,731	113,731	97,406	16,325	14.35
Operating expenses	5,220	5,220	6,694	(1,474)	-28.24
Total Code Enforcement	<u>118,951</u>	<u>118,951</u>	<u>104,100</u>	<u>14,851</u>	<u>12.48</u>
Leisure Services-Recreation					
Personnel services	582,888	582,888	577,243	5,645	0.97
Operating expenses	372,732	374,407	348,024	26,383	7.05
Total Leisure Services-Recreation	<u>955,620</u>	<u>957,295</u>	<u>925,267</u>	<u>32,028</u>	<u>3.35</u>
Library					
Personnel services	502,094	488,094	487,418	676	0.14
Operating expenses	174,848	174,848	172,856	1,992	1.14
Total Library	<u>676,942</u>	<u>662,942</u>	<u>660,274</u>	<u>2,668</u>	<u>0.40</u>

(Continued)

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Schedule of Departmental Expenditures - Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2012**

	<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					
Personnel services	\$ 114,375	\$ 114,375	\$ 101,244	\$ 13,131	11.48
Operating expenses	274,061	274,061	284,487	(10,426)	-3.80
Total Tennis	<u>388,436</u>	<u>388,436</u>	<u>385,731</u>	<u>2,705</u>	<u>0.70</u>
Pool					
Personnel services	90,973	90,973	100,763	(9,790)	-10.76
Operating expenses	201,813	201,813	213,966	(12,153)	-6.02
Total Pool	<u>292,786</u>	<u>292,786</u>	<u>314,729</u>	<u>(21,943)</u>	<u>-7.49</u>
Special Events					
Operating expenses	87,000	87,000	88,747	(1,747)	-2.01
Total Special Events	<u>87,000</u>	<u>87,000</u>	<u>88,747</u>	<u>(1,747)</u>	<u>-2.01</u>
Other					
Operating expenses	108,347	38,544	34,829	3,715	9.64
	<u>108,347</u>	<u>38,544</u>	<u>34,829</u>	<u>3,715</u>	<u>9.64</u>
Non-Departmental					
Operating expenses	652,060	486,935	483,283	3,652	0.75
	<u>652,060</u>	<u>486,935</u>	<u>483,283</u>	<u>3,652</u>	<u>0.75</u>
Capital Outlay					
Information Technology	18,750	18,750	18,748	2	0.01
Police	57,582	57,582	57,582		0.00
Planning and Engineering		80,899	73,271	7,628	9.43
Sanitation	26,000	26,000	25,457	543	2.09
Leisure Services-Recreation	45,000	45,000	44,446	554	1.23
Non-Departmental	111,600	97,825	97,815	10	
Total Capital Outlay	<u>258,932</u>	<u>326,056</u>	<u>317,319</u>	<u>8,737</u>	<u>2.68</u>
Total expenditures	<u>\$ 17,517,544</u>	<u>\$ 17,204,138</u>	<u>\$ 17,036,287</u>	<u>\$ 167,851</u>	<u>0.98%</u>

## COMBINING FINANCIAL STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

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, 2012**

	Special Revenue Funds			On-Behalf Pension Contributions	Total Nonmajor Governmental Funds
	Public Safety Fund	Northlake Boulevard Fund	Recreation		
<b>Assets</b>					
Cash and cash equivalents	\$ 8,615	\$ 1,986	\$ 44,146	\$	\$ 54,747
Due from other governments				67,820	67,820
Total assets	<u>\$ 8,615</u>	<u>\$ 1,986</u>	<u>\$ 44,146</u>	<u>\$ 67,820</u>	<u>\$ 122,567</u>
<b>Liabilities</b>					
Accounts payable	\$ 964	\$	\$	\$ 67,820	\$ 68,784
Deferred revenue	6,131				6,131
Total liabilities	<u>7,095</u>			<u>67,820</u>	<u>74,915</u>
<b>Fund balances</b>					
Assigned	<u>1,520</u>	<u>1,986</u>	<u>44,146</u>		<u>47,652</u>
Total fund balances	<u>1,520</u>	<u>1,986</u>	<u>44,146</u>		<u>47,652</u>
Total liabilities and fund balances	<u>\$ 8,615</u>	<u>\$ 1,986</u>	<u>\$ 44,146</u>	<u>\$ 67,820</u>	<u>\$ 122,567</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, 2012**

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Public Safety Fund	Northlake Boulevard Fund	Recreation	On-Behalf Pension Contributions	
Revenues					
Intergovernmental	\$ 18,638	\$	\$	\$ 296,911	\$ 315,549
Total revenues	18,638			296,911	315,549
Expenditures					
Current					
Public safety	1,901			296,911	298,812
Capital outlay	16,192				16,192
Total expenditures	18,093			296,911	315,004
Net changes in fund balances	545				545
Fund balances - Beginning of year	975	1,986	44,146		47,107
Fund balances - End of year	\$ 1,520	\$ 1,986	\$ 44,146	\$	\$ 47,652

FIDUCIARY FUNDS

Pension Trust Funds

*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, 2012**

	<b>General Employees Pension</b>	<b>Fire and Police Officers Pension</b>	<b>Total Employee Retirement Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 537	\$ 1,565,180	\$ 1,565,717
Investments:			
Common equity securities		6,505,349	6,505,349
U.S. Government agencies		963,792	963,792
Municipal bonds		148,269	148,269
Corporate bonds		2,583,405	2,583,405
U.S. Treasury bonds		452,856	452,856
Equity mutual funds	5,560,676	22,729	5,583,405
Fixed income mutual funds	3,214,473		3,214,473
Accrued interest and dividends	82	38,970	39,052
Accounts Receivable	29,966	98,436	128,402
Prepays		1,506	1,506
Total assets	8,805,734	12,380,492	21,186,226
<b>LIABILITIES</b>			
Accounts payable	8,129	88,548	96,677
Total liabilities	8,129	88,548	96,677
<b>Net Assets</b>			
Held in trust for pension benefits and other purposes	\$ 8,797,605	\$ 12,291,944	\$ 21,089,549

(1) A schedule of funding progress for the General Employees and Fire and Police Officers plans is presented on page 65.

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Employee Retirement Funds**  
**For the Year Ended September 30, 2012**

	<b>General Employees Pension</b>	<b>Fire and Police Officers Pension</b>	<b>Total Employee Retirement Funds</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Additions			
Contributions			
Employer	\$ 625,209	\$ 738,508	\$ 1,363,717
Plan members	169,466	77,158	246,624
State on-behalf payments		296,911	296,911
Total contributions	<u>794,675</u>	<u>1,112,577</u>	<u>1,907,252</u>
Investment earnings			
Dividends and interest	232,419	288,189	520,608
Net increase in fair value of investments	1,017,751	1,343,104	2,360,855
Investment expense	(26,738)	(87,774)	(114,512)
Total investment gains	<u>1,223,432</u>	<u>1,543,519</u>	<u>2,766,951</u>
Total additions	<u>2,018,107</u>	<u>2,656,096</u>	<u>4,674,203</u>
Deductions			
Administration	18,416	57,266	75,682
Benefits	93,868	700,048	793,916
Refund of contributions		3,003	3,003
Total deductions	<u>112,284</u>	<u>760,317</u>	<u>872,601</u>
Change in net assets	1,905,823	1,895,779	3,801,602
Net assets - beginning	<u>6,891,782</u>	<u>10,396,165</u>	<u>17,287,947</u>
Net assets - ending	<u>\$ 8,797,605</u>	<u>\$ 12,291,944</u>	<u>\$ 21,089,549</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, 2012**

	<b>Agency Funds</b>		
	<b>Manatee Protection Agency</b>	<b>Northlake Boulevard Task Force</b>	<b>Total Agency Funds</b>
Assets			
Cash and cash equivalents	\$ 288,150	\$ 61,262	\$ 349,412
Liabilities			
Due to others	\$ 288,150	\$ 61,262	\$ 349,412

**THE VILLAGE OF NORTH PALM BEACH, FLORIDA**  
**Combining Schedule of Changes in Agency Net Assets and Liabilities**  
**For the Year Ended September 30, 2012**

	<u>October 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>September 30, 2012</u>
<b><u>Manatee Protection Agency</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 285,748	\$ 2,402	\$	\$ 288,150
<b>Liabilities</b>				
Due to others	\$ 285,748	\$ 2,402	\$	\$ 288,150
<b><u>Northlake Boulevard Task Force</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 60,751	\$ 511	\$	\$ 61,262
<b>Liabilities</b>				
Due to others	\$ 60,751	\$ 511	\$	\$ 61,262
<b><u>Total All Agency Funds</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 346,499	\$ 2,913	\$	\$ 349,412
<b>Liabilities</b>				
Due to others	\$ 346,499	\$ 2,913	\$	\$ 349,412

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, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Percent Variance
Revenue					
Greens fee/cart rentals/membership fees	\$ 2,565,250	\$ 2,565,250	\$ 2,389,526	\$ (175,724)	-6.85
Golf shop revenues	281,500	281,500	318,305	36,805	13.07
Driving range revenues	197,380	197,380	257,123	59,743	30.27
Restaurant revenues	847,710	847,710	612,937	(234,773)	-27.69
Interest revenues	8,855	8,855	7,451	(1,404)	-15.86
Miscellaneous			4,869	4,869	
Total revenues	<u>3,900,695</u>	<u>3,900,695</u>	<u>3,590,211</u>	<u>(310,484)</u>	<u>-7.96</u>
Golf Maintenance					
Operating expenses	1,240,715	1,240,715	1,233,653	7,062	0.57
Total Golf Maintenance	<u>1,240,715</u>	<u>1,240,715</u>	<u>1,233,653</u>	<u>7,062</u>	<u>0.57</u>
Golf Pro Shop and Range					
Personnel services	511,412	511,412	506,396	5,016	0.98
Operating expenses	352,049	352,049	297,053	54,996	15.62
Capital outlay	15,500	15,500	15,000	500	3.23
Total Golf Pro Shop and Range	<u>878,961</u>	<u>878,961</u>	<u>818,449</u>	<u>60,512</u>	<u>6.88</u>
Food and Beverage					
Personnel services	338,948	338,948	295,978	42,970	12.68
Operating expenses	507,653	507,653	357,534	150,119	29.57
Total Food and Beverage	<u>846,601</u>	<u>846,601</u>	<u>653,512</u>	<u>193,089</u>	<u>22.81</u>
Administration					
Personnel services	61,852	61,852	58,792	3,060	4.95
Operating expenses	36,874	36,874	26,067	10,807	29.31
Total Administration	<u>98,726</u>	<u>98,726</u>	<u>84,859</u>	<u>13,867</u>	<u>14.05</u>
Clubhouse and Grounds					
Operating expenses	108,277	108,277	103,210	5,067	4.68
Total Clubhouse and Grounds	<u>108,277</u>	<u>108,277</u>	<u>103,210</u>	<u>5,067</u>	<u>4.68</u>
Insurance and General Liability					
Operating expenses	39,864	39,864	39,864		0.00
Reserves					
Operating	7,500	12,198	12,196	2	0.02
Contingency	209,850	205,152	2,000	203,152	99.03
Total Reserves	<u>217,350</u>	<u>217,350</u>	<u>14,196</u>	<u>203,154</u>	<u>93.47</u>
Debt service					
Debt service	470,201	470,201	470,136	65	0.01
Total expenses on the budgetary basis	<u>3,900,695</u>	<u>3,900,695</u>	<u>3,417,879</u>	<u>482,816</u>	<u>12.38</u>
Revenues over expenses	<u>\$</u>	<u>\$</u>	<u>\$ 172,332</u>	<u>\$ 172,332</u>	
Adjustments to reconcile to the GAAP Basis					
Total expenses on the budgetary basis			3,417,879		
Less capital outlay costs capitalized			(15,000)		
Less debt service			(470,136)		
Add depreciation expense			436,045		
Total operating expenses			<u>\$ 3,368,788</u>		

STATISTICAL SECTION

## STATISTICAL SECTION

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

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*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>
<b>Governmental Activities:</b>					
Invested in capital assets, net of related debt	\$ 3,563,142	\$ 3,762,961	\$ 3,535,596	\$ 8,118,773	\$ 10,543,788
Restricted	613,459	470,155	19,828	154,073	113,269
Unrestricted	2,350,342	3,527,865	6,654,989	7,143,452	9,281,170
Total governmental activities net assets	<u>6,526,943</u>	<u>7,760,981</u>	<u>10,210,413</u>	<u>15,416,298</u>	<u>19,938,227</u>
<b>Business-Type Activities:</b>					
Invested in capital assets, net of related debt	2,165,529	2,131,367	1,919,194	1,999,123	2,195,630
Unrestricted	(65,937)	(5,195)	270,374	415,865	151,005
Total business-type activities net assets	<u>2,099,592</u>	<u>2,126,172</u>	<u>2,189,568</u>	<u>2,414,988</u>	<u>2,346,635</u>
<b>Primary government:</b>					
Invested in capital assets, net of related debt	5,728,671	5,894,328	5,454,790	10,117,896	12,739,418
Restricted	613,459	470,155	19,828	154,073	113,269
Unrestricted	2,284,405	3,522,670	6,925,363	7,559,317	9,432,175
Total primary government net assets	<u>\$ 8,626,535</u>	<u>\$ 9,887,153</u>	<u>\$ 12,399,981</u>	<u>\$ 17,831,286</u>	<u>\$ 22,284,862</u>
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Governmental Activities:</b>					
Invested in capital assets, net of related debt	\$ 12,845,093	\$ 16,643,241	\$ 18,184,508	\$ 17,237,355	\$ 16,109,707
Restricted	979,182	251,088	390,081	548,489	658,194
Unrestricted	9,836,912	11,016,626	10,568,594	11,775,621	11,846,141
Total governmental activities net assets	<u>23,661,187</u>	<u>27,910,955</u>	<u>29,143,183</u>	<u>29,561,465</u>	<u>28,614,042</u>
<b>Business-Type Activities:</b>					
Invested in capital assets, net of related debt	2,492,524	2,364,814	2,295,125	2,200,927	2,082,668
Unrestricted	202,802	434,212	403,261	385,623	557,954
Total business-type activities net assets	<u>2,695,326</u>	<u>2,799,026</u>	<u>2,698,386</u>	<u>2,586,550</u>	<u>2,640,622</u>
<b>Primary government:</b>					
Invested in capital assets, net of related debt	15,337,617	19,008,055	20,479,633	19,438,282	18,192,375
Restricted	979,182	251,088	390,081	548,489	658,194
Unrestricted	10,039,714	11,450,838	10,971,855	12,161,244	12,404,095
Total primary government net assets	<u>\$ 26,356,513</u>	<u>\$ 30,709,981</u>	<u>\$ 31,841,569</u>	<u>\$ 32,148,015</u>	<u>\$ 31,254,664</u>

*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
<b>Expenses</b>					
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
<b>Program Revenues</b>					
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
<b>Net (Expense)/Revenue</b>					
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)
<b>General revenues and other changes in net assets:</b>					
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
<b>Change in net assets</b>					
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

Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$	1,839,228	\$ 2,239,511	\$ 2,679,192	\$ 2,403,681	\$ 2,520,815
	7,154,578	7,095,043	7,304,233	7,232,748	7,892,561
	3,996,711	4,083,441	4,594,738	4,733,913	4,652,620
	860,448	826,149	806,536	811,177	884,773
	3,244,045	3,174,623	2,830,292	2,749,065	2,873,496
	-	-	-	-	-
	120,549	26,702	4,384		
	<u>17,215,559</u>	<u>17,445,469</u>	<u>18,219,375</u>	<u>17,930,584</u>	<u>18,824,265</u>
	3,268,562	3,308,535	3,398,206	3,691,528	3,536,139
	<u>3,268,562</u>	<u>3,308,535</u>	<u>3,398,206</u>	<u>3,691,528</u>	<u>3,536,139</u>
\$	<u>20,484,121</u>	<u>20,754,004</u>	<u>21,617,581</u>	<u>21,622,112</u>	<u>22,360,404</u>
\$	123,334	\$ 122,569	\$ 126,968	\$ 130,886	\$ 135,372
	383,325	378,591	465,263	420,653	440,568
	288,994	394,082	411,722	400,662	386,974
	888,015	699,130	734,718	861,394	816,673
	595,558	912,862	1,063,748	1,043,459	1,018,883
	-	-	-	-	-
	88,224	105,080	96,670	126,568	149,573
	<u>1,602,465</u>	<u>2,017,158</u>	<u>75,845</u>	<u>5,169</u>	<u>5,686</u>
	<u>3,969,915</u>	<u>4,629,472</u>	<u>2,974,934</u>	<u>2,988,791</u>	<u>2,953,729</u>
	3,616,509	3,404,859	3,227,580	3,571,199	3,582,760
	13,609	-	-	-	-
	-	-	-	-	-
	<u>3,630,118</u>	<u>3,404,859</u>	<u>3,227,580</u>	<u>3,571,199</u>	<u>3,582,760</u>
\$	<u>7,600,033</u>	<u>8,034,331</u>	<u>6,202,514</u>	<u>6,559,990</u>	<u>6,536,489</u>
\$ (13,245,644)	\$ (12,815,997)	\$ (15,244,441)	\$ (14,941,793)	\$ (15,870,536)	
361,556	96,324	(170,626)	(120,329)	46,621	
<u>\$ (12,884,088)</u>	<u>\$ (12,719,673)</u>	<u>\$ (15,415,067)</u>	<u>\$ (15,062,122)</u>	<u>\$ (15,823,915)</u>	
\$ 11,915,355	\$ 11,917,359	\$ 11,053,128	\$ 10,441,869	\$ 10,011,748	
278,649	267,557	266,077	259,794	263,369	
2,018,071	2,239,002	2,261,375	2,198,148	2,164,920	
1,212,562	1,256,831	1,204,328	1,191,155	1,178,598	
1,227,341	1,116,107	1,114,945	1,140,744	1,138,097	
-	-	-	-	-	
194,652	(1,346)	280,217	97,743	90,968	
55,719	263,459	213,425	30,622	75,413	
16,959	6,796				
49,296					
<u>16,968,604</u>	<u>17,065,765</u>	<u>16,393,495</u>	<u>15,360,075</u>	<u>14,923,113</u>	
36,431	7,376	14,686	8,493	7,451	
-	-	55,300			
(49,296)					
<u>(12,865)</u>	<u>7,376</u>	<u>69,986</u>	<u>8,493</u>	<u>7,451</u>	
<u>\$ 16,955,739</u>	<u>\$ 17,073,141</u>	<u>\$ 16,463,481</u>	<u>\$ 15,368,568</u>	<u>\$ 14,930,564</u>	
\$ 3,722,960	\$ 4,249,768	\$ 1,149,054	\$ 418,282	\$ (947,423)	
348,691	103,700	(100,640)	(111,836)	54,072	
<u>\$ 4,071,651</u>	<u>\$ 4,353,468</u>	<u>\$ 1,048,414</u>	<u>\$ 306,446</u>	<u>\$ (893,351)</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>			
General Fund					
Reserved	\$ 775,339	\$ 563,115			
Unreserved	8,265,513	10,058,216			
Total general fund	<u>\$ 9,040,852</u>	<u>\$ 10,621,331</u>			
All other Governmental Funds					
Reserved	\$ 239,979	\$ -			
Unreserved, reported in:					
Special revenue funds	594,399	(152,861)			
Capital projects funds	713,373	825,778			
Total all other governmental funds	<u>\$ 1,547,751</u>	<u>\$ 672,917</u>			
	<u>2010</u>	<u>2011</u>	<u>2012</u>		
General Fund					
Nonspendable	\$ 167,108	\$ 276,924	\$ 166,839		
Restricted	338,457	548,489	658,194		
Assigned	104,245	186,594	127,574		
Unassigned	10,443,099	10,688,660	11,244,977		
Total general fund	<u>\$ 11,052,909</u>	<u>\$ 11,700,667</u>	<u>\$ 12,197,584</u>		
All other Governmental Funds					
Restricted	\$ -	\$ -	\$ -		
Assigned					
Special revenue funds	47,379	47,107	47,652		
Capital projects funds	844,742	1,491,574	2,129,831		
Total all other governmental funds	<u>\$ 892,121</u>	<u>\$ 1,538,681</u>	<u>\$ 2,177,483</u>		

*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.*

The Village implemented GASB 54, *Fund Balance Reporting and Government Fund Definitions*, in 2011 and restated the 2010 amounts.

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

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Revenues:</b>					
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>
<b>Expenditures:</b>					
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>	<u>2011</u>	<u>2012</u>
\$ 15,424,638	\$ 15,680,749	\$ 14,784,906	\$ 14,090,966	\$ 13,618,635
1,047,144	880,016	910,997	959,098	810,390
2,459,211	3,315,908	1,768,388	1,557,377	1,591,678
1,268,774	1,684,718	1,944,245	1,934,424	1,966,179
235,965	145,340	142,048	164,366	140,610
194,652	(1,345)	280,218	97,743	90,968
137,447	300,455	278,062	59,462	130,293
<u>20,767,831</u>	<u>22,005,841</u>	<u>20,108,864</u>	<u>18,863,436</u>	<u>18,348,753</u>
2,246,461	1,970,257	2,496,342	2,402,241	2,328,568
7,056,833	6,835,730	7,021,231	7,053,282	7,583,018
3,725,450	3,432,556	3,887,034	4,044,642	3,886,698
840,366	784,486	774,121	790,937	844,748
2,876,840	2,898,252	2,361,388	2,295,959	2,374,748
2,597,065	3,939,455	663,582	682,057	495,254
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>	<u>17,269,118</u>	<u>17,513,034</u>
564,884	705,645	650,782	1,594,318	835,719
1,254,952	454,111	163,490	1,334,934	500,000
(1,254,952)	(454,111)	(163,490)	(1,334,934)	(500,000)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 564,884</u>	<u>\$ 705,645</u>	<u>\$ 650,782</u>	<u>\$ 1,594,318</u>	<u>\$ 835,719</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		
2003	2002	\$ 963,091,506	\$ 128,216,552	\$ 44,276,499	\$ 1,135,584,557	5.8000
2004	2003	1,092,433,722	147,927,933	44,914,124	1,285,275,779	6.8000
2005	2004	1,180,028,585	208,240,338	49,767,286	1,438,036,209	7.2700
2006	2005	1,441,249,707	179,827,665	44,422,817	1,665,500,189	6.8000
2007	2006	1,700,678,282	235,776,768	45,084,335	1,981,539,385	6.3000
2008	2007	1,744,202,888	229,300,592	43,735,861	2,017,239,341	6.1000
2009	2008	1,575,367,916	230,599,951	41,471,282	1,847,439,149	6.6980
2010	2009	1,394,954,867	221,443,121	40,552,276	1,656,950,264	6.9000
2011	2010	1,295,097,223	210,844,220	38,261,607	1,544,203,050	6.9723
2012	2011	1,265,549,795	189,284,601	33,303,512	1,488,137,908	6.9723

**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	Overlapping Rates (1)			Total Direct and Overlapping Rates
			Palm Beach County School District	Palm Beach County	Special Districts	
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
2011	2010	6.9723	8.154	4.996	2.5549	22.6772
2012	2011	6.9723	8.1800	4.9925	2.3433	22.4881

**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 2003**

*Unaudited*

<u>Taxpayers</u>	<u>2012</u>			<u>2003</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	\$ 16,779,214	1	1.13%	\$ 17,830,332	1	1.57%
Old Port Cove Equities, Inc	16,815,716	2	1.13%			
Florida Power & Light	14,776,425	3	0.99%			
Sanctuary Bay Trust Corporation	13,509,049	4	0.91%	13,491,211	2	1.19%
New Country Motor Cars	10,658,192	5	0.72%			
Crystal Tree NPB				9,939,914	3	0.88%
Wolfchase Associates, LLC				8,600,000	4	0.76%
Crystal Tree Property Owners	8,500,000	6	0.57%			
CFO2 Palm Beach III LP	7,000,000	7	0.47%			
Greater Fla Inv CO				5,840,000	5	0.51%
Old Port Cove Holdings, Inc	6,662,012	8	0.45%			
Bozzuto, Michael A	6,334,818	9	0.43%			
Village Shoppes at US 1, LLC	5,770,298	10	0.39%			
Transcontinental Atrium, Inc				4,590,000	6	0.40%
701 US One, Inc				3,600,000	7	0.32%
Pavilion Office Center				3,240,000	8	0.29%
Old Port Cove Dev.				3,163,597	9	0.28%
Developers of Northlake, Inc				3,143,442	10	0.28%
<b>Total</b>	<b>\$ 106,805,724</b>		<b>7.19%</b>	<b>\$ 73,438,496</b>		<b>6.48%</b>

**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
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%
2011	2010	10,793,319	10,097,289	93.55%	298,514	10,395,803	96.32%
2012	2011	10,424,715	9,992,145	95.85%	15,616	10,007,761	96.00%

**Source:** Palm Beach Country Property Appraiser

\* Information presented is preliminary due to county software upgrade problems.

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

Fiscal Year Ended <u>Sept 30.</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	Percent of Median Personal Income (1)	Per <u>Capita (1)</u>
	<u>Loans Payable</u>	<u>Capital Leases</u>	<u>Loans Payable</u>	<u>Capital Leases</u>			
2003	\$ 6,947,633	\$ 587,792	\$ 513,472	\$	\$ 8,048,897	N/A	\$ 660
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
2011			3,844,928	173,084	4,018,012	*6.26%	**345.22
2012			3,608,294	106,933	3,715,227	5.98%	303.51

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

\* 2010 Median Household Income was used for calculation - 2011 Income was not available due to agency software upgrades

\*\* 2010 Population was used for calculation - 2011's Population was not available due to agency software upgrades

(1) See the Schedule of Demographic and Economic Statistics on page 93 for personal income and population data.

N/A Data not available.

**VILLAGE OF NORTH PALM BEACH**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**SEPTEMBER 30, 2012**  
*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	\$ 207,340,000	1.20%	\$ 2,488,080
Palm Beach County School Board		1.13%	
Other debt:			
Palm Beach County	815,851,000	1.20%	9,790,212
Palm Beach County School Board	30,650,000	1.13%	<u>346,345</u>
Subtotal, overlapping debt			12,624,637
Village of North Palm Beach Direct Debt		100%	-
Total direct and overlapping debt			<u>\$ 12,624,637</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
2011	3,579,692	3,049,301	530,391	394,900	1.34
2012	3,590,211	2,932,743	657,468	394,900	1.66

(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)
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
2011 (estimate)	*	*	*	10.7
2012 (estimate)	12,241	62,121	49,117	**5.29

**Sources:** Business Development Board  
US Census Bureau

\* 2011 Demographic data is not available due to Agency Software upgrade that is not complete

**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>2012***</u>		<u>2003</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Palm Beach Country School Board	21,495	3.47%	18,677	3.19%
Palm Beach County Government	11,381	1.84%	9,000	1.54%
Tenet Health Care Corp (2)	6,100	0.98%	3,040	0.52%
NextEra Energy (Florida Power & Light)	3,635	0.59%	2,800	0.48%
G4S (Wachenhut Corp)	3,000	0.48%	-	
Hospital Corporation of America (HCA) (1)	2,714	0.44%	4,000	0.68%
Florida Alantic University	2,706	0.44%	-	
Bethesda Memorial Hospital	2,391	0.39%	1,800	0.31%
Office Depot	2,250	0.36%	-	
Boca Raton Regional Hospital	2,250	0.36%	-	
Boca Raton Resort & Club			2,380	0.41%
U.S. Sugar Corporation			2,200	0.38%
Florida Crystals			2,000	0.34%
The Breakers Hotel			1,800	0.31%
<b>Total</b>	<u>57,922</u>	<u>9.35%</u>	<u>47,697</u>	<u>8.15%</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.

**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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</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	0	0	0	0	0	0	0
Systems Specialist										
Full-Time	1	1	1	2	2	2	2	2	2	3
Part-Time	0	0	0	0	0	0	1	1	1	0
Executive Secretary - Full-Time	1	1	1	1	1	1	1	1	1	1
Human Resources				2	2	2	2	2	2	2
Village Clerk - Full-Time	3	3	3	3	3	3	3	3	3	3
Finance										
Full-time	5	5	5	5	5	5	5	5	5	5
Part-Time	0	0	0	0	0	1	1	1	1	1
Public Works										
Full-time	61	61	62	54	47	48	38	37	37	37
Part-Time	8	8	6	3	0	0	0	0	0	0
Public Safety										
Full-time	66	66	61	66	68	68	67	67	67	0
Part-Time	14	14	15	14	13	12	11	12	12	0
Law Enforcement										
Full-time	0	0	0	0	0	0	0	0	0	43
Part-Time	0	0	0	0	0	0	0	0	0	12
Fire Rescue										
Full-time	0	0	0	0	0	0	0	0	0	24
Part-Time	0	0	0	0	0	0	0	0	0	0
Community Development and Planning										
Full-time	0	0	0	0	9	10	9	9	9	8
Part-Time	0	0	0	0	1	1	2	2	2	2
Leisure Services										
Library										
Full-time	9	9	8	7	7	7	6	6	6	6
Part-Time	7	7	7	8	8	8	10	10	10	10
Recreation										
Full-time	6	6	5	15	15	17	9	7	6	6
Part-Time	14	14	15	31	39	42	42	42	43	43
Other Government - Country Club										
Full-time	25	25	24	18	19	18	5	5	7	5
Part-Time	27	27	27	24	25	22	21	21	64	56
<b>Total Number of Employees Budgeted FY Ending</b>	<b>249</b>	<b>249</b>	<b>242</b>	<b>254</b>	<b>265</b>	<b>268</b>	<b>236</b>	<b>234</b>	<b>279</b>	<b>268</b>

\* 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**  
*Unaudited*

FUNCTION/PROGRAM	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>GENERAL GOVERNMENT</b>										
Number of Parcels	-	-	-	-	7,411	7,422	7,472	7,466	7,466	7,473
<b>PUBLIC WORKS</b>										
Street Maintenance (No. of lane miles maintained)	31,155	31,155	31,155	31,155	31	31	31	31	31	31
Sanitation (Tons of Refuse Collected)	13,136	18,842	14,037	13,203	12,085	11,974	10,667	10,165	9,962	10,065
No. of collection units for solid waste (residential)	7,434	7,470	7,519	7,558	7,152	7,163	7,214	7,070	7,071	7,076
Number of vehicles maintained	95	95	95	95	104	104	110	110	98	98
Number of repair overlays completed (miles)	3.787	5.587	2.462	2.935	2	3	2.5	2.71	-	-
<b>PUBLIC SAFETY</b>										
Number of arrests by police officers	320	315	331	410	545	549	448	402	260	211
Number of traffic citations issued	2,564	3,110	5,743	4,272	4,269	5,520	6,305	4,951	2,564	2,566
EMS average response times (minutes)	2.94	4.42	3.98	4.69	4.73	5.17	5.01	5.12	5.19	5.26
Number of EMS calls	922	1,066	965	1,056	1,034	1,114	1,214	1,146	1,179	1,326
<b>COMMUNITY DEVELOPMENT &amp; PLANNING</b>										
Building Department - Number of Permits	224	201	201	(1)	1,875	1,619	1,548	1,744	1,616	1,835
Number of code enforcement violations	-	-	-	1,767	1,617	729	613	391	575	817
Number of code violations brought to board/magistrate (Calendar Yr End)	120	145	165	144	126	115	73	38	72	100
<b>RECREATION</b>										
Number of community events presented	14	15	22	21	24	23	28	28	38	49
Number of registrants in athletic programs	1,750	1,575	1,400	1,520	1,600	1,400	1,125	1,005	1,260	1,311
<b>LIBRARY</b>										
Library - Number of Volumes	47,960	47,531	54,074	47,371	42,372	33,122	35,681	39,277	40,658	43,340
<b>OTHER GOVERNMENT</b>										
Country Club										
Number of Golf Members	-	-	-	365	579	389	297	354	298	283
Number of Tennis Members	-	-	-	136	171	171	180	184	173	162

(1) 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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government										
No. of General Government Buildings	11	11	11	11	11	11	23	23	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	513	513	513	513	513
Public Safety										
Fire:										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Number of Fireman & Officers	8	8	8	0	0	0	0	0	0	0
Number of Firemen/Paramedics/EMTs	0	0	0	23	23	23	23	23	23	22
Police/EMS Protection:	0	0	0	0	0	0	0	0	0	1
Number of Stations										
Number of Policemen & Officers	1	1	1	1	1	1	1	1	1	1
EMS Protection	35	35	35	33	32	32	31	31	31	28
Leisure Services	0	0	0	0	0	0	0	0	0	2
Recreation	13	13	13	0	0	0	0	0	0	0
Number of Parks										
Public Tennis Courts										
Swimming Pool	4	4	4	4	4	4	4	4	4	4
Number of Marinas	4	4	4	2	2	2	2	2	2	2
Library	1	1	1	1	1	1	1	1	1	1
Number of Libraries	1	1	1	1	1	1	1	1	1	1
Number of Volumes	1	1	1	1	1	1	1	1	1	1
	47,960	47,531	54,074	47,371	42,372	33,122	35,681	39,277	40,658	43,340
Other Government										
Country Club										
Golf Course										
Driving Range										
Tennis Courts	1	1	1	1	1	1	1	1	1	1
Restaurant/Snack Bar	1	1	1	1	1	1	1	1	1	1
	10	10	10	10	10	10	10	10	10	10
	0	0	0	0	0	0	0	1	1	1
<b>Source:</b> Village of North Palm Beach	0	0	0	0	0	0	0	1	1	1

## 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*

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, 2012, which collectively comprise the Village of North Palm Beach, Florida's basic financial statements and have issued our report thereon dated March 19, 2013. 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

Management of the Village of North Palm Beach, Florida, is responsible for establishing and maintaining effective 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 19, 2013.

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 & Miner, P.A.*

March 19, 2013  
West Palm Beach, Florida



# NOWLEN, HOLT & MINER, P.A.

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## MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

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

We have audited the financial statements of the Village of North Palm Beach, Florida, as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated March 19, 2013.

We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Chapter 10.550, Rules of the Florida Auditor General. 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 19, 2013, should be considered in conjunction with this management letter.

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 reports.

### 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. In connection with our audit for the fiscal year ended September 30, 2012, 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, 2012, 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 or grant agreements, fraud, illegal acts, or abuse that have occurred, or are likely to have occurred, 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, 2012, we did not have any such findings.

### Matters Inconsequential to the Financial Statements

Rules of the Auditor General provide that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on 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, 2012, 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, 2012.

### 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, 2012, 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, 2012. In connection with our audit, we noted that the two reports were in substantial agreement.

Financial Condition Assessment Procedures

Pursuant to Rules of the Auditor General, we applied financial condition assessment procedures as of September 30, 2012. 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.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, management, the audit committee, Village Council, and federal and state awarding agencies and pass-through, and is not intended to be and should not be used by anyone other than these specified parties.

*Nowlen, Holt & Mimer, P.A.*

March 19, 2013  
West Palm Beach, Florida