

*Village of
North Palm Beach, FL*



***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

FISCAL YEAR ENDED SEPTEMBER 30, 2016

The Village of North Palm Beach, Florida



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2016

**Prepared by:
Finance Department**

**Samia Janjua
Director of Finance**

THE VILLAGE OF NORTH PALM BEACH, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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INTRODUCTORY SECTION



THE VILLAGE OF NORTH PALM BEACH

"THE BEST PLACE TO LIVE UNDER THE SUN"

March 23, 2017

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

The Finance Department and Village Manager's Office are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Village of North Palm Beach, Florida for the fiscal year ended September 30, 2016.

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 unmodified ("clean") opinion on the Village of North Palm Beach's financial statements for the year ended September 30, 2016. 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. The 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 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;
- determining compliance with finance-related laws, rules and regulations; and
- 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 is known for its abundance of waterfront property (lakes, canals, and the Atlantic Ocean) as well as other assets: Country Club with a golf course, driving range, pool, and tennis courts; four parks; marina; library; police and fire rescue stations; and a public elementary school.

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 Generally Accepted Accounting Principles (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 which 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 resulting 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 market trends in 2013 as well as in early 2014, it appears that there is new growth in our community. Both the State and South Florida, in particular, are enjoying resurgence in real estate activity, which has translated into annual gains in market prices for area homes.

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 to provide 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 have 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. The Village, with the assistance of the Village's Audit Committee, 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, along with the Village's Investment Advisor, continue to explore other investment opportunities that 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 have had a very positive financial impact on both plans. 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 health care,

the Village transitioned to a semi self-insured health program in 2012, which offers the potential for possible savings if claims are minimized. For 2017, the Village will continue its focus on Employee Wellness as a measure to help control health care costs and improve our opportunity for additional savings from our providers.

The impact of personnel salaries and benefits in the coming years will have a broad and continuing effect on future Village financing and service priorities in the areas of staffing, public services, and public projects. Approximately 75% of the annual budget is allotted for wages and fringe benefits.

INITIATIVES AND FUTURE PROJECTS

The FY2016/2017 budget reflects a renewed commitment and predictable funding for community infrastructure in areas such as roadways, neighborhood sidewalks, lighting, public buildings, and park facilities. The Village Council expanded the Capital Improvement Plan (CIP) from a five (5) year plan to a ten (10) year plan.

The Community Development Department provides Planning and Zoning, Code Compliance and Building services. The Department processed over 2,000 permits in FY 2016 including building permits, special events, zoning verification letters, right-of-way and zoning applications. Staff also performed in excess of 8,400 building and code compliance inspections. The Department continues to strive to improve its level of services for plan reviews, building inspections, code enforcement and zoning compliance. The Department will move ahead with the conversion of paper records to electronic records storage, resulting in a significant savings of staff's time and effort in records retrieval.

The Village adopted a Master Plan in 2016 regarding development and redevelopment over the next several years. Having in place a viable Master Plan as well as a clear definition of the highest and best use of properties on U.S. 1 and Northlake Boulevard will encourage developers to invest, culminating in increased Village revenues. Staff will proceed in actively implementing the Master Plan strategies as well as undertaking additional planning initiatives to include the Evaluation and Appraisal Report for the Comprehensive Plan.

The Parks and Recreation Department continues to offer programs for all age groups at each of its six (6) facilities. Anchorage Park will host diverse events in the upcoming year to include: movies in the park, food truck nights, 5K races, organized volleyball leagues, the Village's annual fishing tournament, and Heritage Day. The North Palm Beach Country Club Pool and Tennis facilities plan to offer a wide variety of leagues, training opportunities and tournaments as well as the July 4th fireworks program. In addition, the Department will provide youth sports training and leagues in baseball, soccer, flag football, volleyball, lacrosse and basketball. The Department will continue to sponsor bus trips throughout the year, ranging from local day activities to weekend excursions to Key West.

The Public Works Department is tasked with the oversight and management of Village sanitation, infrastructure, streets, facilities, equipment, and the roadways. This Department plays a major role in maintaining and expanding the focus on community appearance during the coming year. Public Works will continue to identify all safety concerns throughout our facilities. We are also analyzing all critical infrastructure needs in our facilities to determine future project priorities and best maintenance practices. Public Works will address currently identified infrastructure projects such as drainage improvements, road maintenance, building of a new country club, and parks improvements in the ten (10) year Capital Improvement Plan (CIP). Finally, Public Works has been engaged in a year-long project to convert our sanitation vehicles from rear-loading to front loader capability, which is expected to improve overall efficiency and decrease the number of Workers' Compensation claims.

The Police Department has focused on improvements in community policing/neighborhood outreach by conducting community meetings and high visibility, interactive and accessible-directed patrols. The Department continues to emphasize the importance of reducing crime in the Village by designing out crime, utilizing advanced technology to analyze trends that deter future crime locations based on predictive policing concepts, and crime suppression through Transitional Neighborhood Teams. The CALEA re-accreditation process is currently in the final phase of the three-year cycle with plans to continue with the new accreditation cycle beginning in July of 2017. The Police Department budget includes funding for the purchase/replacement of needed marked patrol vehicles and unmarked detective vehicles.

The Police Department was ranked #15 of Florida Safest Cities by the National Council for Home Safety and Security due to a significant decrease in overall crime as well as an increase in our clearance rate. Our intention is to build upon that success in 2017. The Police Department will seek available Body Worn Camera grant opportunities and participate in a partnership with The State Attorney's Office on the Sober Homes Taskforce. Also, the Department will remain involved in the BVP (Ballistic Vest Program) and FDOT (Florida Department of Transportation) grant opportunities and will seek to improve and enhance our weapons and tactical training programs for all sworn law enforcement officers.

Fire Rescue has experienced an annual increase in calls for service since 2011 with the majority (77%) being medical in nature. We continue to support the annual Hands-Only CPR initiative as a charter provider. Our fire inspector provides existing business inspections, fire code enforcement, and plans review and site inspections of new projects. This proactive approach to fire prevention has resulted in decreased incidents of commercial responses. In FY2017, a 2010 ambulance was replaced with a new, state-of-the-art unit. Through the 10-year CIP, we anticipate replacing older apparatus on a rolling schedule that will allow us to maintain high quality service to our residents and guests.

The Human Resources Department is committed to fostering a work environment that attracts quality applicants and encourages employees to perform at the highest level in support of the Village's goals and objectives. In accordance with the Council's direction to "continuously improve the way the Village operates", the Department strives to promulgate policies and procedures that are consistent across all administrative functions while remaining current, relevant and compliant with local, state and federal labor and personnel laws. Having implemented a new performance evaluation system for personnel in the Fire Rescue Department in 2016, Human Resources plans to expand the pay for performance initiative to encompass other employee groups in 2017, specifically to include Police Department personnel. In addition, Human Resources will focus on offering diverse training programs and related opportunities to staff members in the areas of Business Etiquette and Professionalism, Cultural Diversity, Conflict Resolution, Office Safety, Progressive Discipline, Drug-Free/Alcohol-Free Workplace, etc. Lastly, the Department, in its role of managing Workers' Compensation (W/C) cases in conjunction with the W/C insurance carrier, is working with the Gehring Group's risk management team to seek solutions for lowering W/C costs and provide a more positive claims experience for all stakeholders.

The Library is focused on building a strategic relationship with the Conservatory school. To accomplish this, initial steps include issuing each student a Library card and having classes visit the Library weekly to checkout materials and listen to stories. We are currently streamlining processes and procedures, upgrading outdated equipment, and reorganizing various departments. Additionally, we have purchased Rosetta Stone language learning software and a new PC Reservation system, both of which are expected to increase membership and circulation and to ease access to our collections. We anticipate that these upgrades will generate a more positive, enjoyable library experience for our members.

The Information Technology Department is involved in numerous projects for the upcoming year: preparing the Village for Phase Two of the LPR (License Plate Recognition) systems, Police laptop encryption, Country Club renovation and installations for temporary facilities, Library computer lab automation, and upgrading the Village's phone system. The IT Department has also implemented ArchiveSocial to retrieve and archive all of the Village's social media outlets.

The North Palm Beach Country Club will undergo a multi-million dollar renovation that includes a new clubhouse and ancillary facilities for members, residents, guests, and non-members alike. The new facility will have multiple dining options, a splash park for juniors, updated administrative offices, a new pool deck with updated shade structures, multipurpose rooms, locker rooms and an updated golf shop sizable to the demand of a golf course that supports approximately 42,000+ annual rounds. The goal of the Golf Operations Department is to continue to provide first class service at a Jack Nicklaus Signature municipal facility and expand upon our broad range of programming to juniors, women, seniors, beginners, and families as well as avid golfers. The Golf Operations Department will budget for needed repairs and upgrades to the facilities to include the driving range lighting, golf course renovations, on course restroom structures, and updated maintenance buildings. The major focus for FY 2017 will center on the clubhouse remodeling, with an emphasis for long-range planning as it affects the future of golf in the Village and in South Florida.

The Administration continues its ongoing implementation of an optical records storage system (Laserfiche) that allows Village departments to transition - over time - from paper records to optically stored records. These systems are now widely used by governments and meet all State record storage requirements. Optical storage permits digital "look up" of any optical record "at will" through the convenience of a simple computer search. It should be noted that the cost is relatively modest when considering the time savings benefits and customer service improvements.

The Administration created a Facebook page that has been an outlet to release traffic issues, upcoming events and information to residents. The Village Newsletter expanded its advertising options and increased revenue to offset the costs of printing and postage.

For Fiscal Year 2016-2017, the Village Council reiterated its primary objective to sustain the Village as the "Best Place to Live Under the Sun." As part of that objective, the Council developed the following goals to guide the budget process:

1. Provide a sustainable financial base for the Village
2. Maintain quality of all recreational facilities of the Village
3. Maintain a high quality of life and improve the overall appearance in the Village
4. Build a new Country Club Clubhouse
5. Implement the Master Plan for business economic development in our commercial corridors and community development in our neighborhoods
6. Continuously improve the way the Village operates
7. Complete the implementation of the Pay for Performance System
8. Establish a long-term (10-year) capital plan

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. To substantiate that this requirement has been met, the independent auditor's report is included in this report.

Awards

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, 2015, the 28th consecutive year the Village has received this award. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the governmental unit must publish an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We expect our current CAFR will meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

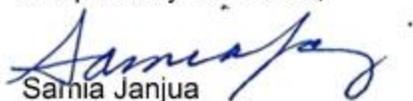
The GFOA also presented a **Distinguished Budget Presentation Award** to the Village for its annual budget for the fiscal year beginning October 1, 2015, the 8th consecutive year the Village has received this award (previously this award had not been received since 1995). The Distinguished Budget Presentation Award is a prestigious national award that recognizes conformance with the highest principles of governmental budgeting. In order to qualify for the Distinguished Budget Presentation Award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services from the entire staff of the Finance Department.

We would like to thank the Mayor and Council for their unfailing support for maintaining the highest standards of professionalism in the management of the Village of North Palm Beach's finances.

Respectfully submitted,



Samia Janjua
Interim Village Manager / Director of Finance

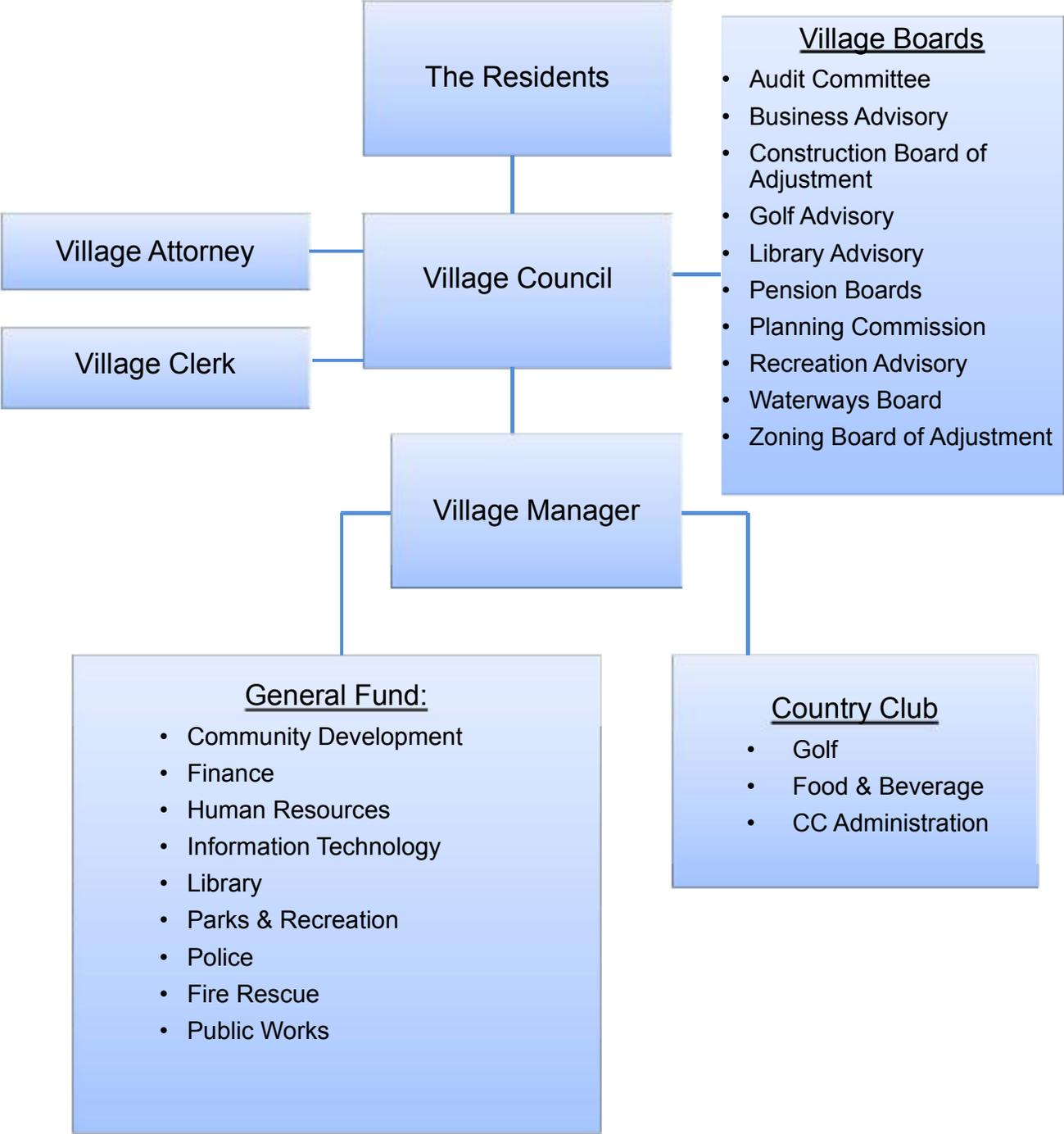
THE VILLAGE OF NORTH PALM BEACH, FLORIDA

PRINCIPAL VILLAGE OFFICIALS

SEPTEMBER 30, 2016

<u>Title</u>	<u>Name</u>
Mayor	David B. Norris
Vice Mayor	Doug Bush
President Pro Tem	Darryl C. Aubrey
Council Member	Mark Mullinix
Council Member	Robert A. Gebbia
Village Manager	James P. Kelly
Director of Finance	Samia Janjua
Village Clerk	Melissa Teal

Village of North Palm Beach Organizational Structure





Government Finance Officers Association

**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, 2015

Executive Director/CEO

FINANCIAL SECTION



NOWLEN, HOLT & MINER, P.A.

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RICHARD E. BOTTS, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2016, and the related notes to the financial statements, which collectively comprise the Village of North Palm Beach, Florida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13, Pension and Other Postemployment Benefit trend information on pages 73 through 77, and budgetary comparison information on pages 78 through 79 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of North Palm Beach, Florida's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Section 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2017, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of North Palm Beach, Florida's internal control over financial reporting and compliance.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
March 15, 2017

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, 2016. 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 #
	2016	2015		
Total net position	\$23.47	\$23.43	\$0.04	14
Unrestricted net position available for future use	\$7.10	\$6.71	\$0.39	14
Governmental net position	\$21.18	\$21.05	\$0.13	14
Total revenues from all sources	\$25.58	\$24.25	\$1.33	15
Governmental revenues	\$21.81	\$20.45	\$1.36	15
Total cost of all Village programs	\$25.53	\$25.43	\$0.10	15
Governmental revenues over (under) expenses	\$0.12	(\$1.13)	\$1.25	16
General fund revenues over (under) expenses	\$1.74	\$0.51	\$1.23	19
General fund unassigned fund balance	\$10.72	\$10.80	(\$0.08)	17
As a percent of general fund expenditures	54.18%	55.03%	-0.85%	
Country Club revenues over (under) expenses	(\$0.08)	(\$0.04)	(\$0.04)	22
Change in total long-term debt for the Village	(\$0.29)	(\$0.40)	\$0.11	

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 Position 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 ON THE VILLAGE AS A WHOLE

Statement of Net Position 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 Position 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, deferred outflows of resources, liabilities and deferred inflows of resources 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 position and changes therein. Net position, the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, is one way to measure the Village's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating.

The Statement of Net Position 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 types 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 available for spending remaining at year-end. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can be converted to cash readily. 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; a fund may also 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 is combined into a single column for an aggregated presentation. The basic governmental fund financial statements can be found on pages 17-20 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 Position and the Statement of Activities. The basic proprietary fund financial statements can be found on pages 21-23 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 24-25 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village, the net position was \$23.47 million at the close of the most recent fiscal year.

A significant portion of the Village's net position (68.08%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt still outstanding, which was used to acquire those assets. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	\$ 15,122	\$ 14,995	\$ 858	\$ 829	\$ 15,980	\$ 15,824
Capital assets	14,102	14,711	4,551	4,787	18,653	19,498
Total assets	29,224	29,706	5,409	5,616	34,633	35,322
Deferred outflows of resources:	3,951	1,649			3,951	1,649
Liabilities:						
Current liabilities	1,125	1,567	197	144	1,322	1,711
Long-term liabilities	10,305	8,087	2,913	3,094	13,218	11,181
Total liabilities	11,430	9,654	3,110	3,238	14,540	12,892
Deferred inflows of resources:	566,166	644			566,166	644
Net position:						
Net investment in capital assets	14,102	14,711	1,880	1,834	15,982	16,545
Restricted	399	177			399	177
Unrestricted	6,678	6,168	419	545	7,097	6,713
Total net position	\$ 21,179	\$ 21,056	\$ 2,299	\$ 2,379	\$ 23,478	\$ 23,435

Governmental Activities

The cost of all governmental activities this year was \$21.69 million. As shown on Table 3, Changes in Net Position, those who directly benefited from the programs paid for \$3.53 million of this cost and \$18.28 million was financed through general revenues. Governmental activities increased the Village's net position by \$0.12 million, thereby accounting for 100% of the total increase in the net position of the Village.

Additional detail is shown in Table 3, which follows on the subsequent page.

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

	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	Activities	Activities
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 3,530	\$ 3,353	\$ 3,721	\$ 3,789	\$ 7,251	\$ 7,142
Operating grants and contributions	366	380			366	380
Capital grants and contributions	229	27			229	27
General revenues:						
Property taxes	12,254	11,365			12,254	11,365
Local option gas taxes	288	282			288	282
Utility service taxes	2,303	2,267			2,303	2,267
Sales and use taxes	1,364	1,332			1,364	1,332
Franchise taxes	1,264	1,253			1,264	1,253
Investment earnings	103	109	9	11	112	120
Miscellaneous	60	57			60	57
Gain on asset disposals	48	30	36		84	30
Total revenues	<u>21,809</u>	<u>20,455</u>	<u>3,766</u>	<u>3,800</u>	<u>25,575</u>	<u>24,255</u>
Expenses:						
Program expenses:						
General Government	2,985	3,029			2,985	3,029
Public Safety	9,309	9,311			9,309	9,311
Public Works	5,106	4,964			5,106	4,964
Community Development & Planning	1,382	1,309			1,382	1,309
Leisure Services	2,905	2,973			2,905	2,973
Country Club			3,845	3,843	3,845	3,843
Total expenses	<u>21,687</u>	<u>21,586</u>	<u>3,845</u>	<u>3,843</u>	<u>25,532</u>	<u>25,429</u>
Increase (decrease) in net position	122	(1,131)	(79)	(43)	43	(1,174)
Net position - beginning of year	<u>21,056</u>	<u>22,187</u>	<u>2,379</u>	<u>2,422</u>	<u>23,435</u>	<u>24,609</u>
Net position - end of year	<u>\$ 21,178</u>	<u>\$ 21,056</u>	<u>\$ 2,300</u>	<u>\$ 2,379</u>	<u>\$ 23,478</u>	<u>\$ 23,435</u>

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)

	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 2,985	\$ (2,850)	\$ 3,029	\$ (2,894)
Public safety	9,309	(8,345)	9,311	(8,424)
Public works	5,106	(4,520)	4,964	(4,424)
Community development and planning	1,382	(169)	1,309	(145)
Leisure services	2,905	(1,678)	2,973	(1,939)
Interest on long-term debt				
	<u>\$ 21,687</u>	<u>\$ (17,562)</u>	<u>\$ 21,586</u>	<u>\$ (17,826)</u>

At the end of the current year, as compared to the prior year, the total cost of services increased by \$0.10 million. This change in cost can be broken down as follows:

- General Government decreased by \$0.04 million due to savings in election and insurance expenses.
- Public Works increased by \$0.14 million due to an increase in personnel related costs.
- Community Development increased by \$0.07 million due to updating the Village Master Plan.

Business-Type Activities

At the end of the current year, as compared to the prior year, Charges for Services (revenues) for the Business-type activities decreased by \$68,279 and expenses increased by \$21,183. Net position of the Proprietary Fund (Country Club) at September 30, 2016, was \$2.29 million. Net position decreased by \$79,351 in the current year vs. \$43,415 in the prior year, resulting in a negative impact of \$35,936.

The negative impact in the Village's Business-type activities was largely due to increased expenses in the Restaurant operations. The decrease in the Charges for Services was offset by decreased expenses in the Golf operations. The Enterprise Fund is on solid financial footing; however, there are serious infrastructure issues related to the clubhouse that need to be addressed. The Village is in the process of the construction of a new clubhouse; therefore, no major repairs to the current building are budgeted in the upcoming year.

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 \$13.80 million, a \$0.58 increase over the 2015 fund balance of \$13.22 million. Approximately 95% of the combined ending fund balance (\$13.04 million) constitutes unrestricted (unassigned/assigned) fund balance, which is available for spending at the government's discretion. The remainder of fund balance (\$0.76 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 \$10.72 million while the General Fund total fund balance was \$11.64 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 54% of total general fund expenditures, while total fund balance represents 59% of that same amount.

The general fund unassigned fund balance (\$10.72 million) represents a decrease of \$.08 million over the 2015 unassigned general fund balance of \$10.80 million. The decrease is largely due to the Village utilizing \$0.02 million from its General Fund unassigned fund balance to provide matching funds for a Recreational Grant.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$519,889 and can be briefly summarized as follows:

- Small Business Grant Carryover (\$6,435)
- Prior Year Open Purchase Order Carryover (\$313,454)
- Use of General Fund Unassigned Fund Balance – Grant Match (\$200,000)

General Fund Budget Analysis

As shown on pages 80-82 of this report, in the Schedule of Departmental Expenditures – Budget and Actual, there was an overall favorable budget to actual cost variance of \$27,797 in General Fund Departmental Expenditures. The areas of significant budget to actual variances for the General Fund expenditures are summarized below:

- The negative variance in Public Safety (\$345,150) is a result of the increase in personnel-related costs.
- During the budgeting process, various assumptions, along with previous year costs, are used in the development of the current year budget for operating costs. To counter the increase in employee compensation costs, the Village Manager directed Department Directors to reduce spending in a manner that would minimize the impact on our residents. The Directors did an

admirable job identifying areas to cut operating costs resulting in favorable budget variances (*The actual costs came in well under the projected budgeted amount...overall budget to actual savings in operating costs of \$589,057*). The areas of significant budgetary savings for the General Fund operating costs are summarized below:

- Repair and maintenance costs (\$194,408)
- Fuel costs for Village vehicles (\$107,127)
- Materials & Supplies (\$246,578)

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 \$1.65 million, a \$0.16 million increase over the 2015 fund balance of \$1.49 million. This is primarily due to the transfer of funds from General Fund to finance several 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, 2016 and 2015 amounts to \$18.65 million and \$19.50 million, respectively (net of accumulated depreciation).

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 2,056	\$ 2,056	\$ 1,051	\$ 1,051	\$ 3,107	\$ 3,107
Construction in progress	21	267	228		249	267
Buildings and improvements	23,590	23,136	1,405	1,405	24,995	24,541
Improvements other than buildings			272	272	272	272
Improvements - golf course			5,824	5,824	5,824	5,824
Furniture, fixtures and equipment	7,891	7,503	308	783	8,199	8,286
Total assets	33,558	32,962	9,088	9,335	42,646	42,297
Less accumulated depreciation	(19,455)	(18,251)	(4,537)	(4,547)	(23,992)	(22,798)
Net position	<u>\$ 14,103</u>	<u>\$ 14,711</u>	<u>\$ 4,551</u>	<u>\$ 4,788</u>	<u>\$ 18,654</u>	<u>\$ 19,499</u>

Additional information on the Village's capital assets can be found in Note 5 on pages 45 through 46 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 \$2.68 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-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Loans payable			\$ 2,685	\$ 2,825	\$ 2,685	\$ 2,825
Capital leases				148		148
Total	<u>\$</u>	<u>\$</u>	<u>\$ 2,685</u>	<u>\$ 2,973</u>	<u>\$ 2,685</u>	<u>\$ 2,973</u>

Additional information on the Village's debt can be found in Note 6 on pages 47 through 48 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 decreased to \$10.72 million during the current 2016 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 Position
September 30, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,656,492	\$ 699,461	\$ 5,355,953
Investments	9,074,710		9,074,710
Accounts receivable	439,346	17,830	457,176
Accrued interest	18,945		18,945
Inventories	148,060	116,074	264,134
Prepays	210,546	10,599	221,145
Due from other governments	174,704		174,704
Restricted assets:			
Cash and cash equivalents	398,519		398,519
Intangible assets, net of amortization		13,854	13,854
Capital assets:			
Nondepreciable	2,077,060	1,279,129	3,356,189
Depreciable (net of depreciation)	12,025,487	3,272,351	15,297,838
Total assets	29,223,869	5,409,298	34,633,167
Deferred outflows of resources			
Pension related items	3,951,014		3,951,014
Total deferred outflows of resources	3,951,014		3,951,014
Liabilities			
Accounts payable	725,109	85,036	810,145
Accrued liabilities	229,975		229,975
Unearned revenue	169,471	111,565	281,036
Accrued interest payable		56,079	56,079
Noncurrent liabilities:			
Due within one year	863,482	341,300	1,204,782
Due in more than one year	9,441,764	2,516,171	11,957,935
Total liabilities	11,429,801	3,110,151	14,539,952
Deferred inflows of resources			
Unearned revenue	194,835		194,835
Pension related items	371,331		371,331
Total deferred inflows of resources	566,166		566,166
Net position			
Net investment in capital assets	14,102,547	1,880,421	15,982,968
Restricted for:			
Recreation	297,695		297,695
Streets and roads	44,839		44,839
Public safety	6,010		6,010
Library	47,629		47,629
Other purposes	2,346		2,346
Unrestricted	6,677,850	418,726	7,096,576
Total net position	\$ 21,178,916	\$ 2,299,147	\$ 23,478,063

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Activities
For the Year Ended September 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Activities</u>
Government:		
Governmental activities		
General government	\$ 2,985,185	\$ 128,459
Public safety	9,308,778	628,529
Public works	5,106,651	565,011
Community development and planning	1,382,121	1,213,032
Leisure services	2,904,715	994,918
Total governmental activities	<u>21,687,450</u>	<u>3,529,949</u>
Business-type activities - country club	<u>3,845,547</u>	<u>3,720,573</u>
Total business-type activities	<u>3,845,547</u>	<u>3,720,573</u>
Total government	<u><u>\$ 25,532,997</u></u>	<u><u>\$ 7,250,522</u></u>

Program Revenues		Net Expense (Revenue) and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ 7,246		\$ (2,849,480)	\$	\$ (2,849,480)
315,209	19,840	(8,345,200)		(8,345,200)
21,206		(4,520,434)		(4,520,434)
		(169,089)		(169,089)
22,162	209,321	(1,678,314)		(1,678,314)
<u>365,823</u>	<u>229,161</u>	<u>(17,562,517)</u>		<u>(17,562,517)</u>
			(124,974)	(124,974)
			<u>(124,974)</u>	<u>(124,974)</u>
<u>\$ 365,823</u>	<u>\$ 229,161</u>	<u>(17,562,517)</u>	<u>(124,974)</u>	<u>(17,687,491)</u>

General Revenues:

Taxes:				
Property taxes		12,253,917		12,253,917
Local option gas taxes		288,150		288,150
Utility service taxes		2,303,294		2,303,294
Franchise taxes		1,263,812		1,263,812
Sales and use taxes		1,363,954		1,363,954
Investment income - unrestricted		103,353	9,230	112,583
Miscellaneous		60,026		60,026
Gain on disposal of equipment		48,114	36,393	84,507
Total general revenues		<u>17,684,620</u>	<u>45,623</u>	<u>17,730,243</u>
Change in net position		122,103	(79,351)	42,752
Net position, beginning of year		<u>21,056,813</u>	<u>2,378,498</u>	<u>23,435,311</u>
Net position, end of year		<u>\$ 21,178,916</u>	<u>\$ 2,299,147</u>	<u>\$ 23,478,063</u>

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2016

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 2,252,510	\$ 1,852,993	\$ 550,989	\$ 4,656,492
Investments	9,074,710			9,074,710
Accounts receivable	439,346			439,346
Accrued interest	18,945			18,945
Inventories	148,060			148,060
Prepays	210,546			210,546
Due from other funds	18,320	44,028		62,348
Due from other governments	148,757		25,947	174,704
Restricted cash and cash equivalents	353,019	45,500		398,519
Total assets	<u>\$ 12,664,213</u>	<u>\$ 1,942,521</u>	<u>\$ 576,936</u>	<u>\$ 15,183,670</u>
Liabilities, deferred inflows of resources, and fund balances				
Liabilities				
Accounts payable	\$ 426,054	\$ 292,948	\$ 6,107	\$ 725,109
Accrued liabilities	229,975			229,975
Due to other funds			62,348	62,348
Unearned revenue	169,471			169,471
Total liabilities	<u>825,500</u>	<u>292,948</u>	<u>68,455</u>	<u>1,186,903</u>
Deferred inflows of resources				
Unearned revenue	194,835			194,835
Total deferred inflows of resources	<u>194,835</u>			<u>194,835</u>
Fund balances				
Nonspendable:				
Inventories and prepays	358,606			358,606
Restricted for:				
Recreation	252,195	45,500		297,695
Streets and roads	44,839			44,839
Police	6,010			6,010
Library	47,629			47,629
Other purposes	2,346			2,346
Assigned for:				
Small business grants	23,935			23,935
Subsequent year's expenditures	184,269			184,269
Special revenue funds			508,481	508,481
Capital project funds		1,604,073		1,604,073
Unassigned	10,724,049			10,724,049
Total fund balances	<u>11,643,878</u>	<u>1,649,573</u>	<u>508,481</u>	<u>13,801,932</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,664,213</u>	<u>\$ 1,942,521</u>	<u>\$ 576,936</u>	<u>\$ 15,183,670</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 Position
September 30, 2016

Fund balances - total governmental funds		\$ 13,801,932
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Amounts reported for governmental activities in the statement of net position 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	\$ 33,558,198	
Less: accumulated depreciation	<u>(19,455,651)</u>	
		14,102,547

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)	
Net pension liability	(6,583,056)	
Other postemployment benefits	(2,476,294)	
Accrued compensated absences	<u>(1,195,896)</u>	
		(10,305,246)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds:

Pension related deferred outflows	3,951,014	
Pension related deferred inflows	<u>(371,331)</u>	
		<u>3,579,683</u>

Net position of governmental activities		<u>\$ 21,178,916</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, 2016

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 16,109,173	\$	\$	\$ 16,109,173
Licenses and permits	1,235,782			1,235,782
Intergovernmental	1,435,796		330,040	1,765,836
Charges for services	2,364,013			2,364,013
Fines and forfeitures	91,534			91,534
Investment	103,353			103,353
Miscellaneous	191,250			191,250
Total revenues	<u>21,530,901</u>	<u></u>	<u>330,040</u>	<u>21,860,941</u>
Expenditures				
Current				
General government	2,876,521			2,876,521
Public safety	8,819,747		310,200	9,129,947
Public works	4,266,749			4,266,749
Community development and planning	1,351,061			1,351,061
Leisure services - recreation	2,448,164			2,448,164
Capital outlay	31,067	1,148,297	29,885	1,209,249
Total expenditures	<u>19,793,309</u>	<u>1,148,297</u>	<u>340,085</u>	<u>21,281,691</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,737,592</u>	<u>(1,148,297)</u>	<u>(10,045)</u>	<u>579,250</u>
Other financing sources (uses)				
Transfers in		1,303,750	200,000	1,503,750
Transfers out	(1,503,750)			(1,503,750)
Total other financing sources (uses)	<u>(1,503,750)</u>	<u>1,303,750</u>	<u>200,000</u>	<u></u>
Net change in fund balances	233,842	155,453	189,955	579,250
Fund balances				
Beginning of year	11,410,036	1,494,120	318,526	13,222,682
End of year	<u>\$ 11,643,878</u>	<u>\$ 1,649,573</u>	<u>\$ 508,481</u>	<u>\$ 13,801,932</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, 2016

Net change in fund balances - total governmental funds		\$ 579,250
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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:</p>		
Expenditures for capital assets	\$ 1,048,627	
Less: current year depreciation	<u>(1,605,708)</u>	(557,081)
<p>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:</p>		
Net book value for retired assets		(51,388)
<p>Expenses that do not use current financial resources are not reported on the governmental funds but are included in the statement of activities:</p>		
Change in long-term compensated absences	70,823	
Change in net pension liability and related deferred amounts	346,739	
Change in other postemployment benefits	<u>(266,240)</u>	<u>151,322</u>
Change in net position		<u><u>\$ 122,103</u></u>

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Net Position
Proprietary Fund
September 30, 2016

	Enterprise
Assets	
Current assets	
Cash and cash equivalents	\$ 699,461
Accounts receivable	17,830
Inventories	116,074
Prepays	10,599
Total current assets	843,964
Non-current assets	
Intangible asset, net	13,854
Capital assets, net	4,551,480
Total non-current assets	4,565,334
Total assets	5,409,298
Liabilities	
Current liabilities	
Accounts payable	85,036
Deposits	
Unearned revenue	111,565
Accrued interest payable	56,079
Compensated absences - current portion	46,013
Loans payable - current portion	295,287
Total current liabilities	593,980
Non-current liabilities	
Other postemployment benefits	112,021
Compensated absences	14,524
Loans payable	2,389,626
Total non-current liabilities	2,516,171
Total liabilities	3,110,151
Net position	
Net investment in capital assets	1,880,421
Unrestricted	418,726
Total net position	\$ 2,299,147

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended September 30, 2016

	Enterprise
Operating revenue	
Greens fee/cart rentals/membership fees	\$ 2,294,659
Golf shop revenues	326,280
Driving range revenues	322,208
Restaurant revenues	761,379
Miscellaneous	16,047
Total operating revenues	3,720,573
Operating expenses	
Golf course maintenance expenses	1,124,053
Clubhouse grounds expenses	77,263
Golf shop expenses	970,648
Food and beverage expenses	1,032,370
Administrative and general	92,440
Insurance	51,889
Depreciation and amortization	380,001
Total operating expenses	3,728,664
Operating income (loss)	(8,091)
Nonoperating revenues (expenses)	
Interest revenue	9,230
Gain on disposal of equipment	36,393
Interest expense	(116,883)
Total nonoperating revenues (expenses)	(71,260)
Change in net position	(79,351)
Net position - beginning	2,378,498
Net position - ending	\$ 2,299,147

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, 2016

	Enterprise
Cash flows from operating activities:	
Receipts from customers	\$ 3,728,102
Payments to suppliers for goods or services	(2,215,987)
Payments to employees for services	(1,030,809)
Net cash provided by operating activities	481,306
Cash flows from capital and related financing activities:	
Proceeds from the sale of capital assets	144,999
Principal paid on long term debt	(287,841)
Interest paid on debt	(60,804)
Acquisition of capital assets	(247,212)
Net cash provided (used) by capital and related financing activities	(450,858)
Cash flows from investing activities:	
Interest and dividends on investments	9,230
Net increase (decrease) in cash and cash equivalents	39,678
Cash and cash equivalents at beginning of year	659,783
Cash and cash equivalents at end of year	\$ 699,461
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ (8,091)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	380,001
Change in assets and liabilities	
Decrease in accounts receivable	173
Decrease in inventory	9,197
Increase in prepaids	(4,158)
Increase in accounts payable	45,798
Decrease in deposits	(8,700)
Increase in compensated absences payable	35,762
Increase in deferred revenue	16,056
Increase in other postemployment benefits	15,268
Total adjustments	489,397
Net cash provided by operating activities	\$ 481,306

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2016

	Employee Retirement Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 526,798	\$ 363,177
Investments:		
Domestic common equity securities	10,052,421	
International common equity securities	1,458,062	
U.S. Government and agencies	1,042,726	
Municipal bonds	206,383	
Corporate bonds	3,384,990	
Fixed income exchange traded funds	3,107,648	
Equity exchange traded funds	2,522,701	
Fixed income mutual funds	1,618,531	
Equity mutual funds	6,002,869	
Real estate investment fund	2,244,002	
Money market mutual funds	1,243,821	
Accrued interest and dividends	51,294	
Accounts receivable	59,223	
Accounts receivable, broker-dealers	34,848	
Prepays	1,609	
Total assets	33,557,926	363,177
Liabilities		
Accounts payable	73,742	
Accounts payable, broker-dealers	43,842	
Due to others		363,177
Total liabilities	117,584	363,177
Net position restricted for pensions	\$ 33,440,342	\$

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended September 30, 2016

	<u>Employee Retirement Funds</u>
Additions	
Contributions	
Employer	\$ 1,428,451
Plan members	325,545
State on-behalf payments	310,200
Total contributions	<u>2,064,196</u>
Investment earnings	
Dividends and interest	864,858
Net increase in fair value of investments	<u>1,965,851</u>
Total investment earnings	2,830,709
Less: investment expenses	<u>193,444</u>
Total net investment earnings	<u>2,637,265</u>
Total additions	<u>4,701,461</u>
Deductions	
Administrative expense	101,761
Benefits	985,167
Total deductions	<u>1,086,928</u>
Change in net position	3,614,533
Net position - beginning	<u>29,825,809</u>
Net position - ending	<u><u>\$ 33,440,342</u></u>

See notes to the financial statements.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

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.

As required by generally accepted accounting principles, these financial statements include the Village (the primary government) and its component units. Component units are legally separate entities for which the Village is financially accountable. The Village is financially accountable if:

- it appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization, or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Village, or
- the organization is fiscally dependent on the Village and (1) there is a potential for the organization to provide specific financial benefits to the Village or (2) impose specific financial burdens on the Village.

Organizations for which the Village is not financially accountable are also included when doing so is necessary in order to prevent the Town’s financial statements from being misleading.

Based upon application of the above criteria, the Village of North Palm Beach has determined that there are two legally separate entities to consider as potential component units. The Village of North Palm Beach General Employees’ Retirement Fund and the Village of North Palm Beach Fire and Police Retirement Fund are component units as they are fiscally dependent on and impose a specific financial burden on the Village. They are reported in the Village’s financial statements as pension trust funds in the fiduciary funds financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all 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, 2016

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 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, 2016

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.

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.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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 needed.

D. Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents

Cash and cash equivalents consist of petty cash, deposits in checking accounts, money market mutual funds, and investments with Florida Prime managed by the State of Florida, State Board of Administration. All money market mutual funds are registered as a 2a-7 fund with the SEC and reported at amortized cost. Deposits in Florida Prime are generally available for withdrawal by the Village on a next day basis and are therefore considered cash equivalents. Florida Prime is an external investment pool administered by the State of Florida, which operates as a "2a7-like" pool under GASB Statement No. 31. As such, the pool uses amortized cost for valuation of the pool shares and the fair value of the shares in the pool is the same as the Village's investment in the pool shares.

For purposes of determining cash equivalents, the Village has defined its policy concerning the treatment of short-term investments to include investments with a maturity of three months or less when purchased, as cash equivalents if management does not plan to reinvest the proceeds. Short-term investments that management intends to rollover into similar investments are considered part of the investment portfolio and are classified as investments.

Accounts Receivable

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Concentration of Credit Risk

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

Investments

Investments are reported at fair value as required by generally accepted accounting principles. The fair value of an investment is the amount that the Village could reasonably expect to receive for it in a current sale between a willing buyer and a willing seller, other than in a forced or liquidation sale. Purchases and sales of investments are recorded on a trade date basis.

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). The costs of governmental fund type inventory are recorded as expenditures when consumed rather than when purchased. 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.

Payments made to vendors for services that will benefit future periods are reported as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting an expenditure in the year in which the services are consumed.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position 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 is determined by the fund's 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 position. 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, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred Outflows and Inflows of Resources

The statement of net position includes a separate section for deferred outflows of resources. This represents the usage of net position applicable to future periods and will not be recognized as expenditures until the future period to which it applies. The Village reports deferred pension items in connection with its two Retirement Systems. These deferred pension charges are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods.

The statement of net position also includes a separate section, listed below total liabilities, for deferred inflows of resources. This represents the acquisition of net position applicable to future periods and will not be recognized as revenue until the future period to which it applies. The Village currently has two types of deferred inflows. The first is local business tax revenues received prior to the period for which the taxes are levied, these are recognized as income in the period for which they are levied. The second is deferred pension items in connection with its two Retirement Systems. These items are amortized in a systemic and rational method and recognized as a reduction of pension expense in future periods.

Unearned Revenue

The Village reports unearned revenue on its statements of net position and governmental funds balance sheet. Unearned revenue arises when resources are obtained prior to revenue recognition. In subsequent periods, when revenue recognition criteria are met the unearned 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 the amounts have matured, for example, as a result of employee resignations or retirements. For the governmental funds, compensated absences are liquidated by the General Fund.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

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 Position

Equity in the government-wide statement of net position and the proprietary fund is displayed in three categories: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. 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. Restricted net position is reported when there are legal limitations imposed on their use by Village legislation or external restrictions by other governments, creditors, or grantors. Unrestricted net position consists of all net position that does not meet the definition of either of the other three components.

Fund Equity

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Village is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balance is reported under the following categories:

- 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.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Equity (Continued)

- 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.
- 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, in accordance with the Villages fund balance policy, that are neither considered restricted nor committed. The Small Business Grants is a program the Village Council approved in the prior fiscal year to provide matching grants of up to \$7,500 for improvements to small business properties.
- Unassigned fund balance is the residual fund balance classification for the general fund. It is also used to report negative fund balances in other governmental funds.

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, deferred inflows and outflows, 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.

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

depreciation, the annual appropriated budgets for the Enterprise Funds are adopted on a basis consistent with generally accepted accounting principles. For budgeting purposes, current year encumbrances are not treated as expenditures.

The procedures for establishing budgetary data are as follows:

- In July of each year, the Village Manager submits a proposed operating budget to the Council for the next fiscal year commencing the following October 1st. The proposed budget includes expenditures and the means of financing them.
- During the months of July, August and September, the Council holds public meetings to obtain taxpayer comments.
- Upon completion of the public hearings and prior to October 1st, 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. Any change to the total fund 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 or contracts) outstanding at year end are reported assigned fund balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. The General Fund had \$184,269 and the Capital Projects Fund had \$342,144 in outstanding encumbrances at year-end.

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 1st of each year during the budget process.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

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

B. Property Taxes (Continued)

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, 2016, was 7.3300 (\$7.3300 for each \$1,000 of assessed valuation).

Taxes may be paid less a 4% discount in November or at declining discounts each month through the month of February. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Delinquent taxes on real property bear interest at 18% per year. On or prior to June 1st 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, 2016, unpaid delinquent taxes are not material and have not been recorded by the Village.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2016, the carrying amount of the Village's deposits (including fiduciary funds) was \$5,841,071 and the bank balances totaled \$6,036,979. 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 OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

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

By Category:	
Deposits	\$ 5,841,071
Petty cash	6,350
Investments	<u>42,755,890</u>
Total deposits and investments	<u><u>\$48,603,311</u></u>
Presented in the statement of net position	
Governmental activities	
Cash and cash equivalents	\$ 4,656,492
Restricted cash and cash equivalents	398,519
Investments	9,074,710
Business-type activities	
Cash and cash equivalents	<u>699,461</u>
Total statements of net position	<u><u>14,829,182</u></u>
Presented in the statement of fiduciary net position	
Pension trust funds	
Cash and cash equivalents	526,798
Investments	32,884,154
Agency funds	
Cash and cash equivalents	<u>363,177</u>
Total fiduciary funds	<u><u>33,774,129</u></u>
Total deposits and investments	<u><u>\$48,603,311</u></u>

Investments

In 2016, the Village implemented GASB *Statement No. 72, Fair Value Measurement and Application* issued in February 2015. The Village categorizes its investments according to the fair value hierarchy established by this Statement. The hierarchy is based on valuation inputs used to measure the fair value of the asset as follows: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs to include quoted prices for similar assets in active and non-active markets; Level 3 inputs are significant unobservable inputs.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The money market mutual funds consist of investments with financial institutions in open end, institutional, money market funds complying with Securities and Exchange Commission (SEC) Rule 2a7. Rule 2a7 allows SEC registered mutual funds to use amortized cost rather than fair value to report net assets used to compute share prices if certain conditions are met. Those conditions include restrictions on the types of investments held, restrictions on the term-to-maturity of individual investments and the dollar-weighted average of the portfolio, requirements for portfolio diversification, and requirements for divestiture considerations in the event of security downgrades and defaults, and required actions if the fair value of the portfolio deviates from amortized cost by a specified amount.

The investment in Florida Prime consists of equity in an external, “2a7-like” investment pool managed by the State of Florida that was available to be withdrawn by the Village on an overnight basis. The fair value of the position in Florida Prime was considered to be the same as the Village’s account balance (amortized cost) in the pool. As of September 30, 2016, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

Money market mutual funds and Florida Prime are exempt from the GASB 72 fair value hierarchy disclosures.

Equity securities, exchange traded funds, and mutual funds classified in Level 1 of the fair value hierarchy are valued based on prices quoted in active markets for those securities. Debt securities classified in level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing values securities based on the securities relationship to benchmark quoted prices.

The American Core Realty Fund, LLC is a diversified open-end commingled fund that invests primarily in high quality core income-producing office, industrial, retail, and multi-family properties. This fund is an alternative investment vehicle valued using the net asset value (NAV) provided by the investment manager of this fund. The NAV is based on the value of the underlying assets owned by the fund minus its liabilities and then divided by the number of shares or percentage of ownership outstanding. The NAV’s unit price is quoted on a private market that is not active. Investments valued at NAV are excluded from the fair value hierarchy because the valuation is not based on actual market inputs but rather is quantified using the fund’s reported NAV.

Redemptions from the fund may be made quarterly upon ten days’ notice. The units that are subject to a redemption notice may be redeemed in full or in installments on a pro-rata basis as funds become available for such redemptions and are subject to the availability of cash flow arising from investment transactions, sales and other fund operations occurring in the normal course of business. The fund is not required to liquidate or encumber assets or defer investments in order to satisfy redemption requests.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The value of this alternative investment is not necessarily indicative of the amount that could be realized in a current transaction. The fair value may differ significantly from the value that would have been used had a ready market for the underlying fund existed, and the differences could be material. Future confirming events will also affect the estimates of fair value and the effect of such events on the estimated fair value could be material.

As of September 30, 2016, the Village held the following investments:

	Weighted Average Maturity	Fair Value	Fair Value Measurement	
			Level 1	Level 2
<i><u>Governmental Funds</u></i>				
U.S. Government and Agency Mortgage Backed Securities	1.73 Years	\$ 5,272,019	\$	\$ 5,272,019
Municipal Bonds	2.65 Years	741,865		741,865
Domestic Corporate Bonds	2.75 Years	183,371		183,371
International Corporate Bonds	1.85 Years	1,646,989		1,646,989
	2.37 Years	1,069,929		1,069,929
<i><u>Fiduciary Funds</u></i>				
U.S. Government and Agency Mortgage Backed Securities	6.76 Years	740,856		740,856
Municipal Bonds	15.25 Years	301,870		301,870
Domestic Corporate Bonds	15.82 Years	206,383		206,383
International Corporate Bonds	9.05 Years	2,860,572		2,860,572
Domestic Common Equity Securities	6.02 Years	524,418		524,418
International Common Equity Securities	N/A	10,052,421	10,052,421	
Fixed Income ETF	N/A	1,458,062	1,458,062	
Equity ETF	N/A	3,107,648	3,107,648	
Fixed Income Mutual Funds	N/A	2,522,701	2,522,701	
Equity Mutual Funds	N/A	1,618,531	1,618,531	
		6,002,869	6,002,869	
		<u>38,310,504</u>	<u>\$ 24,762,232</u>	<u>\$ 13,548,272</u>
Investments Reported at NAV				
<i><u>Fiduciary Funds</u></i>				
American Core Realty Fund	N/A	2,244,002		
Investments Reported at Amortized Cost:				
<i><u>Governmental Funds</u></i>				
Money Market Mutual Funds	N/A	160,537		
Florida Prime	50 Days	514,373		
<i><u>Fiduciary Funds</u></i>				
Money Market Mutual Funds	N/A	1,526,474		
Total Investments		<u>\$ 42,755,890</u>		

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit risk – Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Village’s investment policies limit its investments to high quality investments to control credit risk. The table below outlines the Village’s credit ratings for investments with certain investments not specifically rated by both S&P and Moody’s.

Investments:	S&P Rating	Moody’s Rating	Fair Value
<i><u>Governmental Funds</u></i>			
U.S. Government and Agency	AA+	Aaa	\$ 5,272,019
Mortgage Backed Securities	AAA to AA+	Aaa	741,865
Municipal Bonds	AA-	Aaa	183,371
Domestic Corporate Bonds	AA to A-	Aaa to A2	1,646,989
International Corporate Bonds	AAA to A+	Aaa to Aa3	1,069,929
Money Market Mutual Funds	NR	NR	160,537
Florida Prime	AAAm	NR	514,373
<i><u>Fiduciary Funds</u></i>			
U.S. Government and Agency	NR	Aaa	740,856
Mortgage Backed Securities	NR	NR	301,870
Municipal Bonds	AAA to AA	Aa2 to Aa3	206,383
Domestic Corporate Bonds	AAA to BBB	Aaa to Baa3	2,860,572
International Corporate Bonds	AA- to A+	Aa1 to Aa3	524,418
Common Equity Securities	NR	NR	11,510,483
Exchange Traded Funds	NR	NR	5,630,349
Mutual Funds	NR	NR	7,621,400
American Core Realty Fund	NR	NR	2,244,002
Money Market Mutual Funds	NR	NR	1,526,474
Total Investments			<u>\$ 42,755,890</u>

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the time to maturity, the greater the exposure to interest rate risks.

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Custodial credit risk – 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 or collateral securities that are in the possession of an outside party. The Village’s investments are held by a third party custodian, not in the name of the Village. Investments are held in book entry form at the Federal Reserve by Depository Trust Company (DTC) via the custodian. The custodian further segregates the Village’s investments in their trust accounting system. The investments in mutual funds and investment partnerships are considered unclassified pursuant to the custodial credit risk categories of GASB Statement No. 3, because they are not evidenced by securities that exist in physical or book-entry form.

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 it 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.

Investing in Foreign Markets – Investing in foreign markets may involve special risks and considerations not typically associated with investing in companies in the United States of America. These risks include revaluation of currencies, high rates of inflation, repatriation restrictions on income and capital, and future adverse political, social, and economic developments. Moreover, securities of foreign governments may be less liquid, subject to delayed settlements, taxation on realized or unrealized gains, and their prices are more volatile than those of comparable securities in U.S. companies.

Investing in Real Estate. – The Village is subject to the risks inherent in the ownership and operation of real estate. These risks include, among others, those normally associated with changes in the general economic climate, trends in the industry including creditworthiness of tenants, competition for tenants, changes in tax laws, interest rate levels, the availability of financing and potential liability under environmental and other laws.

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 OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Authorized Investments (Continued)

The Village is authorized to invest its funds as follows:

1. Banks, Qualified Public Depositories with a collateral pledge level of twenty-five percent or fifty percent;
2. U.S Treasury obligations and obligations the principal and interest of which are backed or guaranteed by the full faith and credit of the U.S Government;
3. Debt obligations, participations or other instruments issued or fully guaranteed by any U.S. Federal agency, instrumentality or government sponsored enterprise,
4. Supra-Nationals, U.S. dollar denominated debt obligations of a multilateral organization of governments where the U.S. is a shareholder and voting member with a minimum credit quality rating of A-1/P-1, AA-/Aa3 or equivalent,
5. U.S. dollar denominated corporate notes, bonds or other debt obligations issued or guaranteed by a domestic or foreign corporation, financial institution, non-profit or other entity with a minimum credit quality rating of A-1/P-1, A-/A3 or equivalent,
6. Obligations, including both taxable and tax - exempt, issued or guaranteed by any State, territory or possession of the United States, political subdivision, public corporation, authority, agency board, instrumentality or other unit of local government of any State or territory with a minimum credit quality rating of SP-1/MIG 1, A-/A3 or equivalent,
7. Mortgage- backed securities (MBS), backed by residential, multi-family or commercial mortgages, that are issued or fully guaranteed as to principal and interest by a U.S. Federal agency or government sponsored enterprise, including but not limited to pass-throughs, collateralized mortgage obligations (CMOs) and REMICs,
8. Asset-backed securities (ABS) whose underlying collateral consists of loans, leases or receivables, including but not limited to auto loans /leases, credit card receivables, student loans, equipment loans /leases, or home-equity loans with a minimum credit quality rating of A-1/P-1, AAA/Aaa or equivalent,
9. U.S. dollar denominated commercial paper issued or guaranteed by a domestic or foreign corporation, company, financial institution, trust or other entity, including both unsecured debt and asset-backed programs with a minimum credit quality rating of A-1/P-1 or equivalent,
10. Shares in open-end and no-load money market mutual funds, provided such funds are registered under the Investment Company Act of 1940 and operate in accordance with Rule 2a-7 with a minimum credit quality rating of AAAm/Aaa-mf or equivalent,
11. State, local government or privately- sponsored investment pools that are authorized pursuant to state law with a minimum credit quality rating of AAAm/Aaa-mf or equivalent.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Authorized Investments (Continued)

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

1. Interest-bearing time deposits in qualified public depositories, as defined in Chapter 280, Florida Statutes;
2. 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;
3. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency minimum credit quality rating of A-1 from S&P or P-1 from Moody's;
4. Obligations issued by the U.S. Government or obligations guaranteed by agencies or instrumentalities of the U.S. Government;
5. Foreign Securities, including convertible bonds, convertible preferred issues and preferred stock;
6. Equities, including publically traded REITS, commodities, convertible bonds, convertible preferred issues and preferred stock. Foreign security convertibles are limited to those that settle in U.S. dollars and are traded on one or more of the nationally recognized national exchanges.
7. Bonds 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 the issues are traded on any one (1) or more of the recognized national stock exchanges or over the counter and holds a minimum credit rating of BBB from S&P or Baa from Moody's, except that up to 20% of the fixed income portfolio may be held in securities that do not meet this criteria. The weighted average quality rating of the portfolio will be A or better and the effective duration of the portfolio shall be kept within 20% of Barclays Aggregate Index;
8. Comingled stock, bond or money market funds.
9. 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;
10. Other investments authorized by law or by ordinance by the Village.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Authorized Investments (Continued)

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 issued by the U.S. Government, or an agency or instrumentality of the U.S. Government, as well as obligations guaranteed by agencies or instrumentalities of the U.S. Government, including mortgage-related or asset-backed securities;
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;
5. Fixed income investments defined as preferred issues and fixed income securities provided all issues shall meet or exceed S&P's A or Moody's A credit rating;
6. Money market funds, defined as fixed income securities having a maturity of less than one year provided all issues shall meet or exceed S&P's A1 or Moody's P1 credit rating;
7. Bonds issued by the State of Israel;
8. Purchases in commingled real estate funds.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 4 – RECEIVABLES

Receivables at September 30, 2016, were as follows:

	<u>General Fund</u>	<u>Country Club</u>	<u>Total</u>
Utility franchise fees & taxes	\$ 383,010	\$	\$ 383,010
Conroy Drive assessment	3,474		3,474
Other accounts receivable	<u>52,862</u>	<u>17,830</u>	<u>70,692</u>
Total accounts receivable	<u>\$ 439,346</u>	<u>\$ 17,830</u>	<u>\$ 457,176</u>

NOTE 5 – CAPITAL ASSETS

Capital Assets activity for the year ended September 30, 2016, was as follows:

Primary Government

Governmental Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 2,055,889	\$	\$	\$	\$ 2,055,889
Construction in progress	266,708	282,084	(527,621)		21,171
Capital assets being depreciated:					
Buildings	9,241,935	171,900			9,413,835
Improvements	13,894,420	400,699	(119,139)		14,175,980
Machinery and equipment	3,090,260	276,585	(147,027)		3,219,818
Vehicles	<u>4,413,449</u>	<u>444,980</u>	<u>(186,924)</u>		<u>4,671,505</u>
Total at historical cost:	<u>32,962,661</u>	<u>1,576,248</u>	<u>(980,711)</u>		<u>33,558,198</u>
Less accumulated depreciation for:					
Buildings	(5,467,024)	(258,777)			(5,725,801)
Improvements	(7,869,223)	(896,046)	119,139		(8,646,130)
Machinery and equipment	(1,985,863)	(188,988)	147,027		(2,027,824)
Vehicles	<u>(2,929,535)</u>	<u>(261,897)</u>	<u>135,536</u>		<u>(3,055,896)</u>
Total accumulated depreciation	<u>(18,251,645)</u>	<u>(1,605,708)</u>	<u>401,702</u>		<u>(19,455,651)</u>
Governmental activities capital assets, net	<u>\$ 14,711,016</u>	<u>\$ (29,460)</u>	<u>\$ (579,009)</u>	<u>\$</u>	<u>\$ 14,102,547</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 5 – CAPITAL ASSETS (Continued)

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

Governmental activities:

General government	\$ 90,058
Public safety	370,571
Public works	677,700
Community development	23,243
Leisure services	444,136
	<u>1,605,708</u>

Total depreciation expense, governmental activities

\$1,605,708

Business-type activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 1,051,311	\$	\$	\$	\$ 1,051,311
Construction in progress		227,818			227,818
Capital assets being depreciated:					
Buildings	1,405,035				1,405,035
Improvements	6,095,930				6,095,930
Machinery and equipment	369,092	19,394	(143,919)		244,567
Vehicles	413,627		(349,927)		63,700
Total at historical cost:	<u>9,334,995</u>	<u>247,212</u>	<u>(493,846)</u>	<u></u>	<u>9,088,361</u>
Less accumulated depreciation for:					
Buildings	(1,063,286)	(25,827)			(1,089,113)
Improvements	(2,867,690)	(302,665)			(3,170,355)
Machinery and equipment	(317,991)	(16,977)	112,771		(222,197)
Vehicles	(298,191)	(29,494)	272,469		(55,216)
Total accumulated depreciation	<u>(4,547,158)</u>	<u>(374,963)</u>	<u>385,240</u>	<u></u>	<u>(4,536,881)</u>
Business-type activities capital assets, net	<u>\$ 4,787,837</u>	<u>\$ (127,751)</u>	<u>\$ (108,606)</u>	<u>\$</u>	<u>\$ 4,551,480</u>

Construction Commitments

The governmental activities has an agreement for the design and construction administration services for the new Country Club for \$962,000.

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, 2016

NOTE 6 – LONG TERM LIABILITIES

Change in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental activities:					
Claims and settlements	\$ 50,000	\$	\$	\$ 50,000	\$
OPEB (see Note 13)	2,210,054	266,240		2,476,294	
Net pension liability (see Note 8)	4,561,092	2,021,964		6,583,056	
Compensated absences payable	1,266,719	1,056,794	(1,127,617)	1,195,896	863,482
Total	\$ 8,087,865	\$ 3,344,998	\$ (1,127,617)	\$ 10,305,246	\$ 863,482
Business-type activities:					
Loans payable	\$ 2,824,987	\$	\$ (140,074)	\$ 2,684,913	\$ 295,287
Capital leases	147,767		(147,767)		
OPEB (see Note 13)	96,753	15,268		112,021	
Compensated absences payable	24,775	55,840	(20,078)	60,537	46,013
Total	\$ 3,094,282	\$ 71,108	\$ (307,919)	\$ 2,857,471	\$ 341,300

Governmental activities other postemployment benefit obligations, compensated absences and net pension liabilities are expected to be paid out of the general fund.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 6 – LONG TERM LIABILITIES (Continued)

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, 2016, the principal amount outstanding was \$2,684,913 and was for the purpose of business-type activities.

Annual debt service requirements to maturity are as follows:

Business-type activities:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 295,287	\$ 102,872	\$ 398,159
2018	307,719	90,440	398,159
2019	320,677	77,482	398,159
2020	333,990	64,169	398,159
2021	348,241	49,918	398,159
2022 - 2024	1,078,999	59,303	1,138,302
	<u>\$ 2,684,913</u>	<u>\$ 444,184</u>	<u>\$ 3,129,097</u>

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. In the fiscal year ending September 30, 2014, SERMA was dissolved and the outstanding claims were transferred to the Village's current workman's compensation administrator. As part of the dissolution, the Village received \$33,846 from SERMA as its portion of the claims reserve balance, this was recorded as an accrued liability in the General Fund. At this time, the Village believes that the \$59,343 recorded in the General Fund along with the \$50,000 recorded as a long-term liability is adequate to cover the outstanding claims.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 7 – RISK MANAGEMENT

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

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

The Village is covered by Florida Statutes under the Doctrine of Sovereign Immunity which effectively limits the amount of liability of municipalities to individual claims of \$200,000/\$300,000 for all claims relating to the same incident. However, under certain circumstances, a plaintiff can seek to recover damages in excess of statutory limits by introducing a claims bill to the Florida Legislature. The limits addressed in Florida Statutes do not apply to claims filed in federal courts.

There have been no significant reductions in insurance coverage in the prior year. No settlements exceeded insurance coverage for the past three years.

NOTE 8 – EMPLOYEE RETIREMENT PLANS

The Village maintains the following two separate single employer defined benefit plans: Village of North Palm Beach Fire and Police Retirement Fund (F&P), covering firefighters and police officers, and Village of North Palm Beach General Employees Retirement Fund (GERF), 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 issued separate stand-alone financial statements for the year ended September 30, 2016, the report may be obtained from the Village Clerk, at the Village of North Palm Beach, 501 U.S. Highway 1, North Palm Beach, Florida 33408. The General Employees Plan does not issue separate financial statements.

Each plan has its own board that acts as plan administrator and trustee: The Fire and Police Retirement Fund Board of Trustees consists of five members (5); four (4) of whom were elected by a majority of the members of the plan. Two (2) of the elected members are certified firefighters of the Village and two (2) are certified police officers of the Village. The fifth member of the board is a legal resident of the Village and is appointed by the Village council. The General Employees Retirement Board consists of five members (5); two (2) of whom were employees elected by a majority of the members of the plan, two (2) of the members is a legal resident of the Village and appointed by the Village council, the two (2) council appointed members of the Board shall appoint a member of the general public who has never been employed by the Village to serve as the fifth member of the Board. Each plan's assets may only be used for the payment of benefits to the members and beneficiaries of the plan in accordance with the terms of each plan document. The costs of administering each plan are financed in the appropriate pension trust fund.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Retirement Plans

Basis of Accounting. The retirement plans are reported on the accrual basis of accounting. The plans' fiduciary net position have been determined on the same basis used by the pension plans. 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.

Investments Concentrations. There were no investments representing concentrations of 5% or more of net plan assets in investments that are not issued or guaranteed by the U.S. government.

PLAN DESCRIPTION, INVESTMENT AND CONTRIBUTION INFORMATION

The following schedule is provided for general information purposes only and is derived from the respective actuarial reports and Village information for the two retirement plans. 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, 2015:

	<u>GERF</u>	<u>F&P</u>
Inactive Plan Members or Beneficiaries		
currently receiving benefits	27	25
Inactive Plan Members entitled to but		
not yet receiving benefits	41	9
Active Plan Members	<u>40</u>	<u>53</u>
Total	<u>108</u>	<u>87</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

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. The Plan is also governed by certain provisions of Part VII, Chapter 112, Florida Statutes and the Internal Revenue Code. The Plan provides retirement benefits as well as death benefits. All full time general employees who are not sworn police officers or firefighters shall become members of the system on October 1st following completion of 12 months of employment as a condition of employment. For those employees retired before February 1, 1982, those employees hired after September 30, 2000, or those employees hired before October 1, 2000, who elect to contribute an extra 2%, a 3% Cost of Living increase is paid annually from the Plan. Authority to establish and amend the benefit provisions of the plan rests with the Village Council.

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

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

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 the 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.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

General Employees' Retirement System (Continued)

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.

"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.

Asset Allocation. The plan's adopted asset allocation policy as of September 30, 2016, is as follows:

Asset Class	Target Allocation
Domestic equity	45%
International equity	15
Domestic bonds	40
Total	100%

Rate of Return. For the year ended September 30, 2016, the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 9.72 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

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. 2015-05. The Plan is also governed by certain provisions of Part VII, Chapter 112, Florida Statutes and the Internal Revenue Code. The plan provides retirement benefits as well as death and disability benefits. All benefits vest after ten years of credited service. All fulltime police officers or firefighters are eligible for membership immediately upon hire. Previously, members were not eligible until October 1st following completion of 12 months of employment. Cost of living adjustments (COLA) are provided annually each October 1, to reflect changes in CPI (subject to maximum increases or decreases of 3% per year). Authority to establish and amend the benefit provisions of the plan rests with the Village Council. Employees become eligible for normal retirement benefits after attaining the age of 55, or the date on which the member attains age 52 and 25 credited years of service. Previously, employees became eligible for normal retirement benefits after attaining the age of 55, only. The normal retirement benefit consists of ten years certain and life thereafter, with other options available, (subject to cost of living adjustments not to exceed 3% a year), of 2.5% of AME times the years of credited services, with a maximum benefit of 60% of AME. Members are eligible for non-service connected disability, after ten years of credited service and a total and permanent disability. For service connected disability, a total and permanent disability with no service requirement, the disability benefit consists of a ten year certain and life annuity that can be provided by the single-sum value of the member’s accrued pension benefit, 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.

Asset Allocation. The plan’s adopted asset allocation policy as of September 30, 2016, is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	50%
International equity	10
Domestic bonds	30
Real estate	10
Total	100%

Rate of Return. For the year ended September 30, 2016, the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 8.25 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

Fire and Police Retirement System

Contributions. Firefighter members are required to contribute 3.50% from April 1, 2015 to March 31, 2016 and 5.00% thereafter of their basic compensation to the plan. Non-collectively bargained Police Officer are required to contribute 2% their basic compensation. Collectively bargained Police Officer members are required to contribute 4.00% 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 approved 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 \$310,200 during the fiscal year ended September 30, 2016.

All Retirement Plans

Net Pension Liability. The components of net pension liability of the Village on September 30, 2016 were as follows:

	General Employees	Fire and Police
Total pension liability	\$ 16,487,216	\$ 22,602,715
Plan fiduciary net position	(13,500,269)	(19,940,073)
Village's net pension liability	\$ 2,986,947	\$ 2,662,642
Plan fiduciary net position as a percentage of total pension liability	81.88%	88.22%

The pension liability of the General Employees plan increased by a net of \$928,295 due to assumption changes in the discount rate, investment rate of return, inflation rate, salary scale, and the withdrawal and mortality rates.

The pension liability of the Fire and Police plan decreased by a net of \$1,223,780 due to assumptions changes in the salary scale, normal retirement rates, discount rate, investment rate of return, withdrawal and mortality rates, and the actuarial cost method.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

All Retirement Plans

Actuarial Assumptions . The total pension liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 using the following actuarial assumptions applied to the September 30, 2016 measurement period.

	<u>General Employees</u>	<u>Fire and Police</u>
Inflation	2.75%	2.50%
Salary increases	Service based	Service based
Investment rate of return	6.75%	7.85%
Mortality	Female: RP2000, 100%Annuitant White Collar, Scale BB Male: RP2000, 50%Annuitant White Collar/50% Annuitant Blue Color, Scale BB	Female: RP2000 Generational, 100%Annuitant White Collar, Scale BB Male: RP2000 Generational, 10%Annuitant White Collar/90% Annuitant Blue Color, Scale BB

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included the pension plan's target asset allocation as of September 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	
	<u>General Employees</u>	<u>Fire and Police</u>
Domestic equity	6.75%	7.50%
International equity	6.75%	8.50%
Domestic bonds	2.00%	2.50%
Real estate	N/A	4.50%

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

All Retirement Plans

Discount Rate. The discount rate used to measure the total pension liability was 6.75 percent for the General Employees Retirement Fund and 7.85 percent for the Fire and Police Retirement Fund. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liabilities of the Village, calculated using the discount rates above, as well as what the Village's net pension liabilities would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate.

General Employees' Retirement System

	1% Decrease	Current Discount Rate	1% Increase
	5.75%	6.75%	7.75%
Village's net pension liability	<u>\$ 5,436,118</u>	<u>\$ 2,986,947</u>	<u>\$ 972,220</u>
<i><u>Fire and Police Retirement System</u></i>			

	1% Decrease	Current Discount Rate	1% Increase
	6.85%	7.85%	8.85%
Village's net pension liability	<u>\$ 5,938,411</u>	<u>\$ 2,662,642</u>	<u>\$ (17,797)</u>

All Retirement Plans

The Village's total pension liability, plan fiduciary net position, net pension liability, pension related deferred outflows and inflows, and pension expense for the fiscal year ended September 30, 2016, are reported using a measurement date of September 30, 2015.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

All Retirement Plans

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2015 using the following actuarial assumptions applied to the September 30, 2015, measurement period.

	<u>General Employees</u>	<u>Fire and Police</u>
Inflation	4.00%	3.00%
Salary increases	5.50%	6.00%
Investment rate of return	7.50%	7.90%
Mortality	RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected to all future years after 2000 using Scale AA	RP-2000 Table with no projection - Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
	<u>General Employees</u>	<u>Fire and Police</u>	<u>General Employees</u>	<u>Fire and Police</u>
Domestic equity	45%	50%	6.97%	7.95%
International equity	15	10	5.60%	8.00%
Domestic bonds	40	30	4.44%	2.7%
Real estate	<u>N/A</u>	<u>10</u>	N/A	6.00%
Total	<u>100%</u>	<u>100%</u>		

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

All Retirement Plans

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent for the General Employees Retirement Fund and 7.90 percent for the Fire and Police Retirement Fund. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

General Employees' Retirement System

Changes in Net Pension Liability

Using a measurement date of September 30, 2015, the components of the net pension liability reported by the Village at September 30, 2016, were as follows:

Description	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2014	\$ 13,812,555	\$ 11,929,879	\$ 1,882,676
Changes due to:			
Service cost	317,676		317,676
Interest	1,048,746		1,048,746
Difference between expected and actual experience	(329,040)		(329,040)
Employer contributions		464,189	(464,189)
Employee contributions		125,738	(125,738)
Benefit payments and refunds	(293,890)	(293,890)	
Net investment income		(96,116)	96,116
Administrative expenses		(20,655)	20,655
Total changes	<u>743,492</u>	<u>179,266</u>	<u>564,226</u>
Balances at September 30, 2015	<u>\$ 14,556,047</u>	<u>\$ 12,109,145</u>	<u>\$ 2,446,902</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

General Employees' Retirement System (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Village's net pension liability	\$ 4,428,759	\$ 2,446,902	\$ 793,236

Pension expense and deferred outflows and inflows of resources

For the fiscal year ended September 30, 2016, the Village recognized pension expense of \$369,221. In addition, the Village reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	\$ 800,947	\$ 164,158
Differences between expected and actual experience		207,173
Village plan contributions subsequent to the measurement date	458,615	
Total	\$ 1,259,562	\$ 371,331

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

General Employees' Retirement System (Continued)

Pension expense and deferred outflows and inflows of resources (Continued)

The deferred outflows of resources totaling \$458,615 resulting from Village contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the plan will be recognized in pension expense as follows:

<u>Year ended September 30:</u>	<u>Amount</u>
2017	\$ 23,651
2018	60,212
2019	145,517
2020	200,236
2022	
Thereafter	
	<u>\$ 429,616</u>

Fire and Police Retirement System

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

	1% Decrease	Current Discount Rate	1% Increase
	6.90%	7.90%	8.90%
Village's net pension liability	<u>\$ 7,202,336</u>	<u>\$ 4,136,154</u>	<u>\$ 1,605,361</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

Fire and Police Retirement System (Continued)

Changes in Net Pension Liability

Using a measurement date of September 30, 2015, the components of the net pension liability reported by the Village at September 30, 2016, were as follows::

Description	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2014	\$ 19,469,263	\$ 16,790,847	\$ 2,678,416
Changes due to:			
Service cost	810,654		810,654
Interest	1,555,518		1,555,518
Change in excess state money	67,645		67,645
Differences between expected and actual experience	483,189		483,189
Changes of benefit terms	1,682		1,682
Employer contributions		975,733	(975,733)
Employer contributions-state		298,340	(298,340)
Employee contributions		151,450	(151,450)
Employee contributions buy back	65,446	65,446	
Benefit payments and refunds	(600,579)	(600,579)	
Net investment income		111,884	(111,884)
Administrative expenses		(76,457)	76,457
Total changes	<u>2,383,555</u>	<u>925,817</u>	<u>1,457,738</u>
Balances at September 30, 2015	<u>\$ 21,852,818</u>	<u>\$ 17,716,664</u>	<u>\$ 4,136,154</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

Fire and Police Retirement System (Continued)

Pension expense and deferred outflows and inflows of resources

For the fiscal year ended September 30, 2016, the Village recognized pension expense of \$1,312,101. In addition, the Village reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on plan investments	\$ 832,938	\$
Differences between expected and actual experience	402,658	
Change of assumptions	175,820	
Village plan contributions subsequent to the measurement date	<u>1,280,036</u>	
Total	<u>\$ 2,691,452</u>	<u>\$</u>

The amounts reported as a change of assumptions resulted from lowering the investment rate of return from 8% to 7.9%

The deferred outflows of resources totaling \$1,280,036 resulting from Village contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the plan will be recognized in pension expense as follows:

<u>Year ended September 30:</u>	<u>Amount</u>
2017	\$ 310,224
2018	310,225
2019	310,226
2020	365,045
2021	115,696
Thereafter	<u>\$ 1,411,416</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

All Retirement Plans

Summarized information

The Village’s total pension liability, plan fiduciary net position, net pension liability, pension related deferred outflows and inflows, and pension expense for the fiscal year ended September 30, 2016, using a measurement date of September 30, 2015, are as follows:

	<u>General Employees</u>	<u>Fire and Police</u>	<u>Total</u>
Total pension liability	\$ 14,556,047	\$ 21,852,818	\$ 36,408,865
Plan fiduciary net position	12,109,145	17,716,664	29,825,809
Net pension liability	2,446,902	4,136,154	6,583,056
Deferred outflows of resources	1,259,562	2,691,452	3,951,014
Deferred inflows of resources	371,331		371,331
Pension expense	379,922	1,312,101	1,692,023

At September 30, 2016, the Village did not have any payables to the General Employees or to the Fire and Police plans for outstanding contributions.

NOTE 9 – 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, 2016, \$310,200 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, 2016

NOTE 10 – PENSION PLAN FINANCIAL INFORMATION

Generally accepted accounting principles (GAAP) requires that financial statements for individual pension plans be presented in the notes to the financial statements of the primary government if separate GAAP financial reports have not been issued. The General Employees' pension fund does not have a separate GAAP report issued, and the financial information as of September 30, 2016, is presented below.

STATEMENT OF FIDUCIARY NET POSITION

	General Employees' Pension
Assets	
Cash and cash equivalents	\$ 282,653
Investments:	
Fixed income exchange traded funds	3,107,648
Equity exchange traded funds	2,482,676
Fixed income mutual funds	1,618,531
Equity mutual funds	6,002,869
Accrued dividends and interest	4,315
Accounts receivable	12,554
Total assets	13,511,246
Liabilities	
Accounts payable	10,977
Net position	
Held in trust for pension benefits and other purposes	\$ 13,500,269

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 10 – PENSION PLAN FINANCIAL INFORMATION (Continued)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	General Employees’ Pension
Additions	
Contributions	
Employer	\$ 458,615
Plan members	126,947
Total contributions	585,562
Investment earnings	
Dividends and interest	379,460
Net (decrease) in the fair value of investments	832,260
Less investment expense	(50,190)
Total investment earnings	1,161,530
Total additions	1,747,092
Deductions	
Administration	24,794
Benefits	331,174
Total deductions	355,968
Change in net position	1,391,124
Net position - beginning	12,109,154
Net position - ending	\$ 13,500,269

NOTE 11 – 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. If an employee terminates before becoming fully vested, forfeited amounts will be used to reduce future Village contributions. No loans are permitted by the plan.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 11 – DEFINED CONTRIBUTION PLAN (Continued)

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, 2016, is listed below:

	<u>Directors</u>	<u>General Employees</u>	<u>Municipal Employees</u>	<u>Total</u>
Employee contributions	\$ 34,164	\$ 40,302	\$ 50,699	\$ 125,165
Village pension expense	87,545	141,236	139,388	368,169
Forfeitures	16,601	5,945	17,209	39,755
Payable as of fiscal year end	-	-	-	-

NOTE 12 – 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.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 12 – DEFERRED COMPENSATION PLAN ASSETS (Continued)

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 13 – OTHER POSTEMPLOYMENT 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 position/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 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 VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 13 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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	\$ 225,452
Interest on normal cost	9,019
Amortization	151,336
Interest on amortization	<u>6,053</u>
Annual required contribution (ARC)	<u>391,860</u>
Interest on net unfunded OPEB obligation	92,272
Adjustment to ARC	<u>(133,403)</u>
Annual OPEB cost	350,729
Contributions made	<u>(69,221)</u>
Increase in net OPEB obligation	281,508
Net OPEB obligation October 1, 2015	<u>2,306,807</u>
Net OPEB obligation September 30, 2016	<u>\$ 2,588,315</u>

Trend Information

<u>Three-Year Trend Information</u>				
Fiscal	Annual	Percentage of		
Year	OPEB	Annual	Net	
End	Cost	OPEB Cost	OPEB	
		Contributed	Obligation	
09/30/14	\$547,229	22.6%	\$2,040,877	
09/30/15	\$329,436	19.3%	\$2,306,807	
09/30/16	\$350,729	19.7%	\$2,588,315	

Funded Status

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

Actuarial valuation date	10/01/2014
Actuarial accrued liability	\$2,464,468
Actuarial value of plan assets	\$
Unfunded actuarial accrued liability (UAAL)	\$2,464,468
Funded ratio	0.0%
Covered payroll	\$8,675,270
UAAL as a percentage of covered payroll	28.4%

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 13 – OTHER POST EMPLOYMENT BENEFITS (Continued)

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 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	10/01/2014
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar, 30 Years, open
Remaining amortization period	30 years
Asset valuation method	Unfunded
Actual assumptions:	
Investment rate of return	4%
Inflation rate	3%
Healthcare cost trend	9% for 2016 decreasing to 5% in 2024

NOTE 14 – JOINTLY GOVERNED ORGANIZATION

The Village, through an interlocal agreement with certain other municipalities and Palm Beach County, created the Seacoast Utility Authority (“Seacoast”) which provides water and sewer service to the citizens of each of the participating municipalities and a portion of Palm Beach County. Seacoast’s governing board consists of one member from each participating entity. Seacoast is an Independent Authority organized under the laws of the State of Florida, and the Village has no participating equity ownership in Seacoast. The Village paid \$186,438 to Seacoast during the fiscal year for water and sewer service.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 15 – TRANSFERS

Interfund transfers during the year ended September 30, 2016, are as follows:

	<i>Transfer Out:</i> General Fund
<i>Transfer in:</i>	
Capital Projects Fund	\$ 1,303,750
Nonmajor governmental funds	200,000

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.

NOTE 16 – CONTRACTS, COMMITMENTS AND CONTINGENCIES

Operating Lease

The Village entered into a three year operating agreement for 80 golf carts, including GPS systems and software, for the Country Club in December 2015. For the fiscal year ended September 30, 2016 expenses under the lease were \$110,682. Future minimum rental commitments are as follows:

Year ended September 30:	Amount
2017	\$ 147,576
2018	147,576
2019	36,894
	\$ 332,046

Commitments

On September 17, 2014, the Village entered into an agreement with the City of Palm Beach Gardens whereby the City of Palm Beach Gardens will provide the Village public safety dispatch services. The term of the agreement was for two years beginning on October 1, 2014, and extending through September 30, 2016. In 2016 the agreement was renewed for an additional five years extending through September 30, 2021. The fee for each year under the contract will be based upon the budget of the North County Dispatch (NCDC) center prorated to each contracting municipality based on that municipalities cost share. If at the end any contract year a budget shortfall exists, each contracting municipality shall pay its share of the shortfall. Conversely, if at the end of any contract year a budget surplus exists, such surplus shall represent a committed fund balance to be utilized specifically for NCDC budgetary purposes. The Village’s estimated cost for fiscal year ending September 30, 2017 is \$378,100.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 16 – CONTRACTS, COMMITMENTS AND CONTINGENCIES (Continued)

Contingencies

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

NOTE 17 – SUBSEQUENT EVENTS

Commitments

Subsequent to September 30, 2016, the Village approved purchasing a sanitation truck for \$270,000, sanitation collection dumpsters for \$83,000, and \$153,000 for the construction of pathways at Anchorage Park.

Country Club

The Village is in the process of the construction of a new Clubhouse. The Scope of Work includes a new approximately 42,000 gross square foot two-story Clubhouse, a Splash Park and a remodeled pool deck. On November 10th 2016, the Village entered into an agreement with an architect for design and construction administration services for the new Country Club Clubhouse and allocated \$1 million for these services. Based on the cost estimates provided by the Architect, the Village intends to obtain a loan in the amount of \$15 million to finance this project.

On October 1, 2016, the RBI Restaurant, LLC started a month to month lease with the Village for certain facilities within the Clubhouse to supply food, beverage and general dining and catering services for \$3,000 a month.

On December 8, 2016, the Village approved the Operator Agreement with Carl von Luger FL LLC d/b/a Carl von Luger Steak & Seafood to conduct the restaurant and banquet operations at the new Clubhouse upon completion. The term of the lease is five years with the option to renew for three additional five year terms at the discretion of the Village. The term shall commence on the actual grand reopening date of the Clubhouse.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Basic Financial Statements
September 30, 2016

NOTE 18 – NEW ACCOUNTING STANDARDS

The Village implemented the following Governmental Accounting Standards Board Statement during the fiscal year ended September 30, 2016.

In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value of certain investments and disclosures related to all fair value measurements.

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

In June 2015 the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for the fiscal year ending September 30, 2018.

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

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Required Supplemental Information
September 30, 2016

Schedule of Funding Progress
Other Postemployment Benefits (OPEB)

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)
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%
10/01/14	\$	\$ 2,464,468	\$ 2,464,468	0.0%	\$ 8,675,270	28.4%

(1) Projected unit credit

The schedule of funding progress presented above presents 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.

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, 2016

General Employees Retirement Fund
Schedule of Changes in Net Pension Liability and Related Ratios
Last Two Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total pension liability:			
Service cost	\$ 374,926	\$ 317,676	\$ 357,344
Interest	972,865	1,048,746	1,106,085
Differences between Expected and Actual Experience		(329,040)	(129,381)
Assumption changes			928,295
Benefit payments, including refunds of employee contributions	<u>(263,674)</u>	<u>(293,890)</u>	<u>(331,174)</u>
Net change in total pension liability	1,084,117	743,492	1,931,169
Total pension liability - beginning	<u>12,728,438</u>	<u>13,812,555</u>	<u>14,556,047</u>
Total pension liability - ending (a)	<u><u>\$ 13,812,555</u></u>	<u><u>\$ 14,556,047</u></u>	<u><u>\$ 16,487,216</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 562,953	\$ 464,189	\$ 458,615
Contributions - Employees	142,609	125,738	126,947
Net investment income	1,072,009	(96,116)	1,161,530
Benefit payments, including refunds of employee contributions	<u>(263,674)</u>	<u>(293,890)</u>	<u>(331,174)</u>
Administrative expenses	<u>(17,171)</u>	<u>(20,655)</u>	<u>(24,794)</u>
Net change in plan fiduciary net position	1,496,726	179,266	1,391,124
Plan fiduciary net position - beginning	<u>10,433,153</u>	<u>11,929,879</u>	<u>12,109,145</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 11,929,879</u></u>	<u><u>\$ 12,109,145</u></u>	<u><u>\$ 13,500,269</u></u>
Net pension liability (a) - (b)	<u><u>\$ 1,882,676</u></u>	<u><u>\$ 2,446,902</u></u>	<u><u>\$ 2,986,947</u></u>
Plan fiduciary net position as a percentage of the total pension liability	<u>86.37%</u>	<u>83.19%</u>	<u>81.88%</u>
Covered payroll	<u><u>\$ 2,701,771</u></u>	<u><u>\$ 2,375,585</u></u>	<u><u>\$ 2,376,069</u></u>
Net pension liability as a percentage of covered payroll	<u>69.68%</u>	<u>103.00%</u>	<u>125.71%</u>

Changes of Assumptions

For the 2016 fiscal year the discount rate, investment rate of return, inflation rate, salary scale, and the withdrawal and mortality rates changed.

NOTE: The Village implemented GASB Statement 67 in 2014; information is presented for those years in which information is available.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Required Supplemental Information
September 30, 2016

Fire and Police Retirement Fund
Schedule of Changes in Net Pension Liability and Related Ratios
Last Two Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total pension liability:			
Service cost	\$ 699,244	\$ 810,654	\$ 833,909
Interest	1,419,425	1,555,518	1,738,069
Changes in excess state money	90,535	67,645	79,505
Changes of benefit terms		1,682	
Differences between Expected and Actual Experience		483,189	(31,422)
Changes of assumptions	246,146		(1,223,780)
Contributions - Buy Back		65,446	7,609
Benefit payments, including refunds of employee contributions	<u>(451,574)</u>	<u>(611,678)</u>	<u>(653,993)</u>
Net change in total pension liability	2,003,776	2,372,456	749,897
Total pension liability - beginning	<u>17,476,586</u>	<u>19,480,362</u>	<u>21,852,818</u>
Total pension liability - ending (a)	<u>\$ 19,480,362</u>	<u>\$ 21,852,818</u>	<u>\$22,602,715</u>
Plan fiduciary net position			
Contributions - employer	\$ 943,634	\$ 975,733	\$ 969,836
Contributions - State	321,230	298,340	310,200
Contributions - Employees	87,010	151,450	190,989
Contributions - Buy Back		65,446	7,609
Net investment income	1,468,473	111,884	1,475,735
Benefit payments, including refunds of employee contributions	(451,574)	(611,678)	(653,993)
Administrative expenses	<u>(66,748)</u>	<u>(76,457)</u>	<u>(76,967)</u>
Net change in plan fiduciary net position	2,302,025	914,718	2,223,409
Plan fiduciary net position - beginning	<u>14,499,921</u>	<u>16,801,946</u>	<u>17,716,664</u>
Plan fiduciary net position - ending (b)	<u>\$ 16,801,946</u>	<u>\$ 17,716,664</u>	<u>\$19,940,073</u>
Net pension liability (a) - (b)	<u>\$ 2,678,416</u>	<u>\$ 4,136,154</u>	<u>\$ 2,662,642</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>86.25%</u>	<u>81.07%</u>	<u>88.22%</u>
Covered employee payroll	<u>\$ 4,312,746</u>	<u>\$ 4,518,020</u>	<u>\$ 4,601,075</u>
Net pension liability as a percentage of covered payroll	<u>62.10%</u>	<u>91.55%</u>	<u>57.87%</u>

Changes of Assumptions

For the 2014 fiscal year the investment rate of return changed.

For the 2016 fiscal year the salary scale, normal retirement rates, the investment rate of return, withdrawal and mortality rates, and the actuarial cost method all changed.

NOTE: The Village implemented GASB Statement 67 in 2014; information is presented for those years in which information is available.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Required Supplemental Information
September 30, 2016

Last Two Fiscal Years

Schedule of Contributions

<u>Fiscal Year</u> Ending September 30	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Payroll</u>	<u>Actual Contribution</u> <u>as a Percentage of</u> <u>Covered Payroll</u>
<u>General Employees Retirement Fund</u>					
2014	\$ 562,509	\$ 562,953	\$ (444)	\$ 2,701,771	20.84%
2015	464,189	464,189		2,375,585	19.54%
2016	449,552	458,615	(9,063)	2,376,069	19.30%
<u>Fire and Police Retirement Fund</u>					
2014	\$ 1,173,930	\$ 1,174,329	\$ (399)	\$ 4,312,746	27.23%
2015	1,205,408	1,206,428	(1,020)	4,518,020	26.70%
2016	1,193,059	1,200,531	(7,472)	4,601,075	26.09%

Schedule of Investment Returns

<u>Fiscal Year</u> Ending September 30	<u>Annual money weighted rate of return</u> <u>net of investment expense</u>	
	<u>General</u> <u>Employees</u>	<u>Fire and Police</u> <u>Employees</u>
2014	10.50%	10.00%
2015	-0.39%	0.66%
2016	9.72%	8.25%

NOTE: The Village implemented GASB Statement 67 in 2014; information is presented for those years in which information is available.

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Schedule of Contributions
September 30, 2016

Methods and assumptions used in calculations of determined contributions.

The actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

	<u>General Employees Retirement Fund</u>	<u>Police and Fire Retirement Fund</u>
Actuarial Cost Method	Frozen entry age	Aggregate
Amortization Method	Level percent of closed	N/A
Remaining Amortization Period	26 years	N/A
Asset Valuation Method	Five year smoothed market	Five year smoothed market
Inflation	4.00%	4.00%
Salary increases	5.50%	6.00%
Cost of living adjustments	3% for those retired before 2/1/82 or who contribute an extra 2%.	3.00%
Investment Rate of Return	7.50%	7.90%
Mortality	RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected to all future years after 2000 using Scale AA	- Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 15,608,340	\$ 15,682,340	\$ 16,109,173	\$ 426,833
Licenses and permits	1,132,700	1,338,700	1,235,782	(102,918)
Intergovernmental	1,451,122	1,451,122	1,435,796	(15,326)
Charges for services	2,186,257	2,186,257	2,364,013	177,756
Fines and forfeitures	75,835	75,835	91,534	15,699
Investment	46,360	46,360	103,353	56,993
Miscellaneous	24,353	24,353	191,250	166,897
Total revenues	<u>20,524,967</u>	<u>20,804,967</u>	<u>21,530,901</u>	<u>725,934</u>
Expenditures				
Current				
General government	2,898,463	2,906,288	2,876,521	29,767
Public safety	8,501,998	8,501,998	8,819,747	(317,749)
Public works	4,313,560	4,371,403	4,266,749	104,654
Community development and planning	1,264,037	1,592,717	1,351,061	241,656
Leisure services - recreation	2,443,159	2,443,159	2,448,164	(5,005)
Other government				
Capital outlay		5,541	31,067	(25,526)
Total expenditures	<u>19,421,217</u>	<u>19,821,106</u>	<u>19,793,309</u>	<u>27,797</u>
Excess of revenues over expenditures	<u>1,103,750</u>	<u>983,861</u>	<u>1,737,592</u>	<u>753,731</u>
Other financing sources (uses)				
Appropriated fund balance		519,889		(519,889)
Transfer out	(1,103,750)	(1,503,750)	(1,503,750)	
Total other financing uses	<u>(1,103,750)</u>	<u>(983,861)</u>	<u>(1,503,750)</u>	<u>(519,889)</u>
Net change in fund balances	<u>\$</u>	<u>\$</u>	233,842	<u>\$ 233,842</u>
Fund Balances				
Beginning of year			<u>11,410,036</u>	
End of year			<u>\$ 11,643,878</u>	

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Notes to the Budgetary
Required Supplementary Information (RSI)
General Fund
September 30, 2016

Note 1 - Basis of Accounting

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

Note 2 - Legal Level of Control

The legal level of budgetary control is at the fund level.

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, 2016

	<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	\$ 50,466	\$ 50,466	\$ 50,469	\$ (3)	-0.01
Operating expenses	82,245	86,245	63,961	22,284	25.84
Total Village Council	<u>132,711</u>	<u>136,711</u>	<u>114,430</u>	<u>22,281</u>	<u>16.30</u>
Village Manager					
Personnel services	299,749	299,749	334,014	(34,265)	-11.43
Operating expenses	30,900	30,900	46,210	(15,310)	-49.55
Total Village Manager	<u>330,649</u>	<u>330,649</u>	<u>380,224</u>	<u>(49,575)</u>	<u>-14.99</u>
Procurement and Purchasing					
Personnel services			56,922	(56,922)	
Operating expenses			2,459	(2,459)	
Total Procurement and Purchasing			<u>59,381</u>	<u>(59,381)</u>	
Village Finance					
Personnel services	724,911	724,911	674,917	49,994	6.90
Operating expenses	48,550	48,550	39,612	8,938	18.41
Total Village Finance	<u>773,461</u>	<u>773,461</u>	<u>714,529</u>	<u>58,932</u>	<u>7.62</u>
Village Attorney					
Operating expenses	140,000	140,000	113,433	26,567	18.98
Village Clerk					
Personnel services	301,351	301,351	316,434	(15,083)	-5.01
Operating expenses	34,905	34,905	10,200	24,705	70.78
Total Village Clerk	<u>336,256</u>	<u>336,256</u>	<u>326,634</u>	<u>9,622</u>	<u>2.86</u>
Information Technology					
Personnel services	311,412	311,412	313,440	(2,028)	-0.65
Operating expenses	108,300	108,300	96,102	12,198	11.26
Total Information Technology	<u>419,712</u>	<u>419,712</u>	<u>409,542</u>	<u>10,170</u>	<u>2.42</u>
Human Resources					
Personnel services	242,172	242,172	271,838	(29,666)	-12.25
Operating expenses	104,337	108,162	89,679	18,483	17.09
Total Human Resources	<u>346,509</u>	<u>350,334</u>	<u>361,517</u>	<u>(11,183)</u>	<u>-3.19</u>
Police					
Personnel services	4,195,098	4,195,098	4,597,370	(402,272)	-9.59
Operating expenses	832,681	832,681	719,015	113,666	13.65
Total Police	<u>5,027,779</u>	<u>5,027,779</u>	<u>5,316,385</u>	<u>(288,606)</u>	<u>-5.74</u>
Fire Rescue					
Personnel services	3,075,804	3,075,804	3,197,458	(121,654)	-3.96
Operating expenses	225,465	225,465	199,360	26,105	11.58
Total Fire Rescue	<u>3,301,269</u>	<u>3,301,269</u>	<u>3,396,818</u>	<u>(95,549)</u>	<u>-2.89</u>

(Continued)

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Schedule of Departmental Expenditures - Budget and Actual
General Fund
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Percent Variance
(Continued)					
Public Works Administration					
Personnel services	\$ 214,000	\$ 214,000	\$ 213,724	\$ 276	0.13
Operating expenses	56,316	56,316	70,616	(14,300)	-25.39
Total Public Works	<u>270,316</u>	<u>270,316</u>	<u>284,340</u>	<u>(14,024)</u>	<u>-5.19</u>
Sanitation					
Personnel services	1,265,484	1,265,484	1,404,230	(138,746)	-10.96
Operating expenses	163,000	218,000	201,694	16,306	7.48
Total Sanitation	<u>1,428,484</u>	<u>1,483,484</u>	<u>1,605,924</u>	<u>(122,440)</u>	<u>-8.25</u>
Facility Services					
Personnel services	313,840	313,840	312,503	1,337	0.43
Operating expenses	324,100	326,943	298,471	28,472	8.71
Total Facility Services	<u>637,940</u>	<u>640,783</u>	<u>610,974</u>	<u>29,809</u>	<u>4.65</u>
Street Maintenance					
Personnel services	488,523	488,523	428,374	60,149	12.31
Operating expenses	1,050,231	1,050,231	876,429	173,802	16.55
Total Street Maintenance	<u>1,538,754</u>	<u>1,538,754</u>	<u>1,304,803</u>	<u>233,951</u>	<u>15.20</u>
Vehicle Maintenance					
Personnel services	222,816	222,816	229,216	(6,400)	-2.87
Operating expenses	215,250	215,250	218,762	(3,512)	-1.63
Total Vehicle Maintenance	<u>438,066</u>	<u>438,066</u>	<u>447,978</u>	<u>(9,912)</u>	<u>-2.26</u>
Planning and Engineering					
Personnel services	259,699	259,699	246,028	13,671	5.26
Operating expenses	27,315	355,995	220,652	135,343	38.02
Total Planning and Engineering	<u>287,014</u>	<u>615,694</u>	<u>466,680</u>	<u>149,014</u>	<u>24.20</u>
Building					
Personnel services	737,324	737,324	636,039	101,285	13.74
Operating expenses	103,349	103,349	127,860	(24,511)	-23.72
Total Building	<u>840,673</u>	<u>840,673</u>	<u>763,899</u>	<u>76,774</u>	<u>9.13</u>
Code Enforcement					
Personnel services	116,107	116,107	105,928	10,179	8.77
Operating expenses	20,243	20,243	14,554	5,689	28.10
Total Code Enforcement	<u>136,350</u>	<u>136,350</u>	<u>120,482</u>	<u>15,868</u>	<u>11.64</u>
Leisure Services-Recreation					
Personnel services	628,142	628,142	626,301	1,841	0.29
Operating expenses	363,723	363,723	316,687	47,036	12.93
Total Leisure Services-Recreation	<u>991,865</u>	<u>991,865</u>	<u>942,988</u>	<u>48,877</u>	<u>4.93</u>

(Continued)

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Schedule of Departmental Expenditures - Budget and Actual
General Fund
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Percent Variance
(Continued)					
Library					
Personnel services	\$ 641,182	\$ 641,182	\$ 618,269	\$ 22,913	3.57
Operating expenses	163,957	163,957	159,705	4,252	2.59
Total Library	<u>805,139</u>	<u>805,139</u>	<u>777,974</u>	<u>27,165</u>	<u>3.37</u>
Tennis					
Personnel services	139,012	139,012	139,532	(520)	-0.37
Operating expenses	214,425	214,425	284,622	(70,197)	-32.74
Total Tennis	<u>353,437</u>	<u>353,437</u>	<u>424,154</u>	<u>(70,717)</u>	<u>-20.01</u>
Pool					
Personnel services	99,029	99,029	88,865	10,164	10.26
Operating expenses	92,689	92,689	123,487	(30,798)	-33.23
Total Pool	<u>191,718</u>	<u>191,718</u>	<u>212,352</u>	<u>(20,634)</u>	<u>-10.76</u>
Special Events					
Operating expenses	101,000	101,000	90,669	10,331	10.23
Total Special Events	<u>101,000</u>	<u>101,000</u>	<u>90,669</u>	<u>10,331</u>	<u>10.23</u>
Other					
Operating expenses			12,730	(12,730)	
			<u>12,730</u>	<u>(12,730)</u>	
Non-Departmental					
Operating expenses	592,115	592,115	503,402	88,713	14.98
	<u>592,115</u>	<u>592,115</u>	<u>503,402</u>	<u>88,713</u>	<u>14.98</u>
Capital Outlay					
Police			27,405	(27,405)	
Planning and Engineering		5,541	3,662	1,879	33.91
Total Capital Outlay		<u>5,541</u>	<u>31,067</u>	<u>(25,526)</u>	<u>(460.67)</u>
Total expenditures	<u>\$ 19,421,217</u>	<u>\$ 19,821,106</u>	<u>\$ 19,793,309</u>	<u>\$ 27,797</u>	<u>0.14%</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, 2016

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Public Safety Fund	Northlake Boulevard Fund	Recreation	
Assets				
Cash and cash equivalents	\$	\$ 1,986	\$ 549,003	\$ 550,989
Due from other governments	19,840			25,947
Total assets	<u>\$ 19,840</u>	<u>\$ 1,986</u>	<u>\$ 549,003</u>	<u>\$ 576,936</u>
Liabilities				
Accounts payable	\$	\$	\$	\$ 6,107
Due to other funds	18,320		44,028	62,348
Total liabilities	<u>18,320</u>		<u>44,028</u>	<u>68,455</u>
Fund balances				
Assigned	<u>1,520</u>	<u>1,986</u>	<u>504,975</u>	<u>508,481</u>
Total fund balances	<u>1,520</u>	<u>1,986</u>	<u>504,975</u>	<u>508,481</u>
Total liabilities and fund balances	<u>\$ 19,840</u>	<u>\$ 1,986</u>	<u>\$ 549,003</u>	<u>\$ 576,936</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, 2016

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Public Safety Fund	Northlake Boulevard Fund	Recreation	On-Behalf Pension Contributions	
Revenues					
Intergovernmental	\$ 19,840	\$	\$	\$ 310,200	\$ 330,040
Fines and forfeitures					
Total revenues	19,840			310,200	330,040
Expenditures					
Current					
Public safety				310,200	310,200
Capital outlay	19,840		10,045		29,885
Total expenditures	19,840		10,045	310,200	340,085
Excess (deficiency) of revenues over (under) expenditures			(10,045)		(10,045)
Other financing sources (uses)					
Transfers in			200,000		200,000
Total other financing sources (uses)			200,000		200,000
Net changes in fund balances			189,955		189,955
Fund balances - Beginning of year	1,520	1,986	315,020		318,526
Fund balances - End of year	\$ 1,520	\$ 1,986	\$ 504,975	\$	\$ 508,481

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 Position - Pension Trust Funds
September 30, 2016

	General Employees Pension	Fire and Police Officers Pension	Total Employee Retirement Funds
Assets			
Cash and cash equivalents	\$ 282,653	\$ 244,145	\$ 526,798
Investments:			
Domestic common equity securities		10,052,421	10,052,421
International common equity securities		1,458,062	1,458,062
U.S. Government and agencies		1,042,726	1,042,726
Municipal bonds		206,383	206,383
Corporate bonds		3,384,990	3,384,990
Fixed income exchange traded funds	3,107,648		3,107,648
Equity exchange traded funds	2,482,676	40,025	2,522,701
Fixed income mutual funds	1,618,531		1,618,531
Equity mutual funds	6,002,869		6,002,869
Real estate investment fund		2,244,002	2,244,002
Money market mutual funds		1,243,821	1,243,821
Accrued interest and dividends	4,315	46,979	51,294
Accounts receivable	12,554	46,669	59,223
Accounts receivable, broker-dealers		34,848	34,848
Prepays		1,609	1,609
Total assets	13,511,246	20,046,680	33,557,926
Liabilities			
Accounts payable	10,977	62,765	73,742
Accounts payable, broker-dealers		43,842	43,842
Total liabilities	10,977	106,607	117,584
Net Position restricted for pensions	\$ 13,500,269	\$ 19,940,073	\$ 33,440,342

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Year Ended September 30, 2016

	General Employees Pension	Fire and Police Officers Pension	Total Employee Retirement Funds
	<u> </u>	<u> </u>	<u> </u>
Additions			
Contributions			
Employer	\$ 458,615	\$ 969,836	\$ 1,428,451
Plan members	126,947	198,598	325,545
State on-behalf payments		310,200	310,200
Total contributions	<u>585,562</u>	<u>1,478,634</u>	<u>2,064,196</u>
Investment earnings			
Dividends and interest	379,460	485,398	864,858
Net increase in fair value of investments	832,260	1,133,591	1,965,851
Total investment earnings	<u>1,211,720</u>	<u>1,618,989</u>	<u>2,830,709</u>
Less: investment expenses	<u>50,190</u>	<u>143,254</u>	<u>193,444</u>
Total investment earnings	<u>1,161,530</u>	<u>1,475,735</u>	<u>2,637,265</u>
Total additions	<u>1,747,092</u>	<u>2,954,369</u>	<u>4,701,461</u>
Deductions			
Administration	24,794	76,967	101,761
Benefits	331,174	653,993	985,167
Total deductions	<u>355,968</u>	<u>730,960</u>	<u>1,086,928</u>
Change in net position	1,391,124	2,223,409	3,614,533
Net position - beginning	<u>12,109,145</u>	<u>17,716,664</u>	<u>29,825,809</u>
Net position - ending	<u>\$ 13,500,269</u>	<u>\$ 19,940,073</u>	<u>\$ 33,440,342</u>

AGENCY FUNDS

*Manatee Protection Agency
Northlake Boulevard Task Force*

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Combining Statement of Agency Net Position
September 30, 2016

	Manatee Protection Agency	Northlake Boulevard Task Force	Total Agency Funds
Assets			
Cash and cash equivalents	<u>\$ 299,502</u>	<u>\$ 63,675</u>	<u>\$ 363,177</u>
Liabilities			
Due to others	<u>\$ 299,502</u>	<u>\$ 63,675</u>	<u>\$ 363,177</u>

THE VILLAGE OF NORTH PALM BEACH, FLORIDA
Combining Schedule of Changes in Agency Net Position
For the Year Ended September 30, 2016

	<u>October 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>September 30, 2016</u>
<u>Manatee Protection Agency</u>				
Assets				
Cash and cash equivalents	\$ 296,604	\$ 2,898	\$	\$ 299,502
Liabilities				
Due to others	\$ 296,604	\$ 2,898	\$	\$ 299,502
<u>Northlake Boulevard Task Force</u>				
Assets				
Cash and cash equivalents	\$ 63,059	\$ 616	\$	\$ 63,675
Liabilities				
Due to others	\$ 63,059	\$ 616	\$	\$ 63,675
<u>Total All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 359,663	\$ 3,514	\$	\$ 363,177
Liabilities				
Due to others	\$ 359,663	\$ 3,514	\$	\$ 363,177

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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Percent Variance
Revenue					
Greens fee/cart rentals/membership fees	\$ 2,480,796	\$ 2,480,796	\$ 2,294,659	\$ (186,137)	-7.50
Golf shop revenues	384,700	384,700	326,280	(58,420)	-15.19
Driving range revenues	304,953	304,953	322,208	17,255	5.66
Restaurant revenues	789,015	789,015	761,379	(27,636)	-3.50
Interest revenues	10,000	10,000	9,230	(770)	-7.70
Proceeds from sale of assets	145,000	145,000	145,000	-	0.00
Miscellaneous	14,212	14,212	16,047	1,835	
Appropriated net position (1)		264,000		(264,000)	
Total revenues	4,128,676	4,392,676	3,874,803	(517,873)	-11.79
Golf Maintenance					
Operating expenses	1,150,332	1,150,332	1,124,053	26,279	2.28
Total Golf Maintenance	1,150,332	1,150,332	1,124,053	26,279	2.28
Golf Pro Shop and Range					
Personnel services	618,928	618,928	569,974	48,954	7.91
Operating expenses	523,915	523,915	400,674	123,241	23.52
Total Golf Pro Shop and Range	1,142,843	1,142,843	970,648	172,195	15.07
Food and Beverage					
Personnel services	525,399	525,399	575,870	(50,471)	-9.61
Operating expenses	400,288	400,288	456,500	(56,212)	-14.04
Total Food and Beverage	925,687	925,687	1,032,370	(106,683)	(11.52)
Administration					
Personnel services	64,792	64,792	67,399	(2,607)	-4.02
Operating expenses	29,179	293,179	19,143	274,036	93.47
Capital outlay			227,818	(227,818)	
Total Administration	93,971	357,971	314,360	43,611	12.18
Clubhouse and Grounds					
Operating expenses	108,453	108,453	77,263	31,190	28.76
Capital outlay	20,000	20,000	19,394	606	
Total Clubhouse and Grounds	128,453	128,453	96,657	31,796	24.75
Insurance and General Liability					
Operating expenses	51,889	51,889	51,889		0.00
Reserves					
Operating	10,000	10,000	5,898	4,102	41.02
Contingency	115,350	115,350		115,350	100.00
Total Reserves	125,350	125,350	5,898	119,452	95.29
Debt service					
Debt service (2)	510,151	510,151	404,724	105,427	20.67
Total expenses on the budgetary basis	4,128,676	4,392,676	4,000,599	392,077	8.93
Revenues over expenses	<u>\$</u>	<u>\$</u>	<u>\$ (125,796)</u>	<u>\$ (125,796)</u>	
Adjustments to reconcile to the GAAP Basis					
Total expenses on the budgetary basis			4,000,599		
Less: capital outlay costs capitalized			(247,212)		
Less: debt service			(404,724)		
Add: depreciation expense			380,001		
Total operating expenses			<u>\$ 3,728,664</u>		

(1) \$264,000 was carried forward from 2015 that was budgeted for design services relating to the country club.

(2) The payment that is due October 1 is typically paid in September, but was paid in October.

STATISTICAL SECTION

STATISTICAL SECTION

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

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<i>These schedules contain trend information to help the reader understand how the Village's financial performance and well-being have changed over time. These schedules include:</i>	
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<i>These schedules contain service and infrastructure data to help understand how the information in the Village's financial report relates to the services the Village provides and the activities it performs.</i>	
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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

	Fiscal Year				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental Activities:					
Net investment in capital assets	\$ 10,543,788	\$ 12,845,093	\$ 16,643,241	\$ 18,184,508	\$ 17,237,355
Restricted	113,269	979,182	251,088	390,081	548,489
Unrestricted	9,281,170	9,836,912	11,016,626	10,568,594	11,775,621
Total governmental activities net position	<u>19,938,227</u>	<u>23,661,187</u>	<u>27,910,955</u>	<u>29,143,183</u>	<u>29,561,465</u>
Business-Type Activities:					
Net investment in capital assets	2,195,630	2,492,524	2,364,814	2,295,125	2,200,927
Unrestricted	151,005	202,802	434,212	403,261	385,623
Total business-type activities net position	<u>2,346,635</u>	<u>2,695,326</u>	<u>2,799,026</u>	<u>2,698,386</u>	<u>2,586,550</u>
Primary government:					
Net investment in capital assets	12,739,418	15,337,617	19,008,055	20,479,633	19,438,282
Restricted	113,269	979,182	251,088	390,081	548,489
Unrestricted	9,432,175	10,039,714	11,450,838	10,971,855	12,161,244
Total primary government net position	<u>\$ 22,284,862</u>	<u>\$ 26,356,513</u>	<u>\$ 30,709,981</u>	<u>\$ 31,841,569</u>	<u>\$ 32,148,015</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 (1)</u>	<u>2016</u>
Governmental Activities:					
Net investment in capital assets	\$ 16,109,707	\$ 15,431,966	\$ 14,966,927	\$ 14,711,016	\$ 14,102,547
Restricted	658,194	317,190	180,755	177,431	398,519
Unrestricted	11,846,141	11,973,715	11,314,096	6,168,366	6,677,850
Total governmental activities net position	<u>28,614,042</u>	<u>27,722,871</u>	<u>26,461,778</u>	<u>21,056,813</u>	<u>21,178,916</u>
Business-Type Activities:					
Net investment in capital assets	2,082,668	1,998,974	1,907,746	1,833,975	1,880,421
Unrestricted	557,954	668,434	514,167	544,523	418,726
Total business-type activities net position	<u>2,640,622</u>	<u>2,667,408</u>	<u>2,421,913</u>	<u>2,378,498</u>	<u>2,299,147</u>
Primary government:					
Net investment in capital assets	18,192,375	17,430,940	16,874,673	16,544,991	15,982,968
Restricted	658,194	317,190	180,755	177,431	398,519
Unrestricted	12,404,095	12,642,149	11,828,263	6,712,889	7,096,576
Total primary government net position	<u>\$ 31,254,664</u>	<u>\$ 30,390,279</u>	<u>\$ 28,883,691</u>	<u>\$ 23,435,311</u>	<u>\$ 23,478,063</u>

(1) The Village implemented GASB 68 in 2015 related to pension accounting which significantly reduced unrestricted net position.

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

VILLAGE OF NORTH PALM BEACH

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING) Unaudited

	Fiscal Year				
	2007	2008	2009	2010	2011
Expenses					
Governmental activities:					
General government	\$ 2,698,187	\$ 1,839,228	\$ 2,239,511	\$ 2,679,192	\$ 2,403,681
Public safety	6,671,490	7,154,578	7,095,043	7,304,233	7,232,748
Public works	3,733,815	3,996,711	4,083,441	4,594,738	4,733,913
Community development and planning	737,165	860,448	826,149	806,536	811,177
Leisure services	2,781,658	3,244,045	3,174,623	2,830,292	2,749,065
Interest on long-term debt	204,666	120,549	26,702	4,384	
Total governmental activities expenses	<u>16,826,981</u>	<u>17,215,559</u>	<u>17,445,469</u>	<u>18,219,375</u>	<u>17,930,584</u>
Business-type activities:					
Country club	3,570,683	3,268,562	3,308,535	3,398,206	3,691,528
Total business-type activities	<u>3,570,683</u>	<u>3,268,562</u>	<u>3,308,535</u>	<u>3,398,206</u>	<u>3,691,528</u>
Total primary government expenses	<u>\$ 20,397,664</u>	<u>\$ 20,484,121</u>	<u>\$ 20,754,004</u>	<u>\$ 21,617,581</u>	<u>\$ 21,622,112</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 122,455	\$ 123,334	\$ 122,569	\$ 126,968	\$ 130,886
Public safety	345,731	383,325	378,591	465,263	420,653
Public works	217,975	288,994	394,082	411,722	400,662
Community development and planning	938,188	888,015	699,130	734,718	861,394
Leisure services	496,679	595,558	912,862	1,063,748	1,043,459
Other government					
Operating grants and contributions	170,389	88,224	105,080	96,670	126,568
Capital grants and contributions	1,454,526	1,602,465	2,017,158	75,845	5,169
Total governmental activities program revenues	<u>3,745,943</u>	<u>3,969,915</u>	<u>4,629,472</u>	<u>2,974,934</u>	<u>2,988,791</u>
Business-type activities:					
Charges for services:					
Country club	3,463,524	3,616,509	3,404,859	3,227,580	3,571,199
Operating grants and contributions		13,609			
Capital grants and contributions					
Total business-type activities program revenues	<u>3,463,524</u>	<u>3,630,118</u>	<u>3,404,859</u>	<u>3,227,580</u>	<u>3,571,199</u>
Total primary government program revenues	<u>\$ 7,209,467</u>	<u>\$ 7,600,033</u>	<u>\$ 8,034,331</u>	<u>\$ 6,202,514</u>	<u>\$ 6,559,990</u>
Net (Expense)/Revenue					
Governmental activities	\$ (13,081,041)	\$ (13,245,644)	\$ (12,815,997)	\$ (15,244,441)	\$ (14,941,793)
Business-type activities	(107,159)	361,556	96,324	(170,626)	(120,329)
Total primary government net expense	<u>\$ (13,188,200)</u>	<u>\$ (12,884,088)</u>	<u>\$ (12,719,673)</u>	<u>\$ (15,415,067)</u>	<u>\$ (15,062,122)</u>
General revenues and other changes in net position:					
Governmental activities:					
Taxes:					
Property taxes	\$ 12,076,184	\$ 11,915,355	\$ 11,917,359	\$ 11,053,128	\$ 10,441,869
Local option gas taxes	292,332	278,649	267,557	266,077	259,794
Utility service taxes	2,001,443	2,018,071	2,239,002	2,261,375	2,198,148
Franchise taxes	1,207,552	1,212,562	1,256,831	1,204,328	1,191,155
Sales and use taxes	1,339,893	1,227,341	1,116,107	1,114,945	1,140,744
Unrestricted grants and contributions					
Investment earnings	650,022	194,652	(1,346)	280,217	97,743
Miscellaneous	8,836	55,719	263,459	213,425	30,622
Contributions for Support Our Troops	15,502	16,959	6,796		
Gain on disposal of equipment					
Transfers	5,111	49,296			
Total governmental activities	<u>17,596,875</u>	<u>16,968,604</u>	<u>17,065,765</u>	<u>16,393,495</u>	<u>15,360,075</u>
Business-type activities:					
Investment income	43,917	36,431	7,376	14,686	8,493
Miscellaneous				55,300	
Transfers	(5,111)	(49,296)			
Total business-type activities	<u>38,806</u>	<u>(12,865)</u>	<u>7,376</u>	<u>69,986</u>	<u>8,493</u>
Total primary government	<u>\$ 17,635,681</u>	<u>\$ 16,955,739</u>	<u>\$ 17,073,141</u>	<u>\$ 16,463,481</u>	<u>\$ 15,368,568</u>
Change in net position					
Governmental activities	\$ 4,515,834	\$ 3,722,960	\$ 4,249,768	\$ 1,149,054	\$ 418,282
Business-type activities	(68,353)	348,691	103,700	(100,640)	(111,836)
Total primary government	<u>\$ 4,447,481</u>	<u>\$ 4,071,651</u>	<u>\$ 4,353,468</u>	<u>\$ 1,048,414</u>	<u>\$ 306,446</u>

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

	2012	2013	2014	2015	2016
\$	2,520,815	\$ 2,489,488	\$ 2,696,298	\$ 3,028,716	\$ 2,985,185
	7,892,561	8,282,062	9,259,442	9,311,441	9,308,778
	4,652,620	4,482,973	4,485,246	4,963,704	5,106,651
	884,773	966,245	1,046,299	1,308,924	1,382,121
	2,873,496	2,974,290	3,114,213	2,973,687	2,904,715
	<u>18,824,265</u>	<u>19,195,058</u>	<u>20,601,498</u>	<u>21,586,472</u>	<u>21,687,450</u>
	<u>3,536,139</u>	<u>3,629,120</u>	<u>3,902,131</u>	<u>3,842,660</u>	<u>3,845,547</u>
	<u>3,536,139</u>	<u>3,629,120</u>	<u>3,902,131</u>	<u>3,842,660</u>	<u>3,845,547</u>
\$	<u>22,360,404</u>	<u>\$ 22,824,178</u>	<u>\$ 24,503,629</u>	<u>\$ 25,429,132</u>	<u>\$ 25,532,997</u>
\$	135,372	\$ 107,976	\$ 110,694	\$ 131,445	\$ 128,459
	440,568	522,121	592,644	537,064	628,529
	386,974	403,447	402,814	514,354	565,011
	816,673	993,059	1,621,471	1,163,875	1,213,032
	1,018,883	1,087,182	1,096,021	1,006,382	994,918
	149,573	91,901	90,520	380,567	365,823
	5,686	233,949	16,098	26,548	229,161
	<u>2,953,729</u>	<u>3,439,635</u>	<u>3,930,262</u>	<u>3,760,235</u>	<u>4,124,933</u>
	3,582,760	3,577,446	3,645,706	3,788,852	3,720,573
	<u>3,582,760</u>	<u>3,577,446</u>	<u>3,645,706</u>	<u>3,788,852</u>	<u>3,720,573</u>
\$	<u>6,536,489</u>	<u>\$ 7,017,081</u>	<u>\$ 7,575,968</u>	<u>\$ 7,549,087</u>	<u>\$ 7,845,506</u>
\$	(15,870,536)	\$ (15,755,423)	\$ (16,671,236)	\$ (17,826,237)	\$ (17,562,517)
	46,621	(51,674)	(256,425)	(53,808)	(124,974)
\$	<u>(15,823,915)</u>	<u>\$ (15,807,097)</u>	<u>\$ (16,927,661)</u>	<u>\$ (17,880,045)</u>	<u>\$ (17,687,491)</u>
\$	10,011,748	\$ 9,981,391	\$ 10,154,695	\$ 11,364,888	\$ 12,253,917
	263,369	261,852	266,147	282,549	288,150
	2,164,920	2,197,760	2,277,366	2,267,118	2,303,294
	1,178,598	1,160,780	1,232,669	1,253,139	1,263,812
	1,138,097	1,187,221	1,260,617	1,332,209	1,363,954
	90,968	37,029	16,653	108,794	103,353
	75,413	38,219	146,360	57,137	60,026
			55,636	30,457	48,114
	<u>14,923,113</u>	<u>14,864,252</u>	<u>15,410,143</u>	<u>16,696,291</u>	<u>17,684,620</u>
	7,451	8,555	10,930	10,393	9,230
		69,905			36,393
	<u>7,451</u>	<u>78,460</u>	<u>10,930</u>	<u>10,393</u>	<u>45,623</u>
\$	<u>14,930,564</u>	<u>\$ 14,942,712</u>	<u>\$ 15,421,073</u>	<u>\$ 16,706,684</u>	<u>\$ 17,730,243</u>
\$	(947,423)	\$ (891,171)	\$ (1,261,093)	\$ (1,129,946)	\$ 122,103
	54,072	26,786	(245,495)	(43,415)	(79,351)
\$	<u>(893,351)</u>	<u>\$ (864,385)</u>	<u>\$ (1,506,588)</u>	<u>\$ (1,173,361)</u>	<u>\$ 42,752</u>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<i>Pre GASB 54</i>					
General Fund					
Reserved	\$ 945,891	\$ 775,339	\$ 563,115	\$	
Unreserved	8,179,659	8,265,513	10,058,216		
Total general fund					
<i>Post GASB 54</i>					
General Fund					
Nonspendable					
Restricted				167,108	276,924
Committed				338,457	548,489
Assigned					
Unassigned				104,245	186,594
				<u>10,443,099</u>	<u>10,688,660</u>
Total general fund	<u>\$ 9,125,550</u>	<u>\$ 9,040,852</u>	<u>\$ 10,621,331</u>	<u>\$ 11,052,909</u>	<u>\$ 11,700,667</u>
<i>Pre GASB 54</i>					
All other Governmental Funds					
Reserved	\$	\$ 239,979	\$	\$	\$
Unreserved, reported in:					
Special revenue funds	224,937	594,399	(152,861)		
Capital projects funds	673,232	713,373	825,778		
Total all other governmental funds					
<i>Post GASB 54</i>					
All other Governmental Funds					
Restricted					
Assigned					
Special revenue funds				47,379	47,107
Capital projects funds				844,742	1,491,574
Total all other governmental funds	<u>\$ 898,169</u>	<u>\$ 1,547,751</u>	<u>\$ 672,917</u>	<u>\$ 892,121</u>	<u>\$ 1,538,681</u>
<i>Post GASB 54</i>					
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund					
Nonspendable	\$ 166,839	\$ 293,674	\$ 244,438	\$ 155,594	\$ 358,606
Restricted	658,194	317,190	135,255	131,931	353,019
Committed		442,833			
Assigned	127,574	200,016	216,808	319,888	208,204
Unassigned	<u>11,244,977</u>	<u>11,451,668</u>	<u>12,391,362</u>	<u>10,802,623</u>	<u>10,724,049</u>
Total general fund	<u>\$ 12,197,584</u>	<u>\$ 12,705,381</u>	<u>\$ 12,987,863</u>	<u>\$ 11,410,036</u>	<u>\$ 11,643,878</u>
All other Governmental Funds					
Restricted	\$	\$	\$ 45,500	\$ 45,500	\$ 45,500
Assigned					
Special revenue funds	47,652	47,652	325,152	318,526	508,481
Capital projects funds	<u>2,129,831</u>	<u>1,799,617</u>	<u>841,850</u>	<u>1,448,620</u>	<u>1,604,073</u>
Total all other governmental funds	<u>\$ 2,177,483</u>	<u>\$ 1,847,269</u>	<u>\$ 1,212,502</u>	<u>\$ 1,812,646</u>	<u>\$ 2,158,054</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.

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

	Fiscal Year				
	2007	2008	2009	2010	2011
Revenues:					
Taxes	\$ 15,577,511	\$ 15,424,638	\$ 15,680,749	\$ 14,784,906	\$ 14,090,966
Licenses and Permits	880,266	1,047,144	880,016	910,997	959,098
Intergovernmental	2,750,021	2,459,211	3,315,908	1,768,388	1,557,377
Charges for services	1,082,569	1,268,774	1,684,718	1,944,245	1,934,424
Fines and forfeitures	132,158	235,965	145,340	142,048	164,366
Investment earnings	650,022	194,652	(1,345)	280,218	97,743
Miscellaneous	194,716	137,447	300,455	278,062	59,462
Total revenues	<u>21,267,263</u>	<u>20,767,831</u>	<u>22,005,841</u>	<u>20,108,864</u>	<u>18,863,436</u>
Expenditures:					
General government	2,304,654	2,246,461	1,970,257	2,496,342	2,402,241
Public safety	6,609,801	7,056,833	6,835,730	7,021,231	7,053,282
Public works	3,558,264	3,725,450	3,432,556	3,887,034	4,044,642
Community development and planning	735,155	840,366	784,486	774,121	790,937
Leisure services - recreation	2,430,403	2,876,840	2,898,252	2,361,388	2,295,959
Other government					
Capital outlay	2,737,805	2,597,065	3,939,455	663,582	682,057
Debt service					
Principal payments	789,048	716,206	1,395,735	2,250,000	
Interest paid on debt	207,088	143,726	43,725	4,384	
Total expenditures	<u>19,372,218</u>	<u>20,202,947</u>	<u>21,300,196</u>	<u>19,458,082</u>	<u>17,269,118</u>
Excess of revenues over (under) expenditures	1,895,045	564,884	705,645	650,782	1,594,318
Other financing sources (uses)					
Transfers in	593,884	1,254,952	454,111	163,490	1,334,934
Transfers out	(593,884)	(1,254,952)	(454,111)	(163,490)	(1,334,934)
Capital lease					
Proceeds from debt issuance					
Miscellaneous					
Total other financing sources (uses)	<u> </u>				
Net change in fund balances	<u>\$ 1,895,045</u>	<u>\$ 564,884</u>	<u>\$ 705,645</u>	<u>\$ 650,782</u>	<u>\$ 1,594,318</u>
Debt service as a percentage of noncapital expenditures	6.41%	4.91%	8.07%	11.99%	-

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 13,618,635	\$ 13,601,783	\$ 13,930,877	\$ 15,167,694	\$ 16,109,173
810,390	803,337	1,344,653	947,158	1,235,782
1,591,678	1,817,603	1,688,608	1,758,246	1,765,836
1,966,179	2,141,437	2,320,305	2,231,673	2,364,013
140,610	131,524	117,869	128,235	91,534
90,968	37,029	16,653	108,794	103,353
130,293	207,076	258,086	122,107	191,250
<u>18,348,753</u>	<u>18,739,789</u>	<u>19,677,051</u>	<u>20,463,907</u>	<u>21,860,941</u>
2,328,568	2,346,281	2,541,546	2,904,553	2,876,521
7,583,018	7,947,221	8,947,627	8,966,077	9,129,947
3,886,698	3,733,977	3,773,689	4,255,636	4,266,749
844,748	933,117	1,004,642	1,270,399	1,351,061
2,374,748	2,491,559	2,644,598	2,514,495	2,448,164
495,254	1,110,051	1,117,234	1,530,430	1,209,249
<u>17,513,034</u>	<u>18,562,206</u>	<u>20,029,336</u>	<u>21,441,590</u>	<u>21,281,691</u>
835,719	177,583	(352,285)	(977,683)	579,250
500,000	265,000	323,000	2,091,246	1,503,750
(500,000)	(265,000)	(323,000)	(2,091,246)	(1,503,750)
<u><u>\$ 835,719</u></u>	<u><u>\$ 177,583</u></u>	<u><u>\$ (352,285)</u></u>	<u><u>\$ (977,683)</u></u>	<u><u>\$ 579,250</u></u>

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

Fiscal Year Ended Sept 30,	Tax Roll Year	Real Property			Total Net Market - Assessed Value	Total Direct Tax Rate
		Residential Property	Commercial Property	Personal Property		
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	6.6977
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
2013	2012	1,254,302,880	195,770,816	30,033,151	1,480,106,847	6.9723
2014	2013	1,287,481,785	203,512,929	33,792,851	1,524,787,565	6.8731
2015	2014	1,355,969,888	214,484,701	34,077,944	1,604,532,533	7.3300
2016	2015	1,453,735,176	232,020,936	36,939,006	1,722,695,118	7.3300

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

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	
2007	2006	6.3000	7.8700	4.4800	2.3250	20.9750
2008	2007	6.1000	7.3560	3.9813	2.1308	19.5681
2009	2008	6.6977	7.2500	3.9660	2.2570	20.1707
2010	2009	6.9000	7.9830	4.5614	2.4934	21.9378
2011	2010	6.9723	8.1540	4.9960	2.5549	22.6772
2012	2011	6.9723	8.1800	4.9925	2.3433	22.4881
2013	2012	6.9723	7.7780	4.9902	2.3154	22.0559
2014	2013	6.8731	7.5860	4.9852	2.2280	21.6723
2015	2014	7.3300	7.5940	4.9729	2.1732	22.0701
2016	2015	7.3300	7.0700	4.9142	1.9453	21.2595

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

2016 & 2007 Presented

<u>Taxpayers</u>	<u>2016</u>			<u>2007</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	26,726,613	1	1.55%	16,800,000	3	0.85%
Sanctuary Bay Trust Corporation	21,147,513	2	1.23%	13,200,300	5	0.67%
Florida Power & Light	20,281,649	3	1.18%			
JB Shoppes LLLP	15,236,084	4				
CFO2 Palm Beach III LP				14,273,652	4	0.72%
New Country Motor Cars	13,809,719	5	0.80%			
Greater Fla Inv CO				11,080,697	6	0.56%
Domani Development, LLC	13,360,002	6	0.78%	19,818,175	1	1.00%
Old Port Cove Equities, Inc	14,300,000	7	0.83%			
Village Shoppes at US 1, LLC				9,325,955	7	0.47%
Crystal Tree Property Owners	12,000,000	8	0.70%	17,681,121	2	0.89%
Riverside National Bank of Florida				8,058,994	8	0.41%
Chouest, Gary	10,447,665	9	0.61%			
Old Port Cove Holdings, Inc	9,990,711	10	0.58%	7,702,923	9	0.39%
North Lake Storage, LLC				5,655,868	10	0.29%
Total	\$ 157,299,956		8.26%	\$ 123,597,685		6.25%

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

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
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%
2013	2012	10,358,172	9,948,550	96.05%	36,366	9,984,916	96.40%
2014	2013	10,503,598	10,097,763	96.14%	57,493	10,155,256	96.68%
2015	2014	11,761,226	11,350,738	96.51%	14,777	11,365,515	96.64%
2016	2015	12,627,355	12,197,736	96.60%	57,133	12,254,869	97.05%

Source: Palm Beach Country Property Appraiser

* Information available from the PBC Tax Collector is presented

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

Fiscal Year Ended <u>Sept 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	Percent of Median Personal <u>Income (1)</u>	<u>Per Capita</u>
	<u>Loans Payable</u>	<u>Capital Leases</u>	<u>Loans Payable</u>	<u>Capital Leases</u>			
2007	4,280,842	81,100	5,026,895		9,388,837	1.12%	715.61
2008	3,605,639	40,097	4,662,833	192,892	8,501,461	1.05%	692.64
2009	2,250,000	-	4,383,033	97,049	6,730,082	0.88%	583.15
2010	-	-	4,090,284	235,176	4,325,460	0.58%	371.64
2011	-	-	3,844,928	173,084	4,018,012 *	0.54% *	345.22
2012	-	-	3,608,294	106,933	3,715,227	0.49%	303.51
2013	-	-	3,357,875	396,055	3,753,930	0.51%	305.37
2014	-	-	3,096,925	274,471	3,371,396	0.42%	266.62
2015	-	-	2,824,987	147,767	2,972,754	0.38%	234.94
2016	-	-	2,684,913	-	2,684,913	0.34%	209.48

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

* Information was not available, the prior year info was used.

(1) See the Schedule of Demographic and Economic Statistics on page 103 for personal income and population data.

VILLAGE OF NORTH PALM BEACH
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2016
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	\$ 131,774,000	1.13%	\$ 1,489,046
Palm Beach County School Board	13,713,000	1.04%	\$ 142,615
Other debt:			
Palm Beach County	900,855,000	1.13%	10,179,662
Palm Beach County School Board		1.04%	
Subtotal, overlapping debt			11,811,323
Village of North Palm Beach Direct Debt			0.00
Total direct and overlapping debt			\$ 11,811,323

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>
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
2013	3,586,001	2,986,080	599,921	394,900	1.52
2014	3,656,636	3,248,284	408,352	394,900	1.03
2015	3,799,245	3,226,907	572,338	394,900	1.45
2016	3,766,196	3,333,395	432,801	394,900	1.10

(1) Gross revenue includes all revenues derived by the Village from the ownership and operation of the Country Club.

(2) Operating expenses excludes non-cash expenses

(3) Coverage should be not less than 1.00.

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)
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
2013 (estimate)	12,293	***59,778	****42,830	**4.66
2014 (estimate)	12,645	***63,349	****43,120	**3.92
2015 (estimate)	12,653	***61,057	****43,120	**3.15
2016 (estimate)	12,817	***61,653	****45,110	**2.10

Sources: Business Development Board
US Census Bureau

- * 2011 Demographic data is not available due to Agency Software upgrade that is not complete
- ** Village of North Palm Beach Unemployment Rate for 2012-2016 presented
- *** North Palm Beach Median Personal Income for 2012 - 2016 presented
- **** West Palm Beach/Ft Lauderdale/Miami Mean Income data presented

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***

<u>Employer</u>	<u>2015**</u>		<u>2006**</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Palm Beach Country School Board	21,656	3.12%	21,616	3.49%
State Government	7,470	1.08%	7,858	1.27%
Federal Government	6,658	0.96%	6,180	1.00%
Palm Beach County Government	5,930	0.85%	6,594	1.06%
Tenet Health Care Corp	4,595	0.66%	4,794	0.77%
NextEra Energy (Florida Power & Light)	4,005	0.58%	2,850	0.46%
Hospital Corporation of America (HCA) (1)	3,476	0.50%	5,200	0.84%
Veterans Health Administration	2,700	0.39%	1,350	0.22%
Florida Atlantic University	2,529	0.36%	2,825	0.46%
Jupiter Medical Center	2,195	0.32%	1,400	0.23%
Bethesda Memorial Hospital	2,150	0.31%	1,604	0.26%
Boca Raton Regional Hospital (2)	2,500	0.36%	1,700	0.27%
Office Depot	2,000	0.29%	1,750	0.28%
The Breakers Hotel	2,000	0.29%	1,800	0.29%
Florida Crystals (Headquarters)	1,900	0.27%	2,000	0.32%
Boca Raton Resort & Club	1,292	0.19%	2,200	0.36%
U.S. Sugar Corp	900	0.13%	2,100	0.34%
	<u>73,956</u>	<u>10.66%</u>	<u>73,821</u>	<u>11.92%</u>

Source: Business Development Board of Palm Beach County, floridajobs.org

* 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.

*** FY 2016 data is not available - FY 2006 & 2015 data presented

Notes:

- (1) Formerly Columbia Palm Beach Health Care Systems, Inc
- (2) Formerly Boca Raton Community Hospital

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

Number of Employees:	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Government										
Village Manager										
Full-Time	2	2	2	2	2	2	2	2	2	2
Part-Time	0	0	0	0	0	0	0	0	0	0
Information Technology										
Full-Time	2	2	2	2	2	3	3	3	3	3
Part-Time	0	0	1	1	1	0	0	0	0	0
Human Resources										
Full-Time	2	2	2	2	2	2	2	2	2	2
Part-Time	0	0	0	0	0	0	0	0	1	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	7	7
Part-Time	0	1	1	1	1	1	1	1	0	0
Public Works										
Full-time	47	48	38	37	37	37	37	37	35	34
Part-Time	0	0	0	0	0	0	0	0	0	0
Police & Fire										
Police										
Full-time	68	68	67	67	67	0	0	0	0	0
Part-Time	13	12	11	12	12	0	0	0	0	0
Fire Rescue										
Full-time	0	0	0	0	0	43	43	43	36	36
Part-Time	0	0	0	0	0	12	13	13	13	13
Community Development and Planning										
Full-time	9	10	9	9	9	8	8	10	11	12
Part-Time	1	1	2	2	2	2	2	1	0	0
Leisure Services										
Library										
Full-time	7	7	6	6	6	6	6	6	7	7
Part-Time	8	8	10	10	10	10	10	10	9	9
Recreation										
Full-time	15	17	9	7	6	6	6	6	6	6
Part-Time	39	42	42	42	43	43	43	43	43	43
Other Government - Country Club										
Full-time	19	18	5	5	7	5	6	8	8	8
Part-Time	25	22	21	21	64	56	54	65	65	65
Total Number of Employees Budgeted FY Ending	265	268	236	234	279	268	268	282	275	276

* 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

FUNCTION/PROGRAM	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
PUBLIC WORKS										
Sanitation (Tons of Refuse Collected)	12,085	11,974	10,667	10,165	9,962	10,065	10,720	10,720	11,167	12,556
No. of collection units for solid waste (residential)	7,152	7,163	7,214	7,070	7,071	7,076	7,471	7,616	7,618	7,614
Number of vehicles maintained	104	104	110	110	98	98	111	98	98	92
Number of repair overlays completed (miles)	2	3	2.5	2.71	-	-	-	-	-	-
POLICE										
Number of arrests by police officers	545	549	448	402	260	211	216	238	293	247
Number of traffic citations issued	4,269	5,520	6,305	4,951	2,564	2,566	1,254	2,799	3,407	2,494
FIRE RESCUE										
EMS average response times (minutes)	4.73	5.17	5.01	5.12	5.19	5.26	5.11	5.10	5.05	5.26
Number of EMS calls	1,034	1,114	1,214	1,146	1,179	1,326	1,296	1,110	1,499	1,601
COMMUNITY DEVELOPMENT & PLANNING										
Building Department - Number of Permits	1,875	1,619	1,548	1,744	1,616	1,835	2,480	2,103	3,920	4,242
Number of code enforcement violations	1,617	729	613	391	575	817	790	887	769	680
Number of code violations brought to board/magistrate (Calendar Yr End)	126	115	73	38	72	100	62	28	56	42
RECREATION										
Number of community events presented	24	23	28	28	38	49	37	53	57	48
Number of registrants in athletic programs	1,600	1,400	1,125	1,005	1,260	1,311	2,074	1,439	1,389	1,174
LIBRARY										
Library - Number of Volumes	42,372	33,122	35,681	39,277	40,658	43,340	44,966	46,546	47,339	*57,935
OTHER GOVERNMENT										
Country Club										
Number of Golf Members	579	389	297	354	298	283	262	250	255	265
Number of Tennis Members	171	171	180	184	173	162	190	194	193	183

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

* Beginning in FY 2016 Number of Volumes includes not only printed items, but media items as well.

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

Function/Program:	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016*</u>
General Government										
No. of General Government Buildings	11	11	23	23	23	23	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	32.30**
Number of Street Lights (within corp surroundings)	425	513	513	513	513	513	513	513	513	513
Public Safety										
Fire:										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Number of Firemen/Paramedics/EMTs	0	0	0	0	0	0	0	0	0	0
Number of Fire Captains	23	23	23	23	23	22	22	22	22	23
Police/EMS Protection:										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Number of Policemen & Officers	32	32	31	31	31	28	28	28	28	28
Number of Police Captains	0	0	0	0	0	2	2	2	2.5	2.5
Leisure Services										
Recreation										
Number of Parks	4	4	4	4	4	4	4	4	4	4
Public Tennis Courts	2	2	2	2	2	2	2	2	2	2
Swimming Pool	1	1	1	1	1	1	1	1	1	1
Number of Marinas	1	1	1	1	1	1	1	1	1	1
Library										
Number of Libraries	1	1	1	1	1	1	1	1	1	1
Number of Volumes (Printed items only)	42,372	33,122	35,681	39,277	40,658	43,340	44,966	46,546	47,339	48,913
Other Government										
Country Club										
Golf Course	1	1	1	1	1	1	1	1	1	1
Driving Range	1	1	1	1	1	1	1	1	1	1
Tennis Courts	10	10	10	10	10	10	10	10	10	10
Restaurant	0	0	0	1	1	1	1	1	1	1
Snack Bar	0	0	0	1	1	1	1	1	1	1

Source: Village of North Palm Beach

* Preliminary 2016 information is presented

** A Centerline Miles Study was completed during FY 2016 and the number of NPB Village centerline miles from the report is presented.

OTHER REPORTS



NOWLEN, HOLT & MINER, P.A.

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

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FAX (561) 996-6248

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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, 2016, and the related notes to the financial statements, which collectively comprise the Village of North Palm Beach, Florida's basic financial statements and have issued our report thereon dated March 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of North Palm Beach, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Village of North Palm Beach, Florida's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of North Palm Beach, Florida's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
March 15, 2017



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

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

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Report on the Financial Statements

We have audited the financial statements of the Village of North Palm Beach, Florida, as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated March 15, 2017.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports

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* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 15, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the prior year that required corrective actions.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this Management Letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements.

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the Village of North Palm Beach, Florida 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, we determined that the Village of North Palm Beach, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes, during the fiscal year ended September 30, 2016.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Village of North Palm Beach, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Our assessment was done as of the fiscal year end. The results of our procedures did not disclose any matters that are required to be reported.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we report the results of our determination as to whether the annual financial report for the Village of North Palm Beach, Florida for the fiscal year ended September 30, 2016, 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, 2016. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes.

Based on the application of criteria in publications cited in Section 10.553, Rules of the Auditor General, there are no special district component units of the Village of North Palm Beach, Florida.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the Management Letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Single Audits

The Village expended less than \$750,000 of federal awards and less than \$750,000 of state financial assistance for the year ended September 30, 2016, and was not required to have a federal single audit or a state single audit.

Response to Management Letter

There were no items that required a response by management.

Purpose of this Letter

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 entities, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Mimes, P.A.

March 15, 2017
West Palm Beach, Florida



NOWLEN, HOLT & MINER, P.A.

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**INDEPENDENT ACCOUNTANT’S REPORT
ON COMPLIANCE WITH SECTION 218.415,
FLORIDA STATUTES**

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

We have examined the Village of North Palm Beach, Florida’s compliance with Section 218.415, Florida Statutes during the year ended September 30, 2016. Management is responsible for the Village of North Palm Beach, Florida’s compliance with those requirements. Our responsibility is to express an opinion on the Village of North Palm Beach, Florida’s compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Village of North Palm Beach, Florida’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Village of North Palm Beach, Florida’s compliance with specified requirements.

In our opinion, the Village of North Palm Beach, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representative, the Florida Auditor General, applicable management, and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
March 15, 2017