

The Village of

# ROYAL PALM BEACH

FLORIDA



## Comprehensive Annual Financial Report

For the FISCAL YEAR ENDED September 30, 2012

1050 Royal Palm Beach Blvd.  
Royal Palm Beach, FL 33411

## **INTRODUCTORY SECTION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**VILLAGE OF ROYAL PALM BEACH, FLORIDA**  
**Fiscal year ended September 30, 2012**

Prepared by the Finance Department

VILLAGE OF ROYAL PALM BEACH, FLORIDA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2012

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# Village of Royal Palm Beach, Florida

1050 Royal Palm Beach Boulevard Royal Palm Beach, Florida 33411  
Telephone (561) 790-5112 Fax (561) 790-5174 E-mail: [shochman@royalpalmbeach.com](mailto:shochman@royalpalmbeach.com)

Department of Finance  
Stanley G. Hochman, Director

February 23, 2013

Mayor Matty Mattioli  
Vice Mayor Fred Pinto  
Councilperson Jeff Hmara  
Councilperson Richard Valuntas  
Councilperson Martha Webster

The Honorable Mayor and Village Council:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with U.S. generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Village of Royal Palm Beach for the fiscal year ended September 30, 2012.

This report consists of management's representations concerning the finances of the Village of Royal Palm Beach. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Village of Royal Palm Beach has established a comprehensive internal control framework that is designed both to protect the Village assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Village of Royal Palm Beach's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Village of Royal Palm Beach's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Village of Royal Palm Beach's financial statements have been audited by Caler, Donten, Levine, Cohen, Porter & Veil, P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Village of Royal Palm Beach for the fiscal year ended September 30, 2012 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Village of Royal Palm Beach's financial statements for the fiscal year ended September 30, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component 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 introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Matty Mattioli  
Mayor

Fred Pinto  
Vice Mayor

Martha Webster  
Councilwoman

Richard Valuntas  
Councilman

Jeff Hmara  
Councilman

Richard C. Liggins  
Village Manager

## **Profile of the Government**

The Village of Royal Palm Beach, incorporated in 1959, is located in the central western part of Palm Beach County, which is considered to be a top growth area in the County, and one of the top growth areas in the State. The Village of Royal Palm Beach currently occupies a land area of 12 square miles and serves a population of approximately 34,000. The Village of Royal Palm Beach is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the Village Council.

The Village of Royal Palm Beach has operated under the Council-Manager form of government since 1959. Policy-making and legislative authority are vested in the Village Council consisting of the Mayor and four Council members. The Village Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the Village Manager and Attorney. The Village Manager is responsible for carrying out the policies and ordinances of the Village Council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The Council is elected on a non-partisan basis. Council members serve two-year staggered terms. The Mayor is also elected to serve a two-year term. The Mayor and the four Council members are elected at large.

The Village provides general municipal services such as recreation, public works, cultural events; and stormwater utility services. Police services are provided under contract by the Palm Beach County Sheriff and Water and Wastewater utilities are provided by Palm Beach County Utilities subsequent to the sale of our utility in April 2006.

The annual budget serves as the foundation for the Village of Royal Palm Beach's financial planning and control. The Village is legally required to adopt a budget for the General and Stormwater Utility Fund. The Village of Royal Palm Beach's budget process begins in April with a staff meeting between the Village Manager and Department Heads to review budget philosophy and develop overall goals and objectives. All departments of the Village of Royal Palm Beach are required to submit requests for appropriation to the Village Manager on or before the second week in May each year. The Village Manager uses these requests as the starting point for developing a proposed budget. The Village Manager then presents this proposed budget to the Council for review prior to July 10. The Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than September 30, the close of the Village of Royal Palm Beach's fiscal year. The Village uses the Budgeting by Activity (Division) and Objective process in the formulation of its appropriated budget. Departmental Budgets include an Organizational Chart and Recap page. Each department is divided into major activities or programs, which are performed by that department. Individual activity budgets include an Objective/Performance page and a Budgetary Account Summary. The Objective/Performance page presents a brief review of the activity description, activity service objectives and quantitative performance/workload indicators, number of personnel and major budget level changes. The Budgetary Account Summary provides expenditure detail and a comparison of current and previous years' expenditures on a line item basis. The Budgetary Process is very valuable in communicating with the Council and citizens of the Village.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Village of Royal Palm Beach operates.

**Local Economy:** Overall, the projected value of the Village tax base decreased from \$1,894,085,636 to \$1,841,694,490 during FY 2012 representing a 2.8% decrease. This decrease in overall valuation is the net result of new residential, commercial, and industrial construction, offset by a general decrease in the value of existing property. However, the Village of Royal Palm Beach has experienced a significant increase in both residential and nonresidential building permit applications in 2012 compared to recent fiscal years past. There are also positive signs that the upward trend in building permit applications may continue through 2013 due to the activity in land use changes and site plan approvals that occurred in 2012.

The majority of residential units constructed between the years 2000 and 2006 were located primarily within the Madison Green, Anthony Groves, Bella Vita, Barcelona and The Estates residential communities. Since development of these projects has been completed, construction has shifted to the PortoSol and The Enclave developments and in time will shift to the Munne Royal Homes, and Cypress Key developments. PortoSol by Minto, Munne Royal Homes, Cypress Key, and The Enclave currently possess valid development orders, which consist of a total of 926 residential units of which 223 have been constructed.

Fiscal Years 2010 through 2012 saw new nonresidential construction consisting of an abnormal amount of construction and refurbishing of banks; the completion of the new clubhouse at the Village Golf Club; a club member facility at Madison Green; a 30,000 square foot office building within the Corporate Center West development; and the construction of a 58,000 square foot Toys R Us building.

**Long-Term Financial Planning:** As a result of new developments utilizing a large portion of the vacant land within the Village, and with only limited opportunities to annex new vacant lands, it is estimated that the Village could potentially be built out by the end of 2020 in terms of new residential and commercial development.

Currently, it is anticipated that there are about 703 approved but non-constructed units (PortoSol by Minto, Cypress Key, and Munne Royal Homes) available for actual construction during this timeframe without additional annexation. The Enclave received a Low Residential Land Use designation and a Residential Multi-Family Zoning designation during the Fiscal Years 2011/2012 that will allow for a maximum of 268 residential units to be developed on these lands. It is anticipated that the residential construction within the Village will revolve around PortoSol by Minto and The Enclave for the remainder of FY 12 and FY 13.

It is anticipated that new industrial development will occur in the near future within the industrial properties which already possess development order/site plan approvals. These properties include: Aldi Park PID, the remaining portions of Southern Mills Distribution Center, Sawgrass Center, and various other industrial sites; and total 1.2 million square feet. There are various other properties totaling approximately 14 acres that lie within the Industrial Land Use and Zoning Districts that coupled with the properties that possess development order/site plan approvals can potentially provide industrial development 5 to 10 years into the future.

The new commercial development is projected to occur on several commercial parcels specifically: Corporate Center West aka University Centre, Fox Property MUPD, Cypress Key MXD, United Pentecostal Church, Waterway Plaza, Royal Office Park, Heritage Oaks Commercial, Village Center at Royal Palm Beach, Anthony Groves Plaza, and Peninsula Bank; include a total of 616,076 square feet. Given the state of today's real estate market it is anticipated that these properties will develop over the next 5 to 10 years. Although the Ruben Property and Weldon Property do not have current

development orders they do have the General Commercial Land Use and the General Commercial Zoning making the properties attractive for development.

Overall, the Village is approaching build out within its current municipal boundaries. In addition, expansions through future annexations are limited in scope. As such, future revenues will be based more on tax related revenues and less on building related revenues.

### **Major Initiatives and Accomplishments:**

*For the year*

During the year the following major accomplishments occurred:

- Once again, during an economic downturn, the Village adopted a budget that maintained the property tax rate and continued to provide the same level of service as in prior years.
- Refunded the \$20,500,000 note for the construction of the 163 acre Village Commons Park and saved \$2,000,000 over the life of the note.
- Created a Stormwater Utility to provide funding for preventive maintenance, repair and installation with regard to canals and drainage systems throughout the Village.

*For the future*

Maintenance of the Village's general infrastructure (such as streets and storm drainage collection) remains a major concern of the Village. To address this concern, the Village each year prepares a five-year Capital Improvement Program that provides the framework for the development and maintenance of infrastructure to meet current and future needs.

The following are priority goals that the Village has adopted for fiscal year 2013:

- Complete the construction of the Village Commons Park and prepare for a grand opening in March 2013.
- Start and complete the Crestwood Boulevard Streetscape North project which will include resurfacing, upgrades to sidewalks, curbing and landscaping.
- Develop a one, five and fifteen year strategic plan for the Village with the assistance of a third party consultant who will facilitate input from the Village Council, Village senior staff and the general public.
- Adopt a budget that maintains the Village's high levels of service while maintaining the current ad valorem tax rate.

**Financial Policies:** The Village has adopted financial policies including, operating policies, revenue policies, investment policies, contingency policies, budgetary control, debt management and reserve policies for all major funds. The establishment of specific reserve policies is an important part of prudent financial management. Reserve policies reduce ambiguity and guide the creation, maintenance and use of resources for financial stabilization purposes.

**Cash management policies and practices:** Cash temporarily idle during the year is invested in a variety of long and short term fixed income securities. The Village contracts with PFM Asset Management, LLC to invest idle funds in accordance with its investment policy. The primary objective of the Village of Royal Palm Beach's investment program is the protection of public funds. Investing is undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The primary objective is to mitigate credit risk and interest rate risk. The investment strategy further provides sufficient liquidity to meet the Village's operating, payroll and capital requirements.

**Risk management:** The Village purchases insurance coverage for general liability, property damage, and workers' compensation from the Florida League of Cities. Health Insurance was also provided by the Florida League of Cities during this audit period. Insurance coverage is evaluated annually as part of the Village's budget process. Adjustments are made as necessary to provide the greatest degree of coverage in the most cost effective manner.

**Pension benefits:** The Village of Royal Palm Beach sponsors a single-employer defined benefit pension plan for its public safety (police) employees. Effective October 1, 2006 the Village contracted with the Palm Beach County Sheriff's office to provide police services to the Village. At that time all but six (6) officers transferred to the Florida Retirement System which provides pension benefits for the Sheriff's deputies. As of July 1, 2008 all six of the officers retired from the Royal Palm Beach Pension Plan and are receiving benefits through an annuity purchased through the Mutual of Omaha Insurance Company. The Royal Palm Beach Pension Plan did not dissolve in that it still receives insurance premium monies from the Division of Retirement as authorized under Chapter 185 Florida Statutes. Hence, a share plan was created on their behalf and the annual premium monies received are distributed equally to all remaining members less any administrative monies held as established by the police pension board.

The Village of Royal Palm Beach also provides pension benefits for its non-public safety employees as well. Prior to October 1, 2008 all of these employees were covered under a defined contribution plan. The Village contributes 5% of the base salary of all full-time employees who have completed one year of continuous service and have attained the age of eighteen. In addition, the employees may voluntarily contribute up to 5% of their base salary and the Village will match this contribution. As of October 1, 2008 the Village joined the Florida Retirement System (FRS). Hence, all employees hired after that date must belong to FRS. Employees on board prior to that date had a one-time irrevocable option to stay in the current defined contribution plan or join the Florida Retirement System.

### **Awards and Acknowledgements**

**Awards.** The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Royal Palm Beach for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2011. This was the twenty second consecutive year that the Village has received this prestigious award.

In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements. The contents must conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to

conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the Village also received the GFOA's Distinguished Budget Presentation Award for its 2011/2012 annual budget document. This was the sixteenth consecutive year that the Village has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the Village's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

**Acknowledgements.** The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and Council members for their unfailing support for maintaining the highest standards of professionalism in the management of the Village of Royal Palm Beach's finances.

Respectfully submitted,



Raymond C. Liggins  
Village Manager



Stanley G. Hochman  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Village of Royal Palm Beach  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2011

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



*Christopher P. Morill*

President

*Jeffrey R. Enen*

Executive Director



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**Village of Royal Palm Beach  
Florida**

For the Fiscal Year Beginning

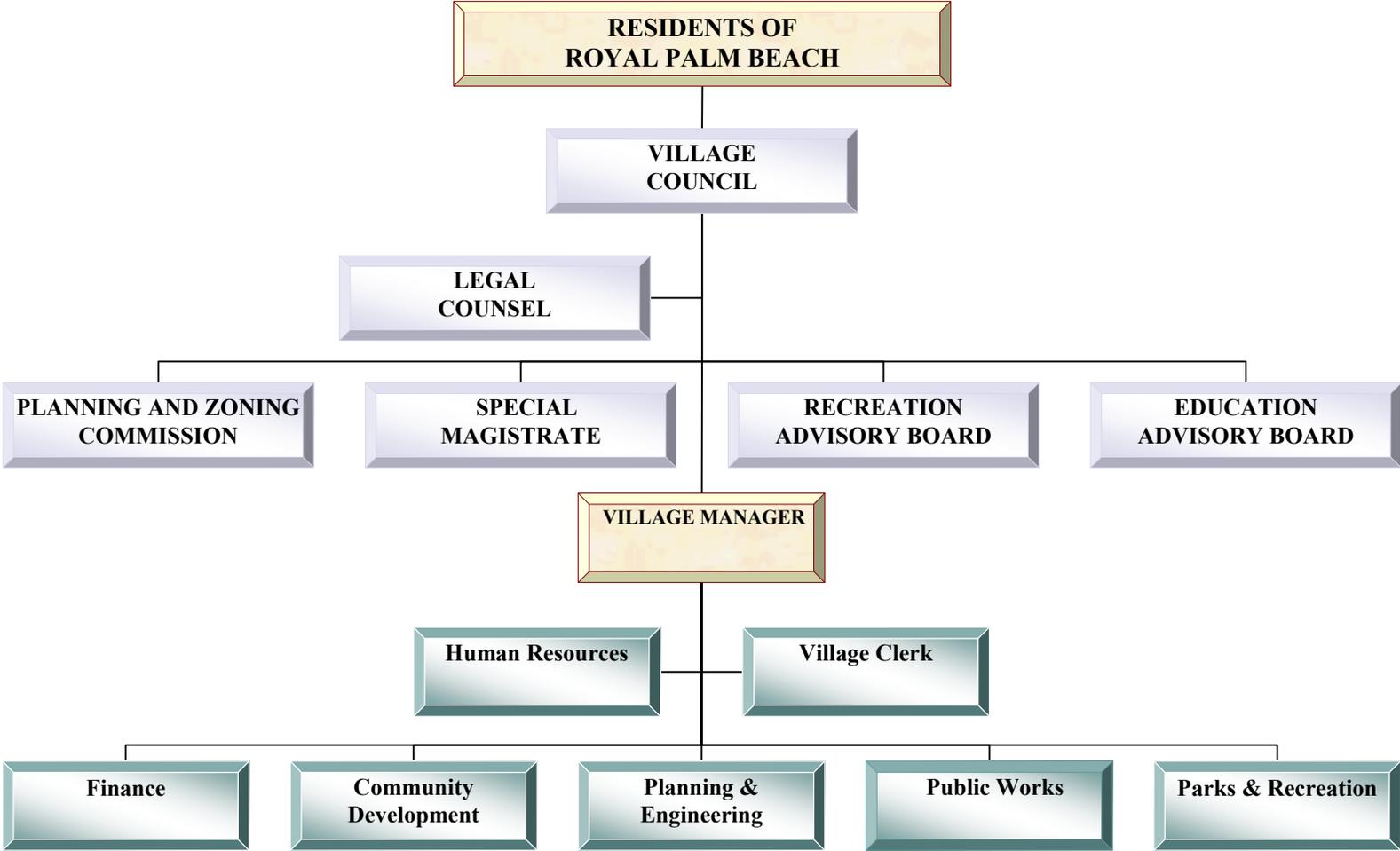
**October 1, 2011**

*Linda C. Davidson Jeffrey R. Emer*

President

Executive Director

# The Village of Royal Palm Beach Organizational Chart



**VILLAGE OF ROYAL PALM BEACH**

**LIST OF PRINCIPAL OFFICIALS**

**September 30, 2012**

Mayor .....	Matty Mattioli
Vice-Mayor .....	Fred Pinto
Councilperson.....	Jeff Hmara
Councilperson.....	Richard Valuntas
Councilperson.....	Martha Webster
Village Manager .....	Raymond C. Liggins
Director of Human Resources .....	Monika Bowles
Village Clerk .....	Diane DiSanto
Director of Community Development .....	Robert Hill
Director of Finance .....	Stanley G. Hochman
Village Engineer .....	Christopher Marsh
Director of Parks and Recreation .....	Louis Recchio
Director of Public Works .....	Paul Webster
Village Attorney .....	Trela White

## **FINANCIAL SECTION**



CALER, DONTEN, LEVINE,  
COHEN, PORTER & VEIL, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM K. CALER, JR., CPA  
LOUIS M. COHEN, CPA  
JOHN C. COURTNEY, CPA, JD  
DAVID S. DONTEN, CPA  
JAMES B. HUTCHISON, CPA  
JOEL H. LEVINE, CPA  
JAMES F. MULLEN, IV, CPA  
THOMAS A. PENCE, JR., CPA  
SCOTT L. PORTER, CPA  
MARK D. VEIL, CPA

505 SOUTH FLAGLER DRIVE, SUITE 900  
WEST PALM BEACH, FL 33401-5948

TELEPHONE (561) 832-9292  
FAX (561) 832-9455

info@cdlcpa.com

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activity, each major fund and the aggregate remaining fund information of the Village of Royal Palm Beach, Florida, as of and for the year ended September 30, 2012, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Village of Royal Palm Beach, Florida. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of the Village of Royal Palm Beach, Florida, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2013, on our consideration of the internal control over financial reporting of the Village of Royal Palm Beach, Florida, and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the *management's discussion and analysis* on pages 3 through 10 and the budgetary comparison information on pages 46 through 51 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 U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the financial statements of the Village of Royal Palm Beach, Florida, as a whole. The introductory section, the combining fund financial statements and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Village of Royal Palm Beach, Florida. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Cale, Dauter, Levine,  
Cohen, Porter & Veil, P.A.*

February 22, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Village of Royal Palm Beach's Management's Discussion and Analysis (MD&A) is designed to provide an objective and easy to read analysis of the Village's financial activities based on currently known facts, decisions, and conditions. It is intended to provide a broad overview and short-term and long-term analysis of the Village's activities based on information presented in the financial statements. Specifically, this information is designed to assist the reader in focusing on significant financial issues, provide an overview of the Village's financial activity, identify changes in the Village's financial position, identify material deviations from the approved budget, and identify individual fund issues.

The information contained within this MD&A is only a component of the entire financial statement report. Readers should take time to read and evaluate all sections of the report, including the footnotes and the other Required Supplementary Information that is provided in addition to this MD&A.

### **FINANCIAL HIGHLIGHTS**

- The assets of the Village of Royal Palm Beach exceeded its liabilities at September 30, 2012, by \$154,000,207. Of this amount, unrestricted net assets of \$75,872,415 may be used to meet the Village's ongoing obligations to citizens and creditors.
- The total net assets of the Village decreased by \$2,999,849. Of this amount, a decrease of \$3,000,905 was associated with governmental activities and a \$1,056 increase was associated with the business-type activity.
- As of the close of the current fiscal year, the Village of Royal Palm Beach's governmental funds reported combined ending fund balances of \$85,183,638, a decrease of \$10,978,371 in comparison with that of the prior year. Of this amount, \$51,478,969 is unassigned, while \$23,290,785 has been assigned for payment of debt service and subsequent year's expenditures, \$9,638,838 has been committed for capital projects, \$257,441 has been committed for recreation facilities, \$289,131 has been committed for community beautification, \$108,424 has been restricted for law enforcement and police education, and \$120,050 of prepaid items have been classified as nonspendable.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$51,478,969, or 128% of total general fund expenditures and other financing uses.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Village of Royal Palm Beach's basic financial statements. The Village of Royal Palm Beach's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements:** The government-wide financial statements are designed to provide readers with a broad overview of the Village of Royal Palm Beach's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. The statement of activities presents information showing how the government's net assets changed

during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village of Royal Palm Beach include general government, public safety, public works, and culture and recreation. The major business-type activity of the Village includes the water and wastewater system.

**Fund Financial Statements:** Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate legal compliance with finance-related legal requirements. The Village's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

*Governmental Funds.* The fund financial statements provide detailed information about the most significant funds – not the Village as a whole. Accordingly, two (2) major funds are reported individually in the governmental funds balance sheet and statement of revenue, expenditures and changes in fund balances. The remaining governmental funds are reported as a combined total. Major governmental funds for the year ended September 30, 2012, were:

- General Fund
- Capital Improvements Fund (a Capital Projects Fund)

*Proprietary Funds.* Proprietary funds are used to account for revenue and expenses from services provided on a user-charge basis to the public. Proprietary fund activities are reported on the same accounting basis and measurement focus as the statement of net assets and the statement of activities. This is similar to that found in the private sector and provides a periodic measurement of net income. The Village's proprietary activities are accounted for in one enterprise fund for water and wastewater.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements 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 Village's Fiduciary Funds at September 30, 2012, were the General Employees Pension Trust Fund and the Police Pension Trust Fund.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 23 of this report.

**Other Supplementary Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. This includes budget versus actual comparisons for General Fund revenue and expenditures (required supplementary information) and combining fund financial statements for the non-major governmental funds and fiduciary funds. This information is presented immediately after the basic financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At September 30, 2012, the Village's assets exceeded liabilities by \$154,000,207. A large portion of the Village's net assets (52 percent) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following analysis summarizes the net assets as of September 30, 2012 and 2011:

	Governmental Activities		Business-type Activity		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 88,902,968	\$ 99,978,163	\$ 216,213	\$ 215,157	\$ 89,119,181	\$100,193,320
Capital assets, net	<u>87,372,001</u>	<u>80,685,023</u>	<u>5,653,816</u>	<u>6,823,533</u>	<u>93,025,817</u>	<u>87,508,556</u>
Total assets	176,274,969	180,663,186	5,870,029	7,038,690	182,144,998	187,701,876
Other liabilities	3,961,669	4,197,702	1,169,717	1,169,717	5,131,386	5,367,419
Noncurrent liabilities	<u>19,846,436</u>	<u>20,997,715</u>	<u>3,166,969</u>	<u>4,336,686</u>	<u>23,013,405</u>	<u>25,334,401</u>
Total liabilities	23,808,105	25,195,417	4,336,686	5,506,403	28,144,791	30,701,820
Net assets:						
Invested in capital assets, net of related debt	72,365,552	74,924,952	5,653,816	6,823,533	78,019,368	81,748,485
Restricted	108,424	107,059			108,424	107,059
Unrestricted	<u>79,992,888</u>	<u>80,435,758</u>	<u>(4,120,473)</u>	<u>(5,291,246)</u>	<u>75,872,415</u>	<u>75,144,512</u>
Total net assets	<u>\$152,466,864</u>	<u>\$155,467,769</u>	<u>\$ 1,533,343</u>	<u>\$ 1,532,287</u>	<u>\$154,000,207</u>	<u>\$157,000,056</u>

An additional portion of the net assets (0.07%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$75,872,415) may be used to meet the Village's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets for the government as a whole. The same situation held true for the prior year.

The following analysis summarizes the changes in net assets for the years ended September 30, 2012 and 2011:

	Governmental Activities		Business-type Activity		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 3,000,728	\$ 2,180,297	\$ 1,169,717	\$ 1,169,717	\$ 4,170,445	\$ 3,350,014
Operating grants and contributions	313,755	272,704			313,755	272,704
Capital grants and contributions	2,063,174	2,314,702			2,063,174	2,314,702
General revenue:						
Taxes	10,637,091	10,749,436			10,637,091	10,749,436
State shared revenue	3,701,971	3,386,274			3,701,971	3,386,274
Investment earnings	886,188	1,054,230	1,056	774	887,244	1,055,004
Other	<u>236,751</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>236,751</u>	<u>200,000</u>
Total revenue	20,839,658	19,957,643	1,170,773	1,370,491	22,010,431	21,328,134
<b>Expenses</b>						
General						
government	4,469,023	4,487,030			4,469,023	4,487,030
Public safety	8,493,956	8,550,405			8,493,956	8,550,405
Public works	6,347,747	6,281,211			6,347,747	6,281,211
Culture and recreation	3,964,633	4,082,724			3,964,633	4,082,724
Interest on long-term debt	565,204	572,551			565,204	572,551
Water and wastewater			<u>1,169,717</u>	<u>1,169,717</u>	<u>1,169,717</u>	<u>1,169,717</u>
Total expenses	23,840,563	23,973,921	1,169,717	1,169,717	25,010,280	25,143,638
<b>Transfers</b>	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>
<b>Increase (Decrease) in Net Assets</b>	(3,000,905)	(3,816,278)	1,056	774	(2,999,849)	(3,815,504)
Net Assets at Beginning of Year						
	<u>155,467,769</u>	<u>159,284,047</u>	<u>1,532,287</u>	<u>1,531,513</u>	<u>157,000,056</u>	<u>160,815,560</u>
Net Assets at End of Year						
	<u>\$152,466,864</u>	<u>\$155,467,769</u>	<u>\$ 1,533,343</u>	<u>\$ 1,532,287</u>	<u>\$154,000,207</u>	<u>\$157,000,056</u>

The Village's net assets decreased by \$2,999,849 during the fiscal year ended September 30, 2012. This decrease is explained as follows:

**Governmental activities:** Governmental activities decreased the Village's net assets by \$3,000,905, representing a decrease of \$815,373 from the prior year. This decrease is directly related to revenue increases in licenses/permits and fines and forfeitures as represented by charges for services above.

**Business-type activity:** Business-type activity net assets of the Village increased by \$1,056. This increase is all related to investment earnings on monies remaining in the Utility Fund for the purpose of dismantling the utility infrastructure.

### **Financial Analysis of the Fund Financial Statements**

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

**Governmental Funds.** The purpose of the Village's governmental fund financial statements 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, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At September 30, 2012, the Village's governmental funds reported combined ending fund balances of \$85,183,638, a decrease of \$10,978,371 in comparison to that of the prior year. Of this amount, \$51,478,969 (60 percent) is unassigned fund balance, which is available for spending at the government's discretion. Of the total fund balance, \$1,623,256 has been assigned by the Village for subsequent years' expenditures and \$21,667,529 has been assigned for future debt service payments. Funds have been committed for capital projects, recreation facilities and community beautification in the amounts of \$9,638,838, \$257,441, and \$289,131, respectively. Restricted funds for police education and the law enforcement total \$108,424. The remaining fund balance of \$120,050 is nonspendable and consists of prepaid items.

The General Fund is the Village's chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$51,478,969, while the total fund balance was \$74,998,228. 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 represents 128 percent of total general fund expenditures and other financing uses, while total fund balance represents 186 percent of that same amount.

The fund balance of the Village's General Fund decreased by \$2,127,287 during the current fiscal year, primarily as a result of the refunding of the note and the reduction in interest income.

The Capital Improvements Fund was established to account for the Village's General Capital Improvement Program. These monies are used to fund Village improvements and other projects and programs not accounted for in other Capital Improvement Funds. The year end fund balance of \$6,469,789 is a decrease of \$10,108,692 in comparison to that of the prior year which was attributable to the completion and substantial completion of major projects such as RPB North Improvements, LaMancha Bike Path and Village Commons Park. All of the year end fund balance of \$6,469,789 is committed by the Village Council for capital projects' expenditures.

**Proprietary fund.** The fund financial statements for the Village's single Enterprise fund provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets for the Enterprise Fund (Water and Wastewater Utility) were \$1,533,343 at September 30, 2012. On April 27, 2006, the Village sold its Utility operation to Palm Beach County (see Note C in the notes to the financial statements). In accordance with the sale agreement, the Village is obligated to keep the water and wastewater plants available for use by the County until such time as the County builds or connects their own systems to the Village, subject to certain agreed upon timeframes. Accordingly, the Village has allocated a portion of the sales price to unearned rent for the system which is offset by depreciation expense. The net income of the Utility Fund for 2012 consists of approximately \$1,000 in investment earnings on remaining cash.

### **General Fund Budgetary Highlights**

In comparing budgeted expenditures to actual expenditures, the following significant variances are considered noteworthy:

- Non-departmental expenditures were approximately \$400,000 under budget which was caused by an overestimate of utility and insurance costs.
- Culture and Recreation expenditures were \$261,000 under budget primarily due to unfilled positions.
- Debt Service expenditures were \$89,000 under budget which can be directly related to the refunding of the note for Village Commons Park.

**Capital assets.** The Village's investment in capital assets for its governmental and business-type activities at September 30, 2012, amounts to \$93,025,817 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, vehicles, infrastructure and construction in progress. Major capital projects completed during the current fiscal year included the following:

- Royal Palm Beach Boulevard North improvements were completed at a budgeted cost in excess of \$1 million which includes the construction of on and off street bike paths, curbing, an urban drainage system and landscaping. The improvement is consistent with local comprehensive plans with no impacts to environmentally sensitive lands.
- The 168 acre Village Commons Park was substantially completed at a budgeted cost in excess of \$10 million. The park includes a three story sporting center, maintenance building, restroom building, interactive fountain, pavilions, playscape, volleyball courts, biking/jogging trails, golf driving range and infrastructure to support the proposed improvements.
- The LaMancha Avenue Bike Path improvements were completed at a budgeted cost in excess of \$600,000 which provided on street bicycle lanes along LaMancha Avenue from RPB Blvd. to Las Palmas Street (east).

Additional information on the Village's capital assets can be found in Note C.

**Noncurrent liabilities.** At the end of the current fiscal year, the Village had \$19,758,181 in outstanding noncurrent liabilities consisting of a note payable and liabilities for compensated absences. The note was secured by specific revenue sources, while the compensated absences liability was unsecured. There was no debt in the business-type activity at September 30, 2012 or 2011.

**Village of Royal Palm Beach’s Governmental Activities Outstanding Debt**

	2012	2011
Note payable	\$ 19,358,500	\$ 20,500,000
Compensated absences	399,681	389,715
	<u>\$ 19,758,181</u>	<u>\$ 20,889,715</u>

The Village’s total noncurrent liabilities (including compensated absences) decreased by \$1,131,534, during the current fiscal year as a result of repayments of principal on the Village’s note payable. Additional information on the Village’s long-term liabilities can be found in Note D.

**Economic Factors**

The State of Florida, by constitution, does not have a personal income tax and therefore the State operates primarily using sales, gasoline and corporate income taxes. Local governments primarily rely on property taxes and fees to fund their governmental activities. There is a limited amount of state-shared revenue and recurring and non-recurring grants.

While property taxes are important to the Village, they represent only 16% of budgeted general fund revenues. However, when combined with other tax related revenues, such as utility service taxes, franchise fees, and business taxes, the percentage increases to 49%. Because of the decreased dependence upon property taxes, the Village’s resources tend to keep pace with increased demand for services. Nevertheless, the Village monitors all of its resources and determines the need for program adjustment or fee increases accordingly.

**Next Year’s Budget**

The 2013 budget will be less of a challenge than in previous years. Although we once again have a reduction in property values, it represents the smallest decrease we have had for several years. It appears that the negative slide of this revenue stream could be over and we are anticipating increases in future years. Further, building related revenues are expected to increase dramatically which will be directly related to a major increase in non-residential construction.

Additionally, included in the 2013 budget is the creation of a Stormwater Utility which will absorb approximately \$665,000 of Public Works costs currently paid for by the General Fund.

Per Village policy, our cash position remains strong and we have maintained adequate reserves for emergencies.

**Requests for Information**

This financial report is designed to provide a general overview of the Village of Royal Palm Beach's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to:

**Finance Department**  
1050 Royal Palm Beach Boulevard  
Royal Palm Beach, FL 33411  
**561-790-5100**

## **BASIC FINANCIAL STATEMENTS**

VILLAGE OF ROYAL PALM BEACH, FLORIDA

STATEMENT OF NET ASSETS

September 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
<b>ASSETS</b>			
Equity in pooled cash and investments	\$ 3,872,422	\$ 216,213	\$ 4,088,635
Investments	78,491,333		78,491,333
Accrued interest receivable	113,905		113,905
Accounts receivable	799,937		799,937
Due from other governments	1,172,303		1,172,303
Prepaid expenses	120,050		120,050
Restricted assets			
Investments	4,305,306		4,305,306
Debt issue costs, net	27,712		27,712
Capital assets			
Capital assets not being depreciated	25,576,352	1,462,328	27,038,680
Capital assets being depreciated, net of accumulated depreciation	<u>61,795,649</u>	<u>4,191,488</u>	<u>65,987,137</u>
Total Assets	176,274,969	5,870,029	182,144,998
<b>LIABILITIES</b>			
Accounts payable	355,856		355,856
Accrued payroll and related liabilities	141,122		141,122
Other liabilities	361,151		361,151
Contracts and retainage payable	225,023		225,023
Contracts and retainage payable from restricted assets	2,004,240		2,004,240
Unearned revenue	874,277	1,169,717	2,043,994
Noncurrent liabilities			
Due within one year	1,202,184		1,202,184
Due in more than one year	18,509,252	3,166,969	21,676,221
OPEB liability due in more than one year	<u>135,000</u>		<u>135,000</u>
Total Liabilities	<u>23,808,105</u>	<u>4,336,686</u>	<u>28,144,791</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	72,365,552	5,653,816	78,019,368
Restricted for public safety	108,424		108,424
Unrestricted (deficit)	<u>79,992,888</u>	<u>(4,120,473)</u>	<u>75,872,415</u>
Total Net Assets	<u>\$ 152,466,864</u>	<u>\$ 1,533,343</u>	<u>\$ 154,000,207</u>

See notes to financial statements.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

STATEMENT OF ACTIVITIES

Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities</b>				
General government	\$ 4,469,023	\$ 769,962	\$ 26,500	\$ 28,736
Public safety	8,493,956	1,639,053	223,683	171,927
Public works	6,347,747	6,640	63,572	1,254,481
Culture and recreation	3,964,633	585,073		608,030
Interest on long-term debt	565,204			
Total Governmental Activities	<u>23,840,563</u>	<u>3,000,728</u>	<u>313,755</u>	<u>2,063,174</u>
<b>Business-type activity</b>				
Water and wastewater	<u>1,169,717</u>	<u>1,169,717</u>		
Total	<u>\$ 25,010,280</u>	<u>\$ 4,170,445</u>	<u>\$ 313,755</u>	<u>\$ 2,063,174</u>

**General revenue**

Taxes

Property taxes

Franchise fees

Utility service taxes

Business taxes

State shared revenue, unrestricted

Investment earnings

Gain on sale of capital assets

Total General Revenue

Change in Net Assets

**Net Assets at October 1, 2011**

**Net Assets at September 30, 2012**

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business - Type Activity</u>	<u>Total</u>
\$ (3,643,825)	\$	\$ (3,643,825)
(6,459,293)		(6,459,293)
(5,023,054)		(5,023,054)
(2,771,530)		(2,771,530)
(565,204)		(565,204)
<u>(18,462,906)</u>	<u>-</u>	<u>(18,462,906)</u>
		-
<u>(18,462,906)</u>	<u>-</u>	<u>(18,462,906)</u>
3,402,534		3,402,534
2,431,277		2,431,277
4,190,499		4,190,499
612,781		612,781
3,701,971		3,701,971
886,188	1,056	887,244
236,751		236,751
<u>15,462,001</u>	<u>1,056</u>	<u>15,463,057</u>
(3,000,905)	1,056	(2,999,849)
<u>155,467,769</u>	<u>1,532,287</u>	<u>157,000,056</u>
<u>\$ 152,466,864</u>	<u>\$ 1,533,343</u>	<u>\$ 154,000,207</u>

See notes to financial statements.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2012

	Major Governmental Funds			Total Governmental Funds
	General Fund	Capital Improvements Fund	Other Governmental Funds	
<b>ASSETS</b>				
Equity in pooled cash and investments	\$	\$ 2,069,774	\$ 1,802,648	\$ 3,872,422
Investments	76,567,038		1,924,295	78,491,333
Accrued interest receivable	105,124		8,781	113,905
Accounts receivable, net	799,937			799,937
Due from other governments	580,225	385,183	206,895	1,172,303
Due from other funds		1,742,213		1,742,213
Prepaid items	120,050			120,050
Restricted assets				
Investments		4,305,306		4,305,306
<b>TOTAL ASSETS</b>	<b>\$ 78,172,374</b>	<b>\$ 8,502,476</b>	<b>\$ 3,942,619</b>	<b>\$ 90,617,469</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 325,434	\$ 28,447	\$ 1,975	\$ 355,856
Accrued payroll and related liabilities	141,122			141,122
Other liabilities	91,100			91,100
Contracts and retainage payable			225,023	225,023
Contracts and retainage payable from restricted assets		2,004,240		2,004,240
Due to other funds	1,742,213			1,742,213
Unearned revenue	874,277			874,277
<b>TOTAL LIABILITIES</b>	<b>3,174,146</b>	<b>2,032,687</b>	<b>226,998</b>	<b>5,433,831</b>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid items	120,050			120,050
Restricted for:				
Police education	98,722			98,722
Law enforcement	9,702			9,702
Committed for:				
Capital projects		6,469,789	3,169,049	9,638,838
Recreation facilities			257,441	257,441
Community beautification			289,131	289,131
Assigned for:				
Debt service	21,667,529			21,667,529
Subsequent year's expenditures	1,623,256			1,623,256
Unassigned	51,478,969			51,478,969
<b>TOTAL FUND BALANCES</b>	<b>74,998,228</b>	<b>6,469,789</b>	<b>3,715,621</b>	<b>85,183,638</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 78,172,374</b>	<b>\$ 8,502,476</b>	<b>\$ 3,942,619</b>	<b>\$ 90,617,469</b>

See notes to financial statements.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

September 30, 2012

<b>Total Governmental Fund Balances</b>	<b>\$ 85,183,638</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Governmental capital assets	182,344,931
Less accumulated depreciation	(94,972,930)
Debt issue costs are reported in governmental funds when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
	27,712
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	
Accrued interest payable on long-term debt	(270,051)
Compensated absences	(399,681)
Capital improvement note	(19,358,500)
Deferred loss on refunding	46,745
Other postemployment benefits payable	(135,000)
	<hr/>
<b>Net Assets of Governmental Activities</b>	<b>\$ 152,466,864</b>
	<hr/> <hr/>

See notes to financial statements.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended September 30, 2012

	Major Governmental Funds			Total Governmental Funds
	General Fund	Capital Improvements Fund	Other Governmental Funds	
<b>REVENUE</b>				
Ad valorem taxes	\$ 3,402,534	\$	\$	\$ 3,402,534
Franchise fees	2,431,277			2,431,277
Utility service taxes	4,190,499			4,190,499
Business taxes	612,781			612,781
Licenses and permits	994,528			994,528
Intergovernmental revenue	4,048,719	717,795	206,895	4,973,409
Charges for services	499,160			499,160
Fines and forfeitures	419,525			419,525
Miscellaneous				
Investment earnings	858,681	21,520	5,987	886,188
Impact fees			867,189	867,189
Conditions of approval		15,000	249,981	264,981
Other	1,054,522		6,314	1,060,836
Total Revenue	18,512,226	754,315	1,336,366	20,602,907
<b>EXPENDITURES</b>				
Current				
General government	4,209,185	138,781		4,347,966
Public safety	8,320,498			8,320,498
Public works	3,039,339	143,685	665	3,183,689
Culture and recreation	2,966,449	81,065	25,170	3,072,684
Capital outlay	7,986	10,999,476	52,923	11,060,385
Debt service				
Principal	20,500,000			20,500,000
Interest and fiscal charges	723,158			723,158
Bond issue costs	28,000			28,000
Total Expenditures	39,794,615	11,363,007	78,758	51,236,380
REVENUE OVER (UNDER) EXPENDITURES	(21,282,389)	(10,608,692)	1,257,608	(30,633,473)
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries	31,771			31,771
Proceeds from sale of capital assets	264,831			264,831
Issuance of refunding debt	19,358,500			19,358,500
Transfers in		500,000		500,000
Transfers out	(500,000)			(500,000)
	19,155,102	500,000	-	19,655,102
Net Change in Fund Balances	(2,127,287)	(10,108,692)	1,257,608	(10,978,371)
FUND BALANCES at October 1, 2011	77,125,515	16,578,481	2,458,013	96,162,009
FUND BALANCES at September 30, 2012	\$ 74,998,228	\$ 6,469,789	\$ 3,715,621	\$ 85,183,638

See notes to financial statements.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2012

**Net change in fund balances - total governmental funds** \$ (10,978,371)

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

Governmental funds report capital outlays as expenditures, however,  
in the statement of activities, the cost of those assets is depreciated  
over their estimated useful lives.

Expenditures for capital assets	11,060,385
Less current year depreciation	(4,345,327)

In the statement of activities, only the gain or loss on the sale of capital assets is reported,  
whereas in the governmental funds the proceeds from the sale increases financial  
resources. The change in net assets differs from the change in fund balance by the  
net book value of the assets retired.

(28,080)

Debt issue costs are reported in governmental funds when the debt is first issued,  
whereas these amounts are deferred and amortized in the statement of activities.

28,000

The issuance and repayment of long-term debt provides/consumes the  
current financial resources of governmental funds. However, these  
transactions do not have any effect on net assets of the governmental activities.

Long-term debt issuance:

Capital improvement note	(19,358,500)
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Long-term debt repayment:

Capital improvement note	20,500,000
--------------------------	------------

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

Compensated absences	(9,966)
----------------------	---------

Accrued interest	161,997
------------------	---------

Other postemployment benefits	(27,000)
-------------------------------	----------

Amortization of debt issue costs	(288)
----------------------------------	-------

Amortization of loss on refunding of bonds	(3,755)
--	---------

**Change in net assets of governmental activities** \$ (3,000,905)

See notes to financial statements.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

STATEMENT OF NET ASSETS - ENTERPRISE FUND

September 30, 2012

**ASSETS**

Current Asset

Equity in pooled cash and investments

\$ 216,213

Total Current Asset 216,213

Noncurrent Assets

Capital assets, net

5,653,816

Total Assets \$ 5,870,029

**LIABILITIES AND NET ASSETS**

Current Liability

Unearned revenue

\$ 1,169,717

Total Current Liability 1,169,717

Noncurrent Liabilities

Unearned revenue

3,021,771

Accrued decommissioning costs

145,198

Total Noncurrent Liabilities 3,166,969

Total Liabilities 4,336,686

**NET ASSETS**

Invested in capital assets

5,653,816

Unrestricted deficit

(4,120,473)

Total Net Assets 1,533,343

Total Liabilities and Net Assets \$ 5,870,029

See notes to financial statements.

VILLAGE OF ROYAL PALM BEACH, FLORIDA  
 STATEMENT OF REVENUE, EXPENSES, AND CHANGES  
 IN FUND NET ASSETS - ENTERPRISE FUND

Year Ended September 30, 2012

<b>Operating revenue</b>		
Utility plant rental		\$ 1,169,717
<b>Operating expense</b>		
Depreciation		<u>1,169,717</u>
	Operating Income	-
<b>Nonoperating revenue</b>		
Interest earnings		<u>1,056</u>
	Total Nonoperating Revenue	<u>1,056</u>
	Change in Net Assets	1,056
NET ASSETS at October 1, 2011		<u>1,532,287</u>
	NET ASSETS at September 30, 2012	<u><u>\$ 1,533,343</u></u>

See notes to financial statements.

VILLAGE OF ROYAL PALM BEACH, FLORIDA  
STATEMENT OF CASH FLOWS - ENTERPRISE FUND

Year Ended September 30, 2012

<b>OPERATING ACTIVITY</b>		\$	-
<b>INVESTING ACTIVITY</b>			
Interest earnings			1,056
	Net Cash Provided By		
	Investing Activity		<u>1,056</u>
	Net Increase in Cash and Cash Equivalents		1,056
CASH AND CASH EQUIVALENTS at October 1, 2011			<u>215,157</u>
CASH AND CASH EQUIVALENTS at September 30, 2012		\$	<u><u>216,213</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET  
CASH PROVIDED BY OPERATING ACTIVITY**

Operating income		\$	-
Adjustments to reconcile operating income to net cash provided by operating activity:			
Depreciation			1,169,717
Changes in assets and liabilities:			
Decrease in unearned revenue			<u>(1,169,717)</u>
	Net Cash Provided By		
	Operating Activity	\$	<u><u>-</u></u>

See notes to financial statements.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

September 30, 2012

	<u>Pension Trust</u>
<b>ASSETS</b>	
Investments	
Mutual funds	\$ 2,271,594
Florida Municipal Pension Trust Fund	21,000
Guaranteed interest account	<u>109,585</u>
	<u>\$ 2,402,179</u>
<b>NET ASSETS</b>	
Net assets held in trust for pension benefits	<u>\$ 2,402,179</u>

See notes to financial statements.

VILLAGE OF ROYAL PALM BEACH, FLORIDA  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -  
FIDUCIARY FUNDS

Year Ended September 30, 2012

		Pension Trust
<b>ADDITIONS</b>		
Contributions		
Employer		\$ 37,273
Employee		18,636
State		223,683
	Total Contributions	279,592
Investment earnings		
Net appreciation in fair value of plan assets		389,468
Interest and dividend income		46,276
	Net Investment Earnings	435,744
	Total Additions	715,336
<b>DEDUCTIONS</b>		
Distributions to plan participants		1,004,166
Administrative expenses		4,367
	Total Deductions	1,008,533
	Net Decrease	(293,197)
Net assets held in trust for pension benefits at October 1, 2011		2,695,376
	NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT SEPTEMBER 30, 2012	\$ 2,402,179

See notes to financial statements.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity: The Village of Royal Palm Beach, Florida (the "Village"), is a municipal corporation established in 1959 pursuant to authority granted by the Florida Constitution and Florida Statutes Chapter 165. The Village Charter was enacted by the Legislature of the State of Florida under Chapter 59-1782. The Village enacted its current Charter by Ordinance No. 468, adopted February 3, 1994. The Village is governed by a five member, elected Village Council and provides the full range of municipal services including public safety, planning and zoning, roads and streets, recreation and park facilities, public improvements, and general administration functions.

As defined by U.S. generally accepted accounting principles, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based upon the application of these criteria there were no organizations that were considered to be financially accountable to the Village and required to be included as a component unit in these financial statements.

Government-wide Financial Statements: The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities and report information on all non-fiduciary activities of the Village. These statements include separate columns for the *governmental activities*, which are normally supported by taxes and intergovernmental revenue, and *business-type activity*, which relies primarily on fees and charges for support. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and business-type activity, which are presented as internal balances and eliminated in the Total Column, if any.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. *Program revenue* includes three categories of transactions: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; (2) operating grants and contributions; and, (3) capital grants and contributions. Taxes and other items not meeting the definition of program revenue are reported as *general revenue*.

Fund Financial Statements: The underlying accounting system of the Village is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures or expenses, as appropriate.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The funds used by the Village are classified into three categories: *governmental*, *proprietary* and *fiduciary*. 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. The Village's major individual governmental funds and proprietary fund are reported as separate columns in the fund financial statements.

**Governmental Fund Financial Statements** – Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenue, Expenditures and Changes in Fund Balances for all major governmental funds and nonmajor funds in the aggregate. Accompanying schedules are presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements, to the net assets and changes in net assets presented in the government-wide financial statements. The Village reports the following major governmental funds:

*General Fund* – This fund is used to account for all financial transactions not accounted for in another fund. Revenue is derived primarily from property taxes, state distributions, and other intergovernmental revenue.

*Capital Improvements Fund* – This capital projects fund was established to account for the Village's general capital improvement program.

The Village also reports the following nonmajor special revenue and capital projects funds:

*Recreation Facility Fund* – This special revenue fund was established to account for contributions received from local developers and businesses for the acquisition, improvement, expansion or implementation of parks and recreational facilities.

*Community Beautification Fund* – This special revenue fund was established to account for contributions received from local developers to enhance the aesthetic landscape and visual perception of the Village.

*Impact Fee Capital Projects Fund* – This capital projects fund was established to account for the expenditure of impact fees on various capital improvement projects.

**Proprietary Fund Financial Statements** – Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenue, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for the Village's single enterprise fund as follows:

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Water and Wastewater Utility System Fund* - This enterprise fund accounted for the operations of the Village's water, wastewater, and stormwater management services through April 27, 2006, when the majority of the assets were sold to Palm Beach County. This fund now leases its utility plants to Palm Beach County for a period of up to 10 years. Stormwater management services are now performed in the General Fund.

**Fiduciary Fund Financial Statements** - Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. Since by definition these assets are being held for the benefit of third parties (pension participants) and cannot be used to finance activities or obligations of the government, these funds are not included in the government-wide financial statements. The Fiduciary Funds of the Village are as follows:

*General Employees Pension Trust Fund* - This fund was established to receive and invest Village and general employees' contributions in a defined contribution pension plan and to disburse them to employees in accordance with the Pension Plan Ordinance.

*Police Pension Trust Fund* - This fund was established to receive and invest Village, State and Police employees' contributions in a defined benefit pension plan and to disburse these monies to Police employees in accordance with the Pension Plan Ordinance.

Measurement Focus and Basis of Accounting: Financial reporting is based upon all pronouncements of the Governmental Accounting Standards Board (GASB), as well as the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors, including FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed by the Village in the preparation of its financial statements.

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenue is recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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*. Under the modified accrual basis of accounting, revenue is recognized in the period in which it becomes both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Village considers revenue to be available if it is collected within 6 months of the end of the current fiscal year, except for property taxes, for which the period is 60 days. Deferred revenue

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

consists primarily of occupational licenses and other fees collected in advance of the year to which they relate. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt, which is recognized when due. Property taxes, intergovernmental revenue, franchise fees, charges for services and investment income are all considered susceptible to accrual and have been recognized as revenue in the current fiscal year. All other revenue items are considered to be measurable and available only when received in cash by the Village. Insurance recoveries received in 2012 primarily relate to repair costs incurred as a result of various minor property damage incidents during the year. Restricted resources are used first to fund expenditures incurred for restricted purposes.

Proprietary fund financial statements distinguish *operating* revenue and expenses from *nonoperating* items. Operating revenue 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 revenue of the water and sewer enterprise fund is the rental of the utility plant to Palm Beach County. Operating expenses for the enterprise fund include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Calendar: Ad valorem property taxes are assessed on property valuations by the Palm Beach County Property Appraiser as of January 1<sup>st</sup> and levied the following October 1<sup>st</sup>. Taxes are due by March 31<sup>st</sup> and become delinquent on April 1<sup>st</sup>, when liens are filed against the subject property. Ad valorem taxes are assessed and collected by the Palm Beach County Tax Collector, which remits the taxes to the Village.

Property Tax Reform: During 2007 the Florida Legislature passed property tax reform legislation limiting the property tax levies of local governments in the State of Florida and increasing the homestead exemption. Local governments that adopt a property tax levy in excess of the limit under State law will lose their Half-Cent Sales Tax distribution from the State for the succeeding twelve months. For the fiscal year ending September 30, 2012, the maximum tax levy allowed by a majority vote of the governing body is generally based on a percentage applied to the prior year (2010/2011) property tax revenue. The percentage is calculated based on the compound annual growth rate in the per capita property taxes levied for fiscal years ended September 30, 2006 through 2011. The State law allows local governments to adopt a higher tax rate based on the following approval of the governing body: 1) a two-thirds vote to adopt a rate equal to the prior year "rolled-back" tax rate; 2) a unanimous vote to adopt a rate equal to the prior year tax rate; or, 3) any tax rate approved by referendum. For the fiscal year ending September 30, 2012, the Village adopted a millage rate of 5.38 mills which is less than the maximum tax rate permitted. This tax rate resulted in a tax levy of \$3,362,724 for 2012. Future property tax growth is limited to the annual growth rate of per capita personal income plus the value of new construction.

Pooled Cash and Investments: Pooled cash and investments consist of petty cash, checking accounts, and investments with a maturity of three months or less when purchased.

Investments: Investments are stated at fair value. Securities and mutual funds held by the Village are traded on a national stock exchange and are valued at the last reported sales price.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable: Accounts receivable represent amounts due from local businesses for franchise and utility taxes in the General Fund. No allowance for doubtful accounts was deemed necessary at September 30, 2012. General Fund receivables are not collateralized. The need for an allowance for doubtful accounts is analyzed monthly based on the aging of outstanding receivables and management's knowledge of the customer. Accounts receivable are written off on an individual basis in the year the Village deems them uncollectible.

Prepaid Items: Expenditures for various administrative expenses extending over more than one accounting period, if any, are accounted for as prepaid items and allocated between accounting periods using the consumption method.

Restricted Assets: Restricted assets at September 30, 2012, consist of unspent debt proceeds from the issuance of the Village's Capital Improvement Note, Series 2011.

Debt Issue Costs: In the government-wide financial statements, expenses incurred in connection with the issuance of long-term debt are deferred and amortized over the term of the related financing using a method that approximates the effective interest method. For governmental funds, these costs are considered to be period costs.

Capital Assets: Capital assets are defined by the Village as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are recorded at cost or, if donated, fair value at the date of donation. Expenses, which materially extend the useful life of existing assets, are capitalized. Certain costs for professional services and interest associated with the acquisition and construction of capital assets have been capitalized. The cost of capital assets sold or retired is removed from the appropriate accounts and any resulting gain or loss is included in the change in net assets. Depreciation is computed using the straight-line method over the estimated useful lives of all reported capital assets, except land and construction in progress. Estimated useful lives assigned to the various categories of assets are as follows:

Buildings	30-50 years
Improvements	10-30 years
Infrastructure	30-60 years
Water and wastewater plant	2-10 years
Equipment and vehicles	3-10 years

Compensated Absences: Accumulated unpaid annual leave amounts and a portion of accumulated sick leave are accrued when earned. Benefits that were earned but not used during the current year were accrued at employees' pay rates in effect at September 30, 2012. The liability for compensated absences attributable to the Village's governmental funds is recorded in the government-wide financial statements. The General Fund is used to liquidate the liability recorded in the governmental funds.

Internal Balances: Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the government-wide governmental and business-type activities columns of the statement of net assets, except for the residual amount, if any, which is presented as internal balances.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets/Fund Balances: The government-wide and business-type fund financial statements utilize a net asset presentation. Net assets are categorized as follows:

*Invested in Capital Assets, Net of Related Debt* - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

*Restricted* - This component of net assets consists of constraints placed on the use of net assets by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Village's entire restricted net asset balance is the result of State Statutes.

*Unrestricted* - This component of net assets consists of net assets that do not meet the definition of *Invested in Capital Assets, Net of Related Debt* or *Restricted*.

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes accounting and financial reporting requirements for all governmental funds and establishes criteria for classifying fund balances. Accordingly, the governmental fund financial statements report fund equity classifications that comprise a hierarchy based primarily on the extent to which the Village is legally bound to honor the specific purposes for which amounts in fund balance may be spent. The fund balance classifications are summarized as follows:

**Nonspendable** - Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to remain intact.

**Restricted** - Restricted fund balances include amounts that are restricted to specific purposes either by (a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or through enabling legislation.

**Committed** - Committed fund balances include amounts that can only be used for specific purposes pursuant to constraints imposed by the Village Council through an ordinance or resolution.

**Assigned** - Assigned fund balances include amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed. Assignments of fund balances are made by Village management based upon direction by the Village Council.

**Unassigned** - Unassigned fund balances include amounts that are not assigned to other funds and have not been restricted, committed or assigned to specific purposes.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Village considers restricted fund balances to be spent when an expenditure is incurred for the restricted purpose. The Village considers committed, assigned or unassigned fund balances to be spent when an expenditure is incurred for purposes for which amounts in any of those fund balance classifications could be used.

**Tax Rate Stabilization** - The Village Council has authorized management to use up to \$5.5 million of unassigned fund balance over the next five years to keep ad valorem tax rates from increasing.

**Minimum Fund Balance Policy** - The Village Council has adopted a formal minimum fund balance policy whereby the Village strives to maintain a minimum unassigned fund balance in the General Fund of 25% of the following year's budgeted expenditures. In the event that the unassigned fund balance exceeds the minimum amount, the excess may be utilized for any lawful purpose of the Village or for one-time costs including the establishment of or increase in commitments or assignments of fund balance.

On-behalf Payments: The Village receives on-behalf payments from the State of Florida to be used for Police pension benefits. Such payments are recorded as intergovernmental revenue and public safety expenses/expenditures in the GAAP basis government-wide and General Fund financial statements. On-behalf payments to the Village totaled \$223,683 for the fiscal year ended September 30, 2012.

Interfund Transactions: Transactions between funds during the year consisted of loans, services provided, reimbursements or transfers. Loans are reported as *Due from Other Funds* and *Due to Other Funds* as appropriate and are subject to elimination in the government-wide financial statements. Services, deemed to be reasonably equivalent in value, are treated as revenue and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are presented as transfers. Transfers, if any, within the governmental and business-type activities are eliminated in the government-wide financial statements.

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; injuries to employees; and natural disasters. The Village purchases commercial insurance to cover all risks of loss to which it is exposed. Policy limits and deductibles are reviewed annually by management and established at amounts to provide reasonable protection from significant financial loss. There were no significant reductions in insurance coverage for 2012. The amounts of insurance settlements have not exceeded insurance coverage in any of the past three fiscal years.

Grants: Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies. Any disallowed claims, including amounts already received, might constitute a liability of the Village for the return of those funds.

Estimates: Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue, expenditures and expenses. Actual results could vary from the estimates that were used.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements: The GASB has issued the following Statements effective in future years. Management has not completed its analysis of the effects, if any, of these GASB statements on the financial statements of the Village.

Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements 14 and 34*, which modifies certain requirements for including component units in the financial reporting entity. The requirements of this statement will be effective for the Village for the fiscal year ending September 30, 2013.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates into GASB authoritative literature certain accounting and financial reporting guidance included in Pronouncements of the Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA). The requirements of this statement will be effective for the Village for the fiscal year ending September 30, 2013.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows and deferred inflows of resources, which relate to the consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. The requirements of this statement will be effective for the Village for the fiscal year ending September 30, 2013.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, provides accounting and financial reporting standards for deferred outflows of resources or deferred inflows of resources and certain items that were previously reported as assets and liabilities and recognizes these items as outflows of resources or inflows of resources that were previously reported as assets and liabilities. The requirements of this statement will be effective for the Village for the fiscal year ending September 30, 2014.

GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The requirements of this statement will be effective for the Village for the fiscal year ending September 30, 2014.

GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, provides accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans. The Statement establishes a definition for pension arrangements and determining pension obligations and requirements for accumulating and

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

managing assets dedicated for pensions, and paying benefits to plan members as they come due. The requirements of this statement will be effective for the Village for the fiscal year ending September 30, 2014.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, provides accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The requirements of this statement will be effective for the Village for the fiscal year ending September 30, 2015.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement distinguishes between a government merger and a government acquisition and also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. The requirements of this statement will be effective for the Village for the fiscal year ending September 30, 2015.

NOTE B - CASH AND INVESTMENTS

The Village maintains a cash and investment pool that is available for use by all funds. At September 30, 2012, pooled cash and investments included petty cash of \$825 and deposits with financial institutions of \$4,087,810. Each fund type's portion of this pool is displayed on the financial statements as "Equity in pooled cash and investments". In addition, investments are held separately by the General Fund, Impact Fee Capital Projects Fund, Capital Improvements Fund, and the Pension Trust Funds.

Deposits: At year end, the carrying amount of the Village's deposits with financial institutions, excluding the Pension Trust Funds, was \$4,087,810 and the bank balance was \$4,331,265. All of the deposits with financial institutions were entirely covered by a combination of federal deposit insurance and a collateral pool pledged to the State Treasurer of Florida by financial institutions, which comply with the requirements of Florida Statutes and have been designated as a qualified public depository by the State Treasurer. Qualified public depositories are required to pledge collateral to the State Treasurer with a fair value equal to a percentage of the average daily balance of all government deposits in excess of any federal deposit insurance. In the event of a default by a qualified public depository, all claims for government deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool. Accordingly, all deposits with financial institutions are considered fully insured in accordance with the provisions of Statement No. 3 of the Governmental Accounting Standards Board.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE B - CASH AND INVESTMENTS (Continued)

Investments: Florida Statutes and Village ordinances authorize the Village to invest in Florida Prime (formerly known as the Local Government Investment Pool (LGIP)) administered by the State of Florida; negotiable direct obligations of or obligations unconditionally guaranteed by the U.S. Government; interest-bearing time deposits or savings accounts in financial institutions located in Florida and/or in national banks organized under federal or Florida laws, provided that deposits be secured by the Florida Public Security for Public Deposits Act; U.S. Government Agencies such as the Federal Financing Bank, Federal Housing Administration Debentures, or obligations of the Government National Mortgage Association; Federal Instrumentalities such as obligations of the Federal Farm Credit Bank, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank or its district banks or obligations of the Federal National Mortgage Association; prime commercial paper, corporate notes, and bankers acceptances, subject to certain minimum ratings; state and/or local government taxable debt; certain mutual funds; intergovernmental investment pools authorized pursuant to the Florida Interlocal Cooperation Act; and mortgage and asset backed securities. Pension trust funds are authorized by Village ordinance to also invest in mutual fund investments in money market funds, stocks and debt securities, guaranteed investment contracts and the Florida Municipal Investment Trust. The General Employees Pension Trust Fund allows employees to direct their contributions into any of the various investment options offered by the Plan. All investments are reported at their fair value.

The Village held the following investments at September 30, 2012:

	<u>Fair Value</u>
<b><i>Governmental Funds</i></b>	
U.S. Treasury notes	\$ 32,427,349
Federal agency notes	30,456,871
Corporate notes	8,071,571
Commercial paper	3,886,998
Money market mutual fund	<u>7,953,850</u>
	<u>\$ 82,796,639</u>
<b><i>Pension Trust Funds</i></b>	
<u>General Employees Pension Trust Fund</u>	
Mutual Funds	
Equity funds	\$ 1,696,670
Fixed income funds	471,814
Money market funds	103,110
Guaranteed interest account	<u>109,585</u>
	2,381,179
<u>Police Pension Trust Fund</u>	
Florida Municipal Investment Trust	<u>21,000</u>
	<u>\$ 2,402,179</u>

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE B - CASH AND INVESTMENTS (Continued)

The Police Pension Trust Fund invests in the Florida Municipal Investment Trust (the "Trust") which is an external investment pool established in 1993 and administered by the Florida League of Cities, Inc. pursuant to the laws of the State of Florida. The Trust is exempt from registration under the Securities Act of 1933, the Investment Company Act of 1940 and the Florida Securities and Investor Protection Act. Participants in the Trust are limited to governmental entities in the State of Florida. The Trust has adopted GASB Statement No. 31 and the fair value of the Village's position in the Trust is the same as the net asset value of the Trust shares. The investment in the pool is not evidenced by securities that exist in physical or book entry form.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The Village's investment policy generally limits the maturities of its investments to a maximum of 10 years, with maturities of 3 years or less for interest bearing time deposits, commercial paper, corporate notes, and bankers' acceptances. Money market mutual funds have a weighted average maturity of ninety days or less, resulting in minimal interest rate risk. The table below summarizes the scheduled maturities of all other fixed income investments at September 30, 2012.

	Fair Value of Investment Maturities				Total
	Less Than One Year	One to Five Years	Fixed Income Funds	Effective Duration	
<u>Governmental Funds Investments</u>					
U.S. Treasury notes	\$ 1,383,649	\$ 31,043,700	\$		\$ 32,427,349
Federal agency notes	1,909,243	28,547,628			30,456,871
Corporate notes	2,441,693	5,629,878			8,071,571
Commercial paper	3,886,998				3,886,998
<u>Pension Trust Funds Investments</u>					
JP Morgan Core Bond Fund			156,219	4.49 yrs	156,219
PIMCO Total Return Fund			209,596	4.02 yrs	209,596
Prudential Government Income Fund			14,005	3.60 yrs	14,005
Franklin U.S. Government Securities Fund			91,994	2.40 yrs	91,994
Total	\$ 9,621,583	\$ 65,221,206	\$ 471,814		\$ 75,314,603

Credit Risk: Credit risk is the risk that a debt issuer will not fulfill its obligations. The Village's investment policy addresses credit risk by limiting investments to the safest types of securities and diversifying the investment portfolio. The security rating by a Nationally Recognized Statistical Rating Organization (NRSRO) is also an indication of credit risk. Investments in commercial paper and bankers' acceptances require a rating of A-1 or better by Standard & Poor's and corporate notes, state and/or local government taxable debt, mutual funds and mortgage and asset backed securities require a rating of AA or better by Standard & Poor's. U.S. Treasury notes with a fair value of \$32,427,349 are not considered to have credit risk and do not require disclosure of credit quality. The governmental funds investments and the fixed

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE B - CASH AND INVESTMENTS (Continued)

income and money market mutual funds included in the pension trust funds investments had credit quality ratings at September 30, 2012, as listed below. All other funds were unrated.

	<u>NRSRO Rating</u>	<u>Fair Value</u>
<u>Governmental Funds</u>		
Federal agency notes	AA	\$ 30,456,871
Corporate notes	AA	8,071,571
Commercial paper	A	3,886,998
Money market mutual fund	AAAm	<u>7,953,850</u>
		<u>\$ 50,369,290</u>
 <u>General Employees Pension Trust Fund</u>		
JP Morgan Core Bond Fund	A	\$ 156,219
PIMCO Total Return Fund	Not Rated	209,596
Prudential Government Income Fund	AA	14,005
Franklin U.S. Government Securities Fund	AAA	<u>91,994</u>
		<u>\$ 471,814</u>

Custodial Credit Risk: Custodial credit risk is defined as the risk that the Village may not recover cash and investments held by another party in the event of a financial failure. The Village does not have any specific policy for custodial credit risk. At September 30, 2012, all investments were held in independent custodial safekeeping accounts, except money market mutual funds, mutual funds, the Florida Municipal Investment Trust, and guaranteed interest account which are considered *unclassified* pursuant to GASB Statement No. 3, because they are not evidenced by securities that exist in physical or book-entry form.

Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. Generally, a maximum of 10% of available investments funds may be invested in any one issuer. Federal instrumentalities are limited to a maximum of 30% in any one issuer and asset-backed securities are limited to a maximum of 5% in any one issuer. Investments in U.S. Government securities, mutual funds and pools are excluded from the concentration of credit risk disclosure requirement. In addition, with the exception of Florida Prime and U.S. Government Securities, all other security types have varying limits as to how much of the investment portfolio may be invested in a given security type. At September 30, 2012, the following issuers represent more than 5% of the Village's total investments: Fannie Mae - 6.8%; Federal Home Loan Banks - 8.8%; Freddie Mac - 20.8%; and General Electric Co. - 7.3%.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. There was no exposure to foreign currency risk in the Village's investments at September 30, 2012.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE C - CAPITAL ASSETS

The capital asset activity for the year ended September 30, 2012, was as follows:

<u>Governmental Activities</u>	Balance at Beginning of Year	Increases	Decreases	Balance at End of Year
Capital assets not being depreciated				
Land	\$ 7,346,355	\$	\$	\$ 7,346,355
Construction in progress	<u>13,122,380</u>	<u>9,912,421</u>	<u>4,804,804</u>	<u>18,229,997</u>
Total capital assets not being depreciated	20,468,735	9,912,421	4,804,804	25,576,352
Capital assets being depreciated				
Buildings	13,576,900			13,576,900
Improvements other than buildings	25,838,436	662,402		26,500,838
Infrastructure	107,863,691	5,124,187		112,987,878
Equipment	1,574,378	138,099	18,894	1,693,583
Vehicles	<u>2,009,380</u>			<u>2,009,380</u>
Total capital assets being depreciated	150,862,785	5,924,688	18,894	156,768,579
Less accumulated depreciation for				
Buildings	(4,853,506)	(358,121)		(5,211,627)
Improvements other than buildings	(10,592,302)	(1,390,428)		(11,982,730)
Infrastructure	(72,115,412)	(2,370,969)		(74,486,381)
Equipment	(1,401,199)	(92,348)	18,894	(1,474,653)
Vehicles	<u>(1,684,078)</u>	<u>(133,461)</u>		<u>(1,817,539)</u>
Total accumulated depreciation	<u>(90,646,497)</u>	<u>(4,345,327)</u>	<u>18,894</u>	<u>(94,972,930)</u>
Total capital assets being depreciated, net	<u>60,216,288</u>	<u>1,579,361</u>	<u>-</u>	<u>61,795,649</u>
Governmental activities capital assets, net	<u>\$ 80,685,023</u>	<u>\$ 11,491,782</u>	<u>\$ 4,804,804</u>	<u>\$ 87,372,001</u>

Depreciation expense was charged to functions/programs as follows:

<u>Governmental Activities</u>	
General government	\$ 70,628
Public safety	178,050
Public works	3,126,647
Culture and recreation	<u>970,002</u>
Total depreciation expense - governmental activities	<u>\$ 4,345,327</u>

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE C - CAPITAL ASSETS (Continued)

<u>Business-type Activity</u>	Balance at Beginning of Year	Increases	Decreases	Balance at End of Year
Capital assets not being depreciated				
Land	\$ 1,462,328	\$	\$	\$ 1,462,328
Total capital assets not being depreciated	1,462,328	-	-	1,462,328
Capital assets being depreciated				
Buildings	46,137			46,137
Water and wastewater plant	<u>28,155,306</u>			<u>28,155,306</u>
Total capital assets being depreciated	28,201,443	-	-	28,201,443
Less accumulated depreciation for				
Buildings	(38,735)	(1,614)		(40,349)
Water and wastewater plant	<u>(22,801,503)</u>	<u>(1,168,103)</u>		<u>(23,969,606)</u>
Total accumulated depreciation	<u>(22,840,238)</u>	<u>(1,169,717)</u>	-	<u>(24,009,955)</u>
Total capital assets being depreciated, net	<u>5,361,205</u>	<u>(1,169,717)</u>	-	<u>4,191,488</u>
Business-type activity capital assets, net	<u>\$ 6,823,533</u>	<u>\$ (1,169,717)</u>	<u>\$ -</u>	<u>\$ 5,653,816</u>

In April 2006, the Village sold its Water and Wastewater Utility, except for land and the existing water and wastewater plants, to Palm Beach County. Under the terms of the agreement, the Village is required to lease the water and wastewater plants to the County for a period of up to 10 years and 2 years, respectively. At the point when the plants are no longer needed by the County, the Village is required to decommission the plants. Approximately \$12,010,000 of the purchase price was allocated to deferred rental revenue that is being recognized over the remaining useful lives of the plants for the County's use of these plants. Also, the estimated cost to decommission the plants of \$1 million was accrued in the Utility Fund in conjunction with the sale of the utility. The wastewater plant was fully decommissioned as of September 30, 2011. At September 30, 2012, the Village estimates the remaining decommissioning project liability for the water plant to be approximately \$145,000.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE D - LONG-TERM DEBT

Changes in governmental activities long-term debt for the year ended September 30, 2012 are summarized as follows:

<u>Governmental Activities</u>	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year	Amounts Due Within One Year
Compensated absences	\$ 389,715	\$ 421,406	\$ (411,440)	\$ 399,681	\$ 19,984
Capital Improvement Note, Series 2011	20,500,000		(20,500,000)	-	
Capital Improvement Note, Series 2011B	-	19,358,500		19,358,500	1,182,200
Deferred loss on refunding	-	(50,500)	3,755	(46,745)	
Total long-term debt	20,889,715	<u>\$ 19,729,406</u>	<u>\$ (20,907,685)</u>	19,711,436	<u>\$ 1,202,184</u>
Current maturities		<u>1,160,986</u>		<u>1,202,184</u>	
Net long-term debt		<u>\$ 19,728,729</u>		<u>\$ 18,509,252</u>	

Compensated absences for the governmental activities are generally liquidated by the General Fund.

The Village had the following capital improvement notes outstanding during 2012:

**Capital Improvement Note, Series 2011** was issued on February 10, 2011, in the amount of \$20,500,000 with interest due at a rate of 4.2151%. Annual payments of principal and semi-annual payments of interest were to be made from legally available non-ad valorem revenues until the maturity date of October 1, 2025. The proceeds of this note were to be used to develop a public park and other governmental facilities within the physical limits of the Village and to refund the outstanding Capital Improvement Note, Series 2005. This note was refunded during the year ended September 30, 2012 with the proceeds from Capital Improvement Refunding Note, Series 2011B.

**Capital Improvement Refunding Note, Series 2011B** was issued on October 25, 2011, in the amount of \$19,358,500 with interest due at a rate of 2.79%. Annual payments of principal and semi-annual payments of interest are to be made from legally available non-ad valorem revenues until the maturity date of October 1, 2025. The proceeds of this note were used to refund the outstanding Capital Improvement Note, Series 2011 for the purpose of reducing the interest rate on this debt obligation. The reacquisition price exceeded the net carrying amount of the old debt by \$50,500. This loss on refunding is being netted against the new debt and amortized over the remaining life of the new debt. This advanced refunding was undertaken to reduce total debt service payments over the next fourteen years by approximately \$2,415,000 and resulted in an economic gain of approximately \$1,988,000.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE D - LONG-TERM DEBT (Continued)

The debt service requirements of the Village's outstanding Capital Improvement Refunding Note, Series 2011B are as follows:

Fiscal Year Ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,182,200	\$ 523,610	\$ 1,705,810
2014	1,179,100	490,670	1,669,770
2015	1,212,000	457,314	1,669,314
2016	1,245,800	423,028	1,668,828
2017	1,280,600	387,785	1,668,385
2018	1,316,300	351,558	1,667,858
2019	1,353,100	314,320	1,667,420
2020	1,390,800	276,043	1,666,843
2021	1,429,600	236,698	1,666,298
2022	1,469,500	196,256	1,665,756
2023	1,510,500	154,685	1,665,185
2024	1,552,600	111,954	1,664,554
2025	1,595,900	68,033	1,663,933
2026	<u>1,640,500</u>	<u>22,885</u>	<u>1,663,385</u>
	<u>\$ 19,358,500</u>	<u>\$ 4,014,839</u>	<u>\$ 23,373,339</u>

The Village of Royal Palm Beach has no legal debt margin for general obligation debt. However, the Village does have a budget policy to not exceed 5% of the assessed valuation of taxable property.

Defeased Bonds: In conjunction with the sale of the Utility System on April 27, 2006, the Village defeased its Series 1998 Revenue Bonds. As of September 30, 2012, defeased Series 1998 revenue bonds are outstanding in the amount of \$7,190,000.

Pledged Revenues: The Village has pledged future non-ad valorem revenues to repay the \$19,358,500 Capital Improvement Refunding Note - Series 2011B. The note is payable solely from non-ad valorem revenues through maturity in 2026. Annual principal and interest payments on the note are expected to require approximately 11 percent of non-ad valorem revenues. The total principal and interest remaining to be paid on the Series 2011B Note is \$23,373,339. Principal and interest paid on the Series 2011 Note for the current year and non-ad valorem revenues were \$1,864,658 and \$16,406,103, respectively.

Interest Expense: The Village incurred and paid interest expense totaling \$565,204 and \$723,158, respectively, for the year ended September 30, 2012.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE E - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At September 30, 2012, the Capital Improvements Fund had an interfund balance due from the General Fund in the amount of \$1,742,213. The outstanding balances between these funds result from the time lag between the date payments are made and the date reimbursement is made.

During the year ended September 30, 2012, a transfer was made from the General Fund to the Capital Improvements Fund in the amount of \$500,000 to fund various capital improvement projects within the Village.

NOTE F - PENSION PLANS

The Village offers pension benefits through three pension plans as of September 30, 2012. Effective October 1, 2008, the Village closed its defined contribution pension plan to new employees and gave its existing plan members a one-time election to terminate their membership in the defined contribution plan and use their accumulated monies to become a member of the Florida Retirement System and purchase past service in that plan. All employees hired on or after October 1, 2008 must participate in the Florida Retirement System. In addition, the Village has the Police Pension Trust Fund that is also closed and has only retirees remaining in that plan. The details of each plan are as follows:

**Florida Retirement System**

Plan Description: All regular full-time employees hired on or after October 1, 2008, as well as those employees that chose to transfer to the Florida Retirement System, are required to participate in the Florida Retirement System (the "System") administered by the Florida Department of Management Services, Division of Retirement. The System is a cost-sharing, multiple-employer, defined benefit public employee retirement system that provides retirement, death and disability benefits to plan members and beneficiaries. Pension benefits of the System are established by Florida Statutes, Chapter 121, and may be amended by the Florida Legislature.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Florida Department of Management Services, Division of Retirement, PO Box 9000, Tallahassee, Florida 32315-9000, or by calling 1-850-488-6491.

Funding Policy: Plan members are required to contribute 3 percent of their salary. The Village is required to contribute at an actuarially determined rate, which was 4.91 percent for the period October 1, 2011 through June 30, 2012, and 5.18 percent for the period July 1, 2012 through September 30, 2012. The contribution requirements for plan members and participating governments are established by State statute. The Village's contributions to the System for the years ended September 30, 2012, 2011, and 2010 were \$261,005, \$503,905, and \$532,557, respectively, and were equal to the required contributions for each year.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE F - PENSION PLANS (Continued)

**Defined Contribution Pension Plan**

The Village provides pension benefits through a defined contribution plan, the General Employees Pension Trust Fund, administered by the Village for full-time employees that chose to remain in the Plan after it was closed on September 30, 2008. The Plan was established by Village Ordinance and may be amended in the same manner.

In July 2008, the Village amended its defined contribution pension plan to close the plan to new employees as of October 1, 2008, and require new employees to participate in the Florida Retirement System. In addition, the amendment provided for a one-time election for existing plan members to terminate their membership in the existing plan and use their accumulated monies to become a member of the Florida Retirement System and purchase past service in that plan. The amendment also allowed certain plan members to rollover monies from other qualified plans to purchase additional past service. At September 30, 2012, there were 7 active plan members.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees were eligible to participate after completion of one year of continuous service and attainment of the age of 18. The Village makes monthly contributions to the plan equal to 5% of each participant's total earnings. In addition, participants may contribute up to 5% of their total earnings and the Village will match this contribution. Each participant's interest in their accrued benefits from employer contributions, investment earnings, and forfeitures is vested at 20% after two years of credited service and 20% for each additional year of service. Contributions made by the Village and plan members for the fiscal year ended September 30, 2012, amounted to \$37,273 and \$18,636, respectively. The Village's pension trust fund uses the accrual basis of accounting. Employer and plan member contributions are recognized in the period that the contributions are due. Plan investments are reported at fair value. The investments are valued based on the last reported sales price of mutual fund shares traded on a national exchange. The plan holds no securities issued by the Village.

**Defined Benefit Pension Plan**

Plan Description: On December 19, 2002, the Village established the Police Pension Trust Fund, a single-employer, defined benefit pension plan, for the benefit of the Village of Royal Palm Beach Police Officers. The Plan covered substantially all full time Police personnel through September 30, 2007. During 2006, the Village voted to contract with Palm Beach County for police services and all Village police officers joined Palm Beach County's Sheriff Department as of October 1, 2006. In addition, the Village amended the Plan to allow police officers the option to opt out of the current Plan and join the County's retirement plan or remain in the Village's Plan. All but six Plan members opted out of the Plan. In August 2008, the Village amended the Plan to provide for retirement after 16 years of service, a pension benefit of 2.5% per year of credited service and the creation of a share plan to be funded exclusively with Chapter 185 premium tax receipts received from the State. In conjunction with this amendment, the remaining six plan members retired and the Plan purchased annuities for each of these members to satisfy all future pension obligations under the amended Plan.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE F - PENSION PLANS (Continued)

The Plan administrator is the Florida Municipal Pension Trust Fund which provides employee pension plans with administrative and investment services.

Pursuant to Chapter 185 of the Florida Statutes, a premium tax on certain insurance contracts written on properties in the Village is collected by the State and remitted to the Village for Police pensions. The Plan is closed to new members and the only future activity after September 30, 2008, will be receipt of the Chapter 185 funds from the State and the distribution of those funds to the six retired Plan members over their lifetimes.

Basis of Accounting: The Plan's financial statements are prepared using the accrual basis of accounting. Since all Plan members retired in fiscal year 2008, there will be no future employer or employee contributions. The only future contributions will be from the State of Florida which are recognized when due. Benefits are recognized when due and payable in accordance with the terms of the Plan.

Investments: Investments are reported at fair value, based on the Plan's ratable share of the fair value of the investments held by the external investment pool managed by the Florida Municipal Pension Trust Fund.

Funding Policy: The Village Council is authorized to establish benefit levels. Pursuant to Florida Statutes, Chapter 185, the State collects a tax on insurance premiums for property and casualty coverage and annually remits a contribution for the Plan. Contribution requirements by the State are established and may only be amended by State statute. Administrative costs of the Police pension plan are financed through investment earnings and/or State contributions, if necessary.

Actuarial and Trend Information: Since all Plan members retired during the 2008 fiscal year and the future retirement obligations were completely funded by annuities purchased for each retiree, there is no actuarial or trend information to present. The Plan is effectively a defined contribution plan from that point forward as benefits paid out will be determined by the amount of state contributions received.

A separate stand-alone financial report is not prepared for the General Employees Pension Trust Fund or the Police Pension Trust Fund and, accordingly, a statement of net assets and statement of changes in net assets for each Plan at September 30, 2012, and for the year then ended, are presented as follows:

**Statements of Net Assets**

	<u>General Employees</u>	<u>Police Pension</u>
<b>Assets</b>		
Investments	\$ 2,381,179	\$ 21,000
<b>Net Assets</b>		
Net assets held in trust for pension benefits	\$ 2,381,179	\$ 21,000

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE F - PENSION PLANS (Continued)

**Statements of Changes in Net Assets**

	<u>General Employees</u>	<u>Police Pension</u>
<b>Additions</b>		
Contributions		
Employer	\$ 37,273	\$
Employee	18,636	
State		<u>223,683</u>
Total Contributions	<u>55,909</u>	<u>223,683</u>
Investment earnings		
Net appreciation in fair value of plan assets	389,468	-
Interest and dividend income	<u>46,276</u>	
Net Investment Earnings	<u>435,744</u>	<u>-</u>
Total Additions	491,653	223,683
<b>Deductions</b>		
Distributions to plan participants	782,646	221,520
Administrative expenses	<u>3,204</u>	<u>1,163</u>
Total Deductions	<u>785,850</u>	<u>222,683</u>
Net Increase (Decrease)	(294,197)	1,000
Net assets held in trust for pension benefits at October 1, 2011	<u>2,675,376</u>	<u>20,000</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT SEPTEMBER 30, 2012	<u>\$ 2,381,179</u>	<u>\$ 21,000</u>

NOTE G - OTHER POSTEMPLOYMENT BENEFITS

The Village adopted GASB Statement No. 45 ("Statement 45"), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ended September 30, 2009. Statement 45 establishes the financial reporting and disclosure requirements by employers for other postemployment benefits ("OPEB").

**Plan Description**

The Village administers a single-employer defined benefit health care plan (the "Plan") that provides health care benefits to eligible retired employees and their beneficiaries. The Village Council has the authority to establish and amend the premiums for and the benefit provisions of the Plan. The Plan is financed on a "pay-as-you-go" basis and is not administered as a formal qualifying trust. The Plan does not issue a publicly available financial report.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE G - OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Funding Policy**

The Village is required by Florida Statute 112.0801 to allow retirees to buy healthcare coverage at the same *group insurance rates* that current employees are charged resulting in an *implicit* healthcare benefit. The State of Florida prohibits the Plan from separately rating retirees and active employees. The Plan therefore charges both groups an equal, blended rate premium. Although both groups are charged the same blended rate premium, GAAP requires the actuarial figures to be calculated using age adjusted premiums approximating claim costs for retirees separate from active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. Plan members receiving benefits contribute 100% of the monthly premium ranging from a minimum of \$595 to a maximum of \$1,657.

**Annual OPEB Cost and Net OPEB Obligation**

The annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The Village's annual OPEB cost and the net OPEB obligation for the year ended September 30, 2012, were based on an actuarial valuation as of September 30, 2011, and are summarized as follows:

Annual required contribution	\$	60,000
Interest on net pension obligation		4,000
Adjustment to annual required contribution		<u>(13,000)</u>
Annual OPEB cost		51,000
Contributions made		<u>(24,000)</u>
Increase in net OPEB obligation		27,000
Net OPEB obligation, beginning of year		<u>108,000</u>
Net OPEB obligation, end of year	\$	<u><u>135,000</u></u>

The year ended September 30, 2009, was the year of implementation of Statement 45 and the Village elected to implement prospectively. The Village's annual OPEB cost, employer contribution, the percentage of annual OPEB cost contributed, and the net OPEB obligation for 2012 and the prior two years are as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
9-30-12	\$ 51,000	\$ 24,000	47.1%	\$ 135,000
9-30-11	51,000	7,000	13.7%	108,000
9-30-10	38,000	11,000	28.9%	64,000

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE G - OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Funded Status and Funding Progress**

The Plan is financed on a pay-as-you-go basis, i.e. the Village has not contributed assets to the Plan. The net OPEB obligation will be liquidated by the General Fund. The latest actuarial valuation was done as of September 30, 2011, and the Village intends to obtain such valuations every other year in the future. The following schedule of funding progress is presented based upon available information and presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits:

<u>Date of Actuarial Valuation</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
9-30-11	\$ -	\$ 250,000	\$ 250,000	0.0%	\$ 4,271,000	5.9%
9-30-09	-	135,000	135,000	0.0%	4,218,000	3.2%

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation for the Plan as of September 30, 2011, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), and an annual healthcare cost trend rate of 9.5% initially, reduced by decrements to an ultimate rate of 5.0% after eight years. Both rates included a 2.75% inflation assumption. The actuarial value of assets will be determined using fair value. The UAAL will be amortized as a level dollar payment on an open basis. The remaining amortization period is 10 years.

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. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Although the valuation results are based on values the actuarial consultant believes are reasonable assumptions, the valuation result is only an estimate of what future costs may actually be and reflect a long-term perspective. Deviations in any of several factors, such as future interest rate discounts, medical cost inflation, Medicare coverage and changes in marital status, could result in actual costs being greater or less than estimated.

Changes in Actuarial Assumptions: Several actuarial assumptions were changed in the September 30, 2011 valuation resulting in an increase in the AAL of approximately \$100,000. These changes include the

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE G - OTHER POSTEMPLOYMENT BENEFITS (Continued)

following: (1) the assumed mortality basis changed, (2) the assumed retirement age changed, (3) the assumed discount rate decreased from 5% to 4%, (4) the healthcare inflation assumption increased for 2011, (5) the implied subsidy at age 60 was increased, (6) the age-related increase in healthcare cost was increased, and (7) the percentage of eligible employees to elect healthcare coverage decreased.

NOTE H - COMMITMENTS AND CONTINGENCIES

Litigation: The Village is a defendant in various lawsuits arising in the ordinary course of normal operations. Although the ultimate outcome of these lawsuits cannot be determined at the present time, it is the opinion of management based upon consultation with legal counsel, that the outcome of these actions will not materially affect the financial position of the Village.

Construction Commitments: The Village has several uncompleted construction contracts for improvements to Village facilities. The capital improvement projects are being funded primarily from note proceeds and accumulated funds in the Capital Improvements Fund. At September 30, 2012 the remaining commitments are summarized as follows:

	<u>Contract Amounts</u>	<u>Approved Payments</u>	<u>Retainage Payable</u>	<u>Remaining Contract Commitments</u>
Governmental capital improvements	\$ 15,912,356	\$ 12,345,411	\$ 649,758	\$ 2,917,187

Fire Protection and Emergency Medical Services Contract: The Village entered into an interlocal agreement with Palm Beach County effective October 1, 2004, whereby the County will provide fire protection and emergency medical services to the Village. Under the terms of the agreement, the Village will make their fire rescue stations available to the County for a fee of \$200,000 per year for the first five years and \$225,000 per year for the second five years. The net book value of the fire rescue stations at September 30, 2012 was \$1,631,622 (cost of \$2,695,844 less accumulated depreciation of \$1,064,222).

**SUPPLEMENTARY FINANCIAL INFORMATION**

**REQUIRED SUPPLEMENTARY INFORMATION**

VILLAGE OF ROYAL PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended September 30, 2012 with Comparative  
Actual for the Year Ended September 30, 2011

	2012			Variance with Final Budget Favorable (Unfavorable)	2011
	Original Budget	Final Budget	Actual		Actual
<b>Revenue</b>					
Ad valorem taxes					
Current	\$ 3,359,251	\$ 3,359,251	\$ 3,362,724	\$ 3,473	\$ 3,484,380
Delinquent	3,000	3,000	39,810	36,810	43,605
	<u>3,362,251</u>	<u>3,362,251</u>	<u>3,402,534</u>	<u>40,283</u>	<u>3,527,985</u>
Franchise fees					
Electricity	1,877,364	1,877,364	1,867,777	(9,587)	1,958,655
Water	250,000	250,000	369,439	119,439	318,367
Gas	20,100	20,100	19,776	(324)	20,987
Solid waste	178,267	178,267	174,285	(3,982)	173,631
	<u>2,325,731</u>	<u>2,325,731</u>	<u>2,431,277</u>	<u>105,546</u>	<u>2,471,640</u>
Utility service taxes					
Electricity	2,182,926	2,182,926	2,160,221	(22,705)	2,147,928
Water	461,406	461,406	460,778	(628)	468,643
Gas	118,064	118,064	110,598	(7,466)	112,892
Telecommunications	1,388,730	1,388,730	1,458,902	70,172	1,412,562
	<u>4,151,126</u>	<u>4,151,126</u>	<u>4,190,499</u>	<u>39,373</u>	<u>4,142,025</u>
Business taxes	605,825	605,825	612,781	6,956	607,786
Licenses and permits					
Building permits	290,000	290,000	774,664	484,664	466,603
Site plan fees	30,000	30,000	219,864	189,864	55,471
	<u>320,000</u>	<u>320,000</u>	<u>994,528</u>	<u>674,528</u>	<u>522,074</u>
Intergovernmental revenue					
Grants	28,091	28,091	63,572	35,481	35,427
State revenue sharing	611,239	611,239	716,394	105,155	659,363
Alcoholic beverage license	15,000	15,000	15,003	3	16,020
Half-cent sales tax	2,057,486	2,057,486	2,233,434	175,948	2,012,055
Motor fuel tax rebate	4,500	4,500	4,250	(250)	4,050
Local option gas tax	616,817	616,817	649,819	33,002	615,789
Business tax	70,000	70,000	74,700	4,700	65,864
Recycling program	65,000	65,000	59,493	(5,507)	93,837
Public safety grants	5,000	8,000	8,371	371	13,133
	<u>3,473,133</u>	<u>3,476,133</u>	<u>3,825,036</u>	<u>348,903</u>	<u>3,515,538</u>

(Continued)

VILLAGE OF ROYAL PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2012 with Comparative  
Actual for the Year Ended September 30, 2011

	2012			Variance with Final Budget Favorable (Unfavorable)	2011
	Original Budget	Final Budget	Actual		Actual
Charges for services					
Zoning fees	\$ 2,500	\$ 2,500	\$ 4,700	\$ 2,200	\$ 3,000
Sales of maps and publications	2,500	2,500	2,697	197	7,874
Certification, copying and research	17,050	17,050	34,410	17,360	38,828
Lot mowing and clearing	2,500	2,500	6,640	4,140	5,600
Program activity fees	389,720	389,720	450,713	60,993	439,035
	<u>414,270</u>	<u>414,270</u>	<u>499,160</u>	<u>84,890</u>	<u>494,337</u>
Fines and forfeitures					
Court fines	111,118	111,118	61,195	(49,923)	96,325
Police education fees		3,500	6,396	2,896	8,920
Other fines and forfeitures	100,000	100,000	351,934	251,934	162,231
	<u>211,118</u>	<u>214,618</u>	<u>419,525</u>	<u>204,907</u>	<u>267,476</u>
Miscellaneous					
Investment earnings	99,082	99,082	858,681	759,599	1,006,980
Rents and royalties	735,476	735,476	717,530	(17,946)	716,378
Sale of surplus materials	2,500	2,500	264,831	262,331	2,448
Insurance proceeds	3,000	3,000	31,771	28,771	3,174
Contributions and donations	40,000	40,000	26,500	(13,500)	26,000
Other miscellaneous revenue	57,193	65,693	310,492	244,799	86,195
	<u>937,251</u>	<u>945,751</u>	<u>2,209,805</u>	<u>1,264,054</u>	<u>1,841,175</u>
<b>Total Revenue</b>	15,800,705	15,815,705	18,585,145	2,769,440	17,390,036

(Continued)

VILLAGE OF ROYAL PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2012 with Comparative  
Actual for the Year Ended September 30, 2011

	2012			Variance with Final Budget Favorable (Unfavorable)	2011
	Original Budget	Final Budget	Actual		Actual
<b>Expenditures</b>					
<b>General Government</b>					
Legislative - Council					
Personal services	\$ 80,219	\$ 80,219	\$ 72,908	\$ 7,311	\$ 74,964
Operating expenditures	157,264	157,264	141,070	16,194	134,902
	<u>237,483</u>	<u>237,483</u>	<u>213,978</u>	<u>23,505</u>	<u>209,866</u>
Executive					
Personal services	711,550	711,550	715,014	(3,464)	735,097
Operating expenditures	152,821	152,821	119,921	32,900	93,122
	<u>864,371</u>	<u>864,371</u>	<u>834,935</u>	<u>29,436</u>	<u>828,219</u>
Finance and administrative					
Personal services	870,359	870,359	851,802	18,557	843,509
Operating expenditures	363,939	363,939	312,235	51,704	310,798
	<u>1,234,298</u>	<u>1,234,298</u>	<u>1,164,037</u>	<u>70,261</u>	<u>1,154,307</u>
Planning and zoning					
Personal services	252,793	252,793	258,512	(5,719)	244,099
Operating expenditures	28,473	28,473	16,912	11,561	20,369
	<u>281,266</u>	<u>281,266</u>	<u>275,424</u>	<u>5,842</u>	<u>264,468</u>
Legal					
Operating expenditures	296,512	305,012	299,100	5,912	296,122
Non-departmental					
Utility services	1,046,080	1,046,080	885,530	160,550	922,380
Insurance	632,210	632,210	408,768	223,442	509,167
Other	146,110	146,110	127,413	18,697	131,685
	<u>1,824,400</u>	<u>1,824,400</u>	<u>1,421,711</u>	<u>402,689</u>	<u>1,563,232</u>
<b>Total General Government</b>	<b>4,738,330</b>	<b>4,746,830</b>	<b>4,209,185</b>	<b>537,645</b>	<b>4,316,214</b>

(Continued)

VILLAGE OF ROYAL PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2012 with Comparative  
Actual for the Year Ended September 30, 2011

	2012			Variance with Final Budget Favorable (Unfavorable)	2011
	Original Budget	Final Budget	Actual		Actual
<b>Public Safety</b>					
Law enforcement					
Operating expenditures	\$ 7,020,018	\$ 7,026,518	\$ 7,025,753	\$ 765	\$ 7,056,062
	<u>7,020,018</u>	<u>7,026,518</u>	<u>7,025,753</u>	<u>765</u>	<u>7,056,062</u>
Community Development					
Personal services	1,045,684	1,045,684	1,004,537	41,147	1,011,620
Operating expenditures	97,658	97,658	66,525	31,133	66,485
	<u>1,143,342</u>	<u>1,143,342</u>	<u>1,071,062</u>	<u>72,280</u>	<u>1,078,105</u>
<b>Total Public Safety</b>	8,163,360	8,169,860	8,096,815	73,045	8,134,167
<b>Public Works</b>					
Engineering					
Personal services	529,061	529,061	505,456	23,605	485,105
Operating expenditures	31,290	31,290	21,195	10,095	56,471
	<u>560,351</u>	<u>560,351</u>	<u>526,651</u>	<u>33,700</u>	<u>541,576</u>
Public Works					
Personal services	1,755,807	1,755,807	1,705,832	49,975	1,676,491
Operating expenditures	852,020	852,020	806,856	45,164	746,066
	<u>2,607,827</u>	<u>2,607,827</u>	<u>2,512,688</u>	<u>95,139</u>	<u>2,422,557</u>
<b>Total Public Works</b>	3,168,178	3,168,178	3,039,339	128,839	2,964,133

(Continued)

VILLAGE OF ROYAL PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2012 with Comparative  
Actual for the Year Ended September 30, 2011

	2012			Variance with Final Budget Favorable (Unfavorable)	2011
	Original Budget	Final Budget	Actual		Actual
<b>Culture and Recreation</b>					
Personal services	\$ 2,292,481	\$ 2,292,481	\$ 2,071,176	\$ 221,305	\$ 2,083,983
Operating expenditures	943,305	943,305	895,273	48,032	899,116
Capital outlay			7,986	(7,986)	
<b>Total Culture and Recreation</b>	<b>3,235,786</b>	<b>3,235,786</b>	<b>2,974,435</b>	<b>261,351</b>	<b>2,983,099</b>
<b>Debt Service</b>					
Principal	1,141,500	1,141,500	1,141,500	-	-
Interest and fiscal charges	840,038	840,038	723,158	116,880	148,547
Bond issue costs			28,000	(28,000)	-
<b>Total Debt Service</b>	<b>1,981,538</b>	<b>1,981,538</b>	<b>1,892,658</b>	<b>88,880</b>	<b>148,547</b>
<b>Total Expenditures</b>	<b>21,287,192</b>	<b>21,302,192</b>	<b>20,212,432</b>	<b>1,089,760</b>	<b>18,546,160</b>
<b>Other Financing Source (Use)</b>					
Proceeds from issuance of debt	-	-	19,358,500	19,358,500	-
Refunding of debt	-	-	(19,358,500)	(19,358,500)	-
Transfers in	3,252,474	3,252,474	-	(3,252,474)	200,000
Transfers out	(500,000)	(500,000)	(500,000)	-	(200,000)
<b>Total Other Financing Source (Use)</b>	<b>2,752,474</b>	<b>2,752,474</b>	<b>(500,000)</b>	<b>(3,252,474)</b>	<b>-</b>
<b>Revenue Over (Under) Expenditures and Other Financing Source (Use)</b>	<b>\$ (2,734,013)</b>	<b>\$ (2,734,013)</b>	<b>\$ (2,127,287)</b>	<b>\$ 606,726</b>	<b>\$ (1,156,124)</b>

See notes to budgetary comparison schedule.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2012

NOTE A - BUDGETARY ACCOUNTING

Budgets: The Village is legally required to adopt a budget only for the General Fund. This budget is prepared on the modified accrual basis of accounting. Unencumbered appropriations lapse at fiscal year end. State on-behalf payments for the police pension are not budgeted. The Village does not adopt a budget for its Capital Improvements Fund.

Changes or amendments to the total budgeted expenditures of the Village or total departmental expenditures must be approved by the Village Council; however, changes within a department that do not affect the total departmental expenditures may be approved by the Village Manager. Accordingly, the legal level of control is at the department level.

The Village has complied with the Florida Statute requirement that budgets be in balance. The budgeted expenditures reflected in the accompanying financial statements exceed revenue by the amounts budgeted from beginning fund balance.

Encumbrances: Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as part of the budgetary accounting system in the General Fund. Encumbrances outstanding at year end, if any, are reported as committed or assigned fund balance since they do not constitute expenditures or liabilities. For budgetary purposes current year encumbrances, if any, are treated as expenditures. Encumbrances lapse at year end. However, encumbrances that relate to capital outlay are reappropriated in the subsequent year.

NOTE B - BUDGET AND ACTUAL COMPARISONS

The adopted budgets are prepared on the modified accrual basis of accounting in accordance with GAAP, except that the State of Florida on-behalf payments to the Village for the police pension plan and proceeds from the issuance of refunding debt and the corresponding payments to defease the debt are not budgeted. In addition, insurance recoveries and proceeds from the sale of capital assets are budgeted as miscellaneous revenue. As a result, General Fund revenue and expenditures reported in the budgetary comparison schedule differ from the revenue and expenditures reported on the GAAP basis and can be reconciled as follows:

	<u>Revenue</u>	<u>Expenditures</u>
<b>Budgetary Basis</b>	\$ 18,585,145	\$ 20,212,432
State on-behalf pension payments	223,683	223,683
Insurance recoveries	(31,771)	
Proceeds from sale of capital assets	(264,831)	
Repayment of Series 2011 Capital Improvement Note	<u>                    </u>	<u>19,358,500</u>
<b>GAAP Basis</b>	<u>\$ 18,512,226</u>	<u>\$ 39,794,615</u>

## **Nonmajor Governmental Funds**

### ***SPECIAL REVENUE FUNDS***

Special revenue funds are used to account for specific revenue that is restricted to expenditure for particular purposes. The Village's nonmajor special revenue funds are as follows:

**Recreation Facility Fund** - To account for contributions received from local developers and businesses for the acquisition, improvement, expansion or implementation of parks and recreational facilities.

**Community Beautification Fund** - To account for contributions received from local developers to enhance the aesthetic landscape and visual perception of the Village.

### ***CAPITAL PROJECTS FUND***

**Impact Fee Capital Projects Fund** - To account for the expenditure of impact fees on various capital improvement projects.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

September 30, 2012

	Special Revenue Funds		Capital Projects	Total Nonmajor Governmental Funds
	Recreation Facility Fund	Community Beautification Fund	Fund Impact Fee Capital Projects Fund	
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ 257,441	\$ 289,131	\$ 1,256,076	\$ 1,802,648
Investments			1,924,295	1,924,295
Accrued interest receivable			8,781	8,781
Due from other governments			206,895	206,895
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 257,441</u>	<u>\$ 289,131</u>	<u>\$ 3,396,047</u>	<u>\$ 3,942,619</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$	\$	\$ 1,975	\$ 1,975
Contracts and retainage payable			225,023	225,023
Total Liabilities	<u>-</u>	<u>-</u>	<u>226,998</u>	<u>226,998</u>
<b>FUND BALANCES</b>				
Committed for capital projects			3,169,049	3,169,049
Committed for recreation facilities	257,441			257,441
Committed for community beautification		289,131		289,131
Total Fund Balances	<u>257,441</u>	<u>289,131</u>	<u>3,169,049</u>	<u>3,715,621</u>
Total Liabilities and Fund Balances	<u>\$ 257,441</u>	<u>\$ 289,131</u>	<u>\$ 3,396,047</u>	<u>\$ 3,942,619</u>

VILLAGE OF ROYAL PALM BEACH, FLORIDA

COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

Year Ended September 30, 2012

	Special Revenue Funds		Capital Projects	Total Nonmajor Governmental Funds
	Recreation Facility Fund	Community Beautification Fund	Fund Impact Fee Capital Projects Fund	
<b>Revenue</b>				
Intergovernmental revenue	\$	\$	\$ 206,895	\$ 206,895
Miscellaneous				
Investment earnings	485	867	4,635	5,987
Impact fees			867,189	867,189
Conditions of approval	183,764	66,217		249,981
Other	5,600		714	6,314
Total Revenue	<u>189,849</u>	<u>67,084</u>	<u>1,079,433</u>	<u>1,336,366</u>
<b>Expenditures</b>				
Current				
Public works		665		665
Culture and recreation	25,170			25,170
Capital outlay			52,923	52,923
Total Expenditures	<u>25,170</u>	<u>665</u>	<u>52,923</u>	<u>78,758</u>
Net Change in Fund Balances	164,679	66,419	1,026,510	1,257,608
Fund balances at October 1, 2011	<u>92,762</u>	<u>222,712</u>	<u>2,142,539</u>	<u>2,458,013</u>
Fund balances at September 30, 2012	<u>\$ 257,441</u>	<u>\$ 289,131</u>	<u>\$ 3,169,049</u>	<u>\$ 3,715,621</u>

## ***FIDUCIARY FUNDS***

These funds are used to account for assets held in trust by the Village for pension benefits.

**General Employees Pension Trust Fund** - This fund was established to receive and invest Village and employee contributions to a defined contribution pension plan and to disburse them to employees in accordance with the Pension Plan Ordinance.

**Police Pension Trust Fund** - This fund was established in 2003 to receive and invest Village, State and Police employee contributions to a defined benefit pension plan and to disburse them to Police employees in accordance with the Pension Plan Ordinance.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

COMBINING STATEMENT OF PLAN NET ASSETS - PENSION TRUST FUNDS

September 30, 2012

	General Employees Pension Trust Fund	Police Pension Trust Fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Investments			
Mutual funds	\$ 2,271,594	\$	\$ 2,271,594
Florida Municipal Pension Trust Fund		21,000	21,000
Guaranteed interest account	<u>109,585</u>		<u>109,585</u>
Total Assets	<u>\$ 2,381,179</u>	<u>\$ 21,000</u>	<u>\$ 2,402,179</u>
<b>NET ASSETS</b>			
Net assets held in trust for pension benefits	<u>\$ 2,381,179</u>	<u>\$ 21,000</u>	<u>\$ 2,402,179</u>

VILLAGE OF ROYAL PALM BEACH, FLORIDA

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS -  
PENSION TRUST FUNDS

Year Ended September 30, 2012

	General Employees Pension Trust Fund	Police Pension Trust Fund	Total
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 37,273	\$	\$ 37,273
Employee	18,636		18,636
State		223,683	223,683
Total Contributions	<u>55,909</u>	<u>223,683</u>	<u>279,592</u>
Investment earnings			
Net appreciation in fair value of plan assets	389,468		389,468
Interest and dividend income	46,276		46,276
Net Investment Earnings	<u>435,744</u>	<u>-</u>	<u>435,744</u>
Total Additions	491,653	223,683	715,336
<b>DEDUCTIONS</b>			
Distributions to plan participants	782,646	221,520	1,004,166
Administrative expenses	3,204	1,163	4,367
Total Deductions	<u>785,850</u>	<u>222,683</u>	<u>1,008,533</u>
Net Increase (Decrease)	(294,197)	1,000	(293,197)
Net assets held in trust for pension benefits at October 1, 2011	<u>2,675,376</u>	<u>20,000</u>	<u>2,695,376</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT SEPTEMBER 30, 2012	<u>\$ 2,381,179</u>	<u>\$ 21,000</u>	<u>\$ 2,402,179</u>

## **STATISTICAL SECTION**

# STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
Financial Trends .....	56
<i>These schedules contain trend information to help the reader understand how the Village of Royal Palm Beach’s financial performance and well-being have changed over time.</i>	
Revenue Capacity .....	63
<i>These schedules contain information to help the reader assess the Village of Royal Palm Beach’s most significant local revenue source, the property tax.</i>	
Debt Capacity .....	66
<i>These schedules present information to help the reader assess the affordability of the Village of Royal Palm Beach’s current levels of outstanding debt and the Village of Royal Palm Beach’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information.....	70
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village of Royal Palm Beach’s financial activities take place and to help make comparisons over time and with other governments.</i>	
Operating Information.....	72
<i>These schedules contain information about the Village’s operations and resources to help the reader understand how the information in the Village of Royal Palm Beach’s financial report relates to the services the Village provides and the activities it performs.</i>	

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

## Village of Royal Palm Beach, Florida

Net Assets by Component

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 15,487,873	\$ 18,083,810	\$ 19,850,001	\$ 69,001,420	\$ 68,357,274	\$ 73,759,549	\$ 75,436,462	\$ 76,214,049	\$ 74,924,952	\$ 72,365,552
Restricted		139,460	145,837	152,448	130,683	116,715	121,981	121,656	107,059	108,424
Unrestricted	17,441,620	19,018,177	20,351,184	87,323,710	89,446,330	87,216,086	87,572,901	82,948,342	80,435,758	79,992,888
<b>Total governmental activities net assets</b>	<b>\$ 32,929,493</b>	<b>\$ 37,241,447</b>	<b>\$ 40,347,022</b>	<b>\$ 156,477,578</b>	<b>\$ 157,934,287</b>	<b>\$ 161,092,350</b>	<b>\$ 163,131,344</b>	<b>\$ 159,284,047</b>	<b>\$ 155,467,769</b>	<b>\$ 152,466,864</b>
<b>Business-type activity</b>										
Invested in capital assets, net of related debt	\$ 12,099,564	\$ 12,844,716	\$ 14,911,415	\$ 12,919,775	\$ 11,593,643	\$ 10,332,684	\$ 9,162,967	\$ 7,993,250	\$ 6,823,533	\$ 5,653,816
Restricted	8,453,093	9,186,597	8,913,980							
Unrestricted (deficit)	5,204,107	6,414,052	6,378,082	(11,457,447)	(10,076,871)	(8,801,981)	(7,631,760)	(6,461,737)	(5,291,246)	(4,120,473)
<b>Total business-type activity net assets</b>	<b>\$ 25,756,764</b>	<b>\$ 28,445,365</b>	<b>\$ 30,203,477</b>	<b>\$ 1,462,328</b>	<b>\$ 1,516,772</b>	<b>\$ 1,530,703</b>	<b>\$ 1,531,207</b>	<b>\$ 1,531,513</b>	<b>\$ 1,532,287</b>	<b>\$ 1,533,343</b>
<b>Primary government</b>										
Invested in capital assets, net of related debt	\$ 27,587,437	\$ 30,928,526	\$ 34,761,416	\$ 81,921,195	\$ 79,950,917	\$ 84,092,233	\$ 84,599,429	\$ 84,207,299	\$ 81,748,485	\$ 78,019,368
Restricted	8,453,093	9,326,057	9,059,817	152,448	130,683	116,715	121,981	121,656	107,059	108,424
Unrestricted	22,645,727	25,432,229	26,729,266	75,866,263	79,369,459	78,414,105	79,941,141	76,486,605	75,144,512	75,872,415
<b>Total primary government net assets</b>	<b>\$ 58,686,257</b>	<b>\$ 65,686,812</b>	<b>\$ 70,550,499</b>	<b>\$ 157,939,906</b>	<b>\$ 159,451,059</b>	<b>\$ 162,623,053</b>	<b>\$ 164,662,551</b>	<b>\$ 160,815,560</b>	<b>\$ 157,000,056</b>	<b>\$ 154,000,207</b>

## Village of Royal Palm Beach, Florida

Changes in Net Assets

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
Governmental activities:										
General government	\$ 3,304,141	\$ 3,719,432	\$ 4,130,050	\$ 4,451,821	\$ 5,043,972	\$ 4,321,564	\$ 4,275,564	\$ 4,275,487	\$ 4,487,030	\$ 4,469,023
Public safety	8,366,205	9,890,985	11,680,913	6,847,794	7,543,166	7,576,149	7,911,221	8,576,547	8,550,405	8,493,956
Public works	2,180,960	3,171,305	4,274,252	6,325,490	6,439,196	6,351,327	6,359,322	6,778,395	6,281,211	6,347,747
Culture and recreation	2,348,528	2,811,546	3,160,271	3,744,432	4,025,091	4,065,870	4,031,373	4,147,280	4,082,724	3,964,633
Interest on long-term debt	136,735	119,750	144,754	198,289	162,539	160,209	72,299	62,162	572,551	565,204
<b>Total governmental activities expenses</b>	<b>16,336,569</b>	<b>19,713,018</b>	<b>23,390,240</b>	<b>21,567,826</b>	<b>23,213,964</b>	<b>22,475,119</b>	<b>22,649,779</b>	<b>23,839,871</b>	<b>23,973,921</b>	<b>23,840,563</b>
Business-type activity:										
Water and wastewater	6,981,572	7,833,222	8,623,132	6,658,099	1,326,132	1,260,959	1,169,717	1,169,717	1,169,717	1,169,717
<b>Total business-type activity expenses</b>	<b>6,981,572</b>	<b>7,833,222</b>	<b>8,623,132</b>	<b>6,658,099</b>	<b>1,326,132</b>	<b>1,260,959</b>	<b>1,169,717</b>	<b>1,169,717</b>	<b>1,169,717</b>	<b>1,169,717</b>
<b>Total primary government expenses</b>	<b>\$ 23,318,141</b>	<b>\$ 27,546,240</b>	<b>\$ 32,013,372</b>	<b>\$ 28,225,925</b>	<b>\$ 24,540,096</b>	<b>\$ 23,736,078</b>	<b>\$ 23,819,496</b>	<b>\$ 25,009,588</b>	<b>\$ 25,143,638</b>	<b>\$ 25,010,280</b>
<b>Program Revenue</b>										
Governmental activities:										
Charges for services:										
General government	\$ 1,220,836	\$ 1,101,102	\$ 1,344,216	\$ 1,899,891	\$ 651,056	\$ 559,475	\$ 396,303	\$ 453,207	\$ 582,259	\$ 769,962
Public safety	2,470,486	1,792,327	2,269,833	1,669,441	2,048,807	1,858,578	1,213,484	917,932	1,014,550	1,639,053
Public works	23,962	24,766	22,327	14,468	2,802	915	3,720	7,960	5,600	6,640
Culture and recreation	384,840	377,571	343,643	376,148	382,117	524,076	541,475	559,014	577,888	585,073
Operating grants and contributions:										
General government		31,000	7,700	7,020	6,000	15,000	21,000	21,000	26,000	26,500
Public safety	90,030	114,292	66,041	340,838	38,508	195,319	243,603	232,283	210,040	223,683
Public works		850,109	465,536	872,700	143,528	284,785	30,241	49,231	35,427	63,572
Culture and recreation	10,767	6,151	7,019	1,966	10	14,720			1,237	
Capital grants and contributions:										
General government		271,681	46,412	51,510	18,480	22,680	8,812	4,192	4,529	28,736
Public safety	538,397	245,800	990,792	354,375	138,783	105,979	50,976	18,442	19,830	171,927
Public works	1,678,981	773,016	369,525	814,480	544,690	501,592	1,073,791	669,769	2,211,797	1,254,481
Culture and recreation	1,906,935	1,741,999	821,007	182,752	237,737	1,556,194	907,112	457,357	78,546	608,030
<b>Total governmental activities program revenue</b>	<b>8,325,234</b>	<b>7,329,814</b>	<b>6,754,051</b>	<b>6,585,589</b>	<b>4,212,518</b>	<b>5,639,313</b>	<b>4,490,517</b>	<b>3,390,387</b>	<b>4,767,703</b>	<b>5,377,657</b>
Business-type activity:										
Charges for services:										
Water and wastewater	7,993,218	8,526,197	8,846,586	5,749,010	1,326,132	1,260,959	1,169,717	1,169,717	1,169,717	1,169,717
Operating grants and contributions:										
Water and wastewater		585,097	97,199	134,330						
Capital grants and contributions:										
Water and wastewater	3,039,175	1,133,400	901,475	894,920						
<b>Total business-type activity program revenue</b>	<b>11,032,393</b>	<b>10,244,694</b>	<b>9,845,260</b>	<b>6,778,260</b>	<b>1,326,132</b>	<b>1,260,959</b>	<b>1,169,717</b>	<b>1,169,717</b>	<b>1,169,717</b>	<b>1,169,717</b>
<b>Total primary government program revenue</b>	<b>\$ 19,357,627</b>	<b>\$ 17,574,508</b>	<b>\$ 16,599,311</b>	<b>\$ 13,363,849</b>	<b>\$ 5,538,650</b>	<b>\$ 6,900,272</b>	<b>\$ 5,660,234</b>	<b>\$ 4,560,104</b>	<b>\$ 5,937,420</b>	<b>\$ 6,547,374</b>

## Village of Royal Palm Beach, Florida

Changes in Net Assets (Continued)

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Net (expense) revenue</b>										
Governmental activities	\$ (7,981,335)	\$ (12,383,204)	\$ (16,636,189)	\$ (14,982,237)	\$ (19,001,446)	\$ (16,835,806)	\$ (18,159,262)	\$ (20,449,484)	\$ (19,206,218)	\$ (18,462,906)
Business-type activity	4,050,821	2,411,472	1,222,128	120,161						
<b>Total primary government net expense</b>	<b>\$ (3,930,514)</b>	<b>\$ (9,971,732)</b>	<b>\$ (15,414,061)</b>	<b>\$ (14,862,076)</b>	<b>\$ (19,001,446)</b>	<b>\$ (16,835,806)</b>	<b>\$ (18,159,262)</b>	<b>\$ (20,449,484)</b>	<b>\$ (19,206,218)</b>	<b>\$ (18,462,906)</b>
<b>General Revenue and Other Changes in Net Assets</b>										
Governmental activities:										
Taxes:										
Property taxes	\$ 6,608,297	\$ 8,155,623	\$ 9,831,899	\$ 5,308,387	\$ 5,312,601	\$ 5,534,219	\$ 4,949,367	\$ 3,941,701	\$ 3,527,985	\$ 3,402,534
Franchise fees	1,339,435	1,448,034	1,707,863	2,098,506	2,259,641	2,360,842	2,465,538	2,431,560	2,471,640	2,431,277
Utility service taxes	3,129,192	3,368,040	3,690,331	3,761,697	3,898,634	3,941,068	4,464,979	4,231,877	4,142,025	4,190,499
Business taxes							595,552	619,952	607,786	612,781
State shared revenue, unrestricted	2,886,785	3,471,206	3,919,396	4,096,322	3,966,766	3,567,781	3,307,944	3,312,182	3,386,274	3,701,971
Investment earnings	256,605	265,255	592,275	2,658,844	5,020,513	4,589,959	4,414,876	2,064,915	1,054,230	886,188
Gain on sale of capital assets				154,098						236,751
Transfers		(13,000)		70,054,263					200,000	
<b>Total governmental activities</b>	<b>14,220,314</b>	<b>16,695,158</b>	<b>19,741,764</b>	<b>88,132,117</b>	<b>20,458,155</b>	<b>19,993,869</b>	<b>20,198,256</b>	<b>16,602,187</b>	<b>15,389,940</b>	<b>15,462,001</b>
Business-type activity										
Investment earnings	294,831	264,129	535,984	607,456	54,444	13,931	504	306	774	1,056
Other income									200,000	
Special item - net gain on sale of utility				40,585,497						
Transfers		13,000		(70,054,263)					(200,000)	
<b>Total business-type activity</b>	<b>294,831</b>	<b>277,129</b>	<b>535,984</b>	<b>(28,861,310)</b>	<b>54,444</b>	<b>13,931</b>	<b>504</b>	<b>306</b>	<b>774</b>	<b>1,056</b>
<b>Total primary government</b>	<b>\$ 14,515,145</b>	<b>\$ 16,972,287</b>	<b>\$ 20,277,748</b>	<b>\$ 59,270,807</b>	<b>\$ 20,512,599</b>	<b>\$ 20,007,800</b>	<b>\$ 20,198,760</b>	<b>\$ 16,602,493</b>	<b>\$ 15,390,714</b>	<b>\$ 15,463,057</b>
<b>Changes in Net Assets</b>										
Governmental activities	\$ 6,238,979	\$ 4,311,954	\$ 3,105,575	\$ 73,149,880	\$ 1,456,709	\$ 3,158,063	\$ 2,038,994	\$ (3,847,297)	\$ (3,816,278)	\$ (3,000,905)
Business-type activity	4,345,652	2,688,601	1,758,112	(28,741,149)	54,444	13,931	504	306	774	1,056
<b>Total primary government</b>	<b>\$ 10,584,631</b>	<b>\$ 7,000,555</b>	<b>\$ 4,863,687</b>	<b>\$ 44,408,731</b>	<b>\$ 1,511,153</b>	<b>\$ 3,171,994</b>	<b>\$ 2,039,498</b>	<b>\$ (3,846,991)</b>	<b>\$ (3,815,504)</b>	<b>\$ (2,999,849)</b>

# Village of Royal Palm Beach, Florida

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Fund</b>										
Reserved	\$ 169,960	\$ 146,535	\$ 405,732	\$ 187,925	\$ 226,259	\$ 259,401	\$ 247,493	\$ 335,339	\$	\$
Unreserved	7,315,091	7,775,574	8,459,802	9,401,299	8,984,275	7,437,233	7,487,073	6,651,791		
Nonspendable:										
Prepaid items									112,643	120,050
Restricted for:										
Police education									96,319	98,722
Law enforcement									10,740	9,702
Assigned for:										
Debt service										21,667,529
Subsequent year's expenditures									2,734,013	1,623,256
Unassigned									74,171,800	51,478,969
Total General Fund	<u>\$ 7,485,051</u>	<u>\$ 7,922,109</u>	<u>\$ 8,865,534</u>	<u>\$ 9,589,224</u>	<u>\$ 9,210,534</u>	<u>\$ 7,696,634</u>	<u>\$ 7,734,566</u>	<u>\$ 6,987,130</u>	<u>\$77,125,515</u>	<u>\$74,998,228</u>
<b>All other governmental funds</b>										
Unreserved, reported in:										
Special Revenue Funds	\$ 2,232,068	\$ 2,262,666	\$ 890,100	\$65,769,925	\$66,687,672	\$68,940,788	\$71,308,043	\$71,668,049	\$	\$
Capital Projects Funds	8,115,804	9,435,397	11,294,523	12,534,972	14,030,483	11,098,933	9,082,590	4,914,965		
Committed for:										
Capital projects									18,721,020	9,638,838
Recreation facilities									92,762	257,441
Community beautification									222,712	289,131
Total all other governmental funds	<u>\$10,347,872</u>	<u>\$11,698,063</u>	<u>\$12,184,623</u>	<u>\$78,304,897</u>	<u>\$80,718,155</u>	<u>\$80,039,721</u>	<u>\$80,390,633</u>	<u>\$76,583,014</u>	<u>\$19,036,494</u>	<u>\$10,185,410</u>

Note: GASB Statement No. 54 was adopted for 2011, resulting in the reclassification of the Governmental Funds fund balances.

## Village of Royal Palm Beach, Florida

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenue</b>										
Taxes	\$ 11,076,924	\$ 12,971,697	\$ 15,230,093	\$ 11,168,590	\$ 11,470,876	\$ 11,836,129	\$ 12,475,436	\$ 11,225,090	\$ 10,749,436	\$ 10,637,091
Licenses and permits	2,090,034	1,595,334	1,529,340	1,363,895	1,627,922	1,509,430	601,429	456,472	522,074	994,528
Intergovernmental	3,175,402	5,700,285	5,303,894	5,406,512	4,389,752	5,321,115	5,247,062	4,661,513	5,854,751	4,973,409
Charges for services	434,307	419,538	385,851	411,650	395,875	419,600	419,896	469,680	494,337	499,160
Fines and forfeitures	364,420	188,353	728,382	293,561	418,785	349,148	334,758	261,460	267,476	419,525
Investment earnings	256,605	265,255	592,275	2,658,844	5,020,513	4,589,959	4,414,876	2,064,915	1,054,230	886,188
Impact fees	3,230,563	1,627,383	825,550	1,191,859	435,090	517,077	180,175	142,306	164,401	867,189
Conditions of approval	769,534	140,435	549,265	114,666	263,650	110,698	194,842	-	14,828	264,981
Miscellaneous	1,242,533	1,173,224	1,351,165	1,700,671	648,210	680,336	820,299	711,138	836,110	1,060,836
<b>Total revenues</b>	<b>22,640,322</b>	<b>24,081,504</b>	<b>26,495,815</b>	<b>24,310,248</b>	<b>24,670,673</b>	<b>25,333,492</b>	<b>24,688,773</b>	<b>19,992,574</b>	<b>19,957,643</b>	<b>20,602,907</b>
<b>Expenditures</b>										
General government	3,160,394	3,585,167	3,965,955	4,354,192	4,515,625	4,225,471	4,219,511	4,144,402	4,390,574	4,347,966
Public safety	8,198,124	9,557,281	11,321,595	6,715,250	7,317,567	7,397,543	7,747,778	8,398,401	8,377,235	8,320,498
Public works	1,975,386	2,915,643	3,926,313	3,764,386	3,671,440	3,534,195	3,448,144	3,824,736	3,276,495	3,183,689
Culture and recreation	1,871,744	2,167,523	2,404,588	2,944,331	3,148,326	3,030,343	2,922,047	3,058,083	3,060,993	3,072,684
Capital outlay	6,282,538	3,549,658	5,922,953	2,584,355	3,252,228	7,429,375	5,634,349	4,772,053	7,132,274	11,060,385
Debt service										
Principal	383,123	385,367	394,948	686,259	683,886	1,762,766	280,641	290,561	-	20,500,000
Interest and fiscal charges	137,327	120,616	129,478	166,797	170,050	165,000	77,259	67,338	168,996	723,158
Bond issue costs									50,500	28,000
<b>Total expenditures</b>	<b>22,008,636</b>	<b>22,281,255</b>	<b>28,065,830</b>	<b>21,215,570</b>	<b>22,759,122</b>	<b>27,544,693</b>	<b>24,329,729</b>	<b>24,555,574</b>	<b>26,457,067</b>	<b>51,236,380</b>
Revenue over (under) expenditures	631,686	1,800,249	(1,570,015)	3,094,678	1,911,551	(2,211,201)	359,044	(4,563,000)	(6,499,424)	(30,633,473)
<b>Other financing sources (uses)</b>										
Insurance recoveries				199,157	69,188	16,234	7,851	7,643	3,174	31,771
Proceeds from sale of capital assets				182,745	53,829	2,633	21,949	302	2,448	264,831
Proceeds from issuance of debt			3,000,000						20,500,000	19,358,500
Refunding of debt									(1,614,333)	
Transfers in	2,516,847	2,226,105	2,055,873	65,682,077	5,301,642	3,548,006	3,018,300	1,739,359	400,000	500,000
Transfers out	(2,516,847)	(2,239,105)	(2,055,873)	(2,314,693)	(5,301,642)	(3,548,006)	(3,018,300)	(1,739,359)	(200,000)	(500,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(13,000)</b>	<b>3,000,000</b>	<b>63,749,286</b>	<b>123,017</b>	<b>18,867</b>	<b>29,800</b>	<b>7,945</b>	<b>19,091,289</b>	<b>19,655,102</b>
Net change in fund balances	\$ 631,686	\$ 1,787,249	\$ 1,429,985	\$ 66,843,964	\$ 2,034,568	\$ (2,192,334)	\$ 388,844	\$ (4,555,055)	\$ 12,591,865	\$ (10,978,371)
Debt service as a percentage of non-capital expenditures	3.31%	2.70%	2.37%	4.58%	4.38%	9.58%	1.91%	1.81%	1.14%	52.90%

## VILLAGE OF ROYAL PALM BEACH, FLORIDA

General Governmental Tax Revenues By Source

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

<b>Fiscal Year</b>	<b>Ad Valorem Taxes</b>	<b>Franchise Fees</b>	<b>Utility Service Taxes</b>	<b>Business Taxes (1)</b>	<b>Total</b>
<b>2003</b>	\$ 6,608,297	\$ 1,339,435	\$ 3,129,192	\$	\$ 11,076,924
<b>2004</b>	8,155,623	1,448,034	3,368,040		12,971,697
<b>2005</b>	9,831,899	1,707,863	3,690,331		15,230,093
<b>2006</b>	5,308,387	2,098,506	3,761,697		11,168,590
<b>2007</b>	5,312,601	2,259,641	3,898,634		11,470,876
<b>2008</b>	5,534,219	2,360,842	3,941,068		11,836,129
<b>2009</b>	4,949,367	2,465,538	4,464,979	595,552	12,475,436
<b>2010</b>	3,941,701	2,431,560	4,231,877	619,952	11,225,090
<b>2011</b>	3,527,985	2,471,640	4,142,025	607,786	10,749,436
<b>2012</b>	3,402,534	2,431,277	4,190,499	612,781	10,637,091

(1) Starting in 2009, occupational licenses and business permits were reclassified from charges for services to business taxes.

## Village of Royal Palm Beach, Florida

*Assessed Value and Estimated Actual Value of Taxable Property*

*Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Total</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>
<b>2003</b>	\$ 1,020,781,773	\$ 72,288,391	\$ 1,093,070,164	\$ 6.24	\$ 1,093,070,164
<b>2004</b>	1,313,919,077	84,468,268	1,398,387,345	6.03	1,398,387,345
<b>2005</b>	1,613,979,748	89,712,291	1,703,692,039	5.92	1,703,692,039
<b>2006</b>	1,998,540,919	99,137,295	2,097,678,214	5.62	2,097,678,214
<b>2007</b>	2,425,775,807	105,232,683	2,531,008,490	5.14	2,531,008,490
<b>2008</b>	2,734,523,508	114,753,917	2,849,277,425	4.79	2,849,277,425
<b>2009</b>	2,491,708,640	111,383,434	2,603,092,074	4.92	2,603,092,074
<b>2010</b>	2,025,681,694	117,517,903	2,143,199,597	5.38	2,143,199,597
<b>2011</b>	1,777,026,096	117,059,540	1,894,085,636	5.38	1,894,085,636
<b>2012</b>	1,738,716,997	102,977,493	1,841,694,490	5.38	1,841,694,490

Source: Palm Beach County Property Appraiser's Office

Note: 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.

## Village of Royal Palm Beach, Florida

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(Rate per \$1,000 of assessed value)

Fiscal Year	Village Direct Rates			Overlapping Rates			Total
	General Fund	Debt Service	Total Direct	Palm Beach County	School District	Special Taxing Districts	
2003	\$ 6.19	\$ 0.05	\$ 6.24	\$ 5.35	\$ 8.78	\$ 2.49	\$ 22.86
2004	5.99	0.04	6.03	5.37	8.57	2.56	22.53
2005	5.89	0.03	5.92	5.35	8.43	2.53	22.23
2006	5.59	0.03	5.62	5.34	8.11	2.57	21.63
2007	5.12	0.02	5.14	5.08	7.87	2.33	20.42
2008	4.77	0.02	4.79	4.53	7.36	2.13	18.81
2009	4.92	0.00	4.92	4.51	7.25	2.26	18.94
2010	5.38	0.00	5.38	5.60	8.15	2.55	21.69
2011	5.38	0.00	5.38	5.60	8.18	2.34	21.50
2012	5.38	0.00	5.38	5.60	7.78	2.32	21.07

Note: The Village's General Fund property tax rate may be increased only by a majority vote of the Village Council. Rates for debt service are set based on each year's requirements. Under Florida law, the Village has a 10 mil cap, less the tax rate of the Fire MSTU.

## Village of Royal Palm Beach, Florida

Principal Property Taxpayers

Current Year and Nine Years Ago

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Value
Centre on Southern LLLP	\$ 38,952,606	1	2.12%			
Florida Power & Light Co	36,065,818	2	1.96%			
Wal Mart Stores East LP	15,936,822	3	0.87%	\$ 17,333,609	2	1.59%
Centre on 441 LLLP	15,403,642	4	0.84%			
Inland Western Royal	14,760,202	5	0.80%			
Montecito Medical PW VIII LLC	13,755,818	6	0.75%			
Ramco Crossroads at Royal Palm	12,261,003	7	0.67%	15,835,849	5	1.45%
CP IPERS Coral LLC	12,119,767	8	0.66%			
Target Corporation	11,960,875	9	0.65%			
Royal Palm Center LLC	9,635,862	10	0.52%			
Crestwood Vista LLC				21,250,000	1	1.94%
Southern Center Land Trust				16,631,268	3	1.52%
Starwood Wasserman PB, LLC				16,200,000	4	1.48%
Second Fairgrounds Assoc, Ltd				12,000,160	6	1.10%
Minto Communities, Inc				11,604,422	7	1.06%
Shoma Homes at Royal Palm Beach, Inc				11,494,000	8	1.05%
Heritage Royal Palm Partners				11,021,932	9	1.01%
Lowes Home Centers, Inc				10,422,703	10	0.95%
Total	<u>\$ 180,852,415</u>		<u>9.82%</u>	<u>\$ 143,793,943</u>		<u>13.16%</u>

Source: Palm Beach County Property Appraiser's Office

## Village of Royal Palm Beach, Florida

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Net Tax Levy* for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 6,633,848	\$ 6,578,012	99.16 %	\$ 30,285	\$ 6,608,297	99.61 %
2004	8,181,812	8,138,826	99.47	16,797	8,155,623	99.68
2005	9,827,054	9,819,221	99.92	12,678	9,831,899	100.05
2006	5,308,322	5,309,405	100.02	4,695	5,314,100	100.11
2007	5,305,323	5,291,361	99.74	22,414	5,313,775	100.16
2008	5,539,162	5,529,495	99.83	4,695	5,534,190	99.91
2009	4,964,153	4,928,283	99.28	25,347	4,953,630	99.79
2010	4,005,152	3,923,499	97.96	52,408	3,975,907	99.27
2011	3,510,810	3,484,380	99.25	35,827	3,520,207	100.27
2012	3,413,787	3,362,724	98.50	-	3,362,724	98.50

Notes: All property taxes are assessed and collected by Palm Beach County. Collections are distributed in full as collected. The decrease in the net tax levy for 2006 is due to the fact that the Village is no longer paying for County fire services, but instead the Village residents are taxed separately by the County for such services under an MSTU.

Since the tax levy is shown net of the maximum allowance for discounts, it is possible for the total collections to date as a percentage of the tax levy to exceed 100%, to the extent that all taxpayers do not take advantage of the maximum discount.

\*Tax levy, net of maximum allowance for discounts of 4%.

## Village of Royal Palm Beach, Florida

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	Governmental Activities <sup>(1)</sup>			Business-type Activity		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Revenue Bonds	Notes Payable	Water & Sewer Revenue Bonds	State Revolving Fund Loan			
2003	\$ 256,870	\$ 2,825,039	\$ 16,852	\$ 22,815,000	\$ 4,042,879	\$ 29,956,640	N/A	\$ 1,321.36
2004	205,329	2,502,299	5,766	21,995,000	3,827,742	28,536,136	N/A	1,048.66
2005	152,873	2,165,573	3,000,000	21,140,000	3,608,370	30,066,816	N/A	1,027.50
2006	99,476	1,814,313	2,718,398			4,632,187	N/A	155.21
2007	43,823	1,447,884	2,456,594			3,948,301	0.60%	131.14
2008			2,185,535			2,185,535	0.31%	72.05
2009			1,904,894			1,904,894	0.24%	59.78
2010			1,614,333			1,614,333	0.19%	51.14
2011			20,500,000			20,500,000	2.49%	657.03
2012			19,358,500			19,358,500	1.97%	567.03

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

The debt for the business-type activity represents debt for water treatment plants and the wastewater collection and transmission system. These facilities served residents as well as non-residents on the water and sewer utility system. The utility system was sold to Palm Beach County in 2006 and all outstanding utility related bonds and loans were paid.

<sup>(1)</sup> The Village does not have a legal debt margin.

## Village of Royal Palm Beach, Florida

*Ratios of Net General Bonded Debt Outstanding*

*Last Ten Fiscal Years*

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<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Reserved for Debt Service</b>	<b>Total</b>	<b>Percentage of Actual Value of Property</b>	<b>Population</b>	<b>Per Capita</b>
2003	\$ 256,870	\$ 60,064	\$ 196,806	0.02%	22,671	\$ 8.68
2004	205,329	61,216	144,113	0.01%	27,212	5.30
2005	152,873	60,612	92,261	0.01%	29,262	3.15
2006	99,476	58,787	40,689	0.00%	29,845	1.36
2007	43,823	43,823		0.00%	30,108	
2008				0.00%	30,334	
2009				0.00%	31,864	
2010				0.00%	31,567	
2011				0.00%	31,201	
2012				0.00%	34,140	

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Note: For each fiscal year ending September 30<sup>th</sup> property is valued as of January 1<sup>st</sup> of the preceding calendar year. Details regarding the Village's outstanding debt can be found in the notes to the financial statements.

## Village of Royal Palm Beach, Florida

Direct and Overlapping Governmental Activities Debt  
September 30, 2012

	Total Outstanding	Percentage Applicable to Village of Royal Palm Beach <sup>(1)</sup>	Amount Applicable to Village of Royal Palm Beach
Direct:			
Village of Royal Palm Beach	\$ 19,358,500	100.00%	\$ 19,358,500
Overlapping:			
Palm Beach County <sup>(2)</sup>	207,340,000	1.48%	3,072,808
Palm Beach County School District <sup>(3)</sup>	30,650,000	1.48%	454,237
Total overlapping debt	237,990,000		3,527,045
<b>Total direct and overlapping debt payable from ad valorem taxes</b>	<b>\$ 257,348,500</b>		<b>22,885,545</b>
Estimated population			34,140
Total direct and overlapping debt per capita			\$ 670.34

### NOTES:

<sup>(1)</sup> Based on Ratio of Assessed Taxable Values

<sup>(2)</sup> Source: Palm Beach County, Florida, Budget Office

<sup>(3)</sup> Source: Palm Beach County School Board, Finance Department

The Village of Royal Palm Beach has no legal debt margin.

## Village of Royal Palm Beach, Florida

Water and Sewer Pledged Revenue Coverage

Last Ten Fiscal Years

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<b>Fiscal Year</b>	<b>Gross Revenue</b>	<b>Operating Expenses</b>	<b>Revenue Available for Debt Coverage</b>	<b>Current Debt Service</b>	<b>Current Coverage</b>
<b>2003</b>	\$ 10,165,235	\$ 4,150,937	\$ 6,014,298	\$ 1,814,743	3.31
<b>2004</b>	9,259,879	4,844,675	4,415,204	1,816,480	2.43
<b>2005</b>	9,708,665	5,522,474	4,186,191	1,823,067	2.30
<b>2006</b>	N/A	N/A	N/A	N/A	N/A
<b>2007</b>	N/A	N/A	N/A	N/A	N/A
<b>2008</b>	N/A	N/A	N/A	N/A	N/A
<b>2009</b>	N/A	N/A	N/A	N/A	N/A
<b>2010</b>	N/A	N/A	N/A	N/A	N/A
<b>2011</b>	N/A	N/A	N/A	N/A	N/A
<b>2012</b>	N/A	N/A	N/A	N/A	N/A

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Note: Gross revenue includes interest income and capital contributions. Operating expenses exclude depreciation and amortization expense.

N/A - Not applicable as all water and sewer debt was defeased in April 2006, when the utility was sold to Palm Beach County.

## Village of Royal Palm Beach, Florida

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population <sup>(1)</sup>	Total Personal Income <sup>(2)</sup>	Per Capita Personal Income <sup>(2)</sup>	Median Age <sup>(2)</sup>	Education Level in Years of Schooling <sup>(2)</sup>	School Enrollment <sup>(3)</sup>	Unemployment Rate <sup>(2)</sup>
2003	22,671	\$ N/A	\$ N/A	N/A	N/A	7,125	N/A
2004	27,212	N/A	N/A	N/A	N/A	7,056	N/A
2005	29,262	N/A	N/A	N/A	N/A	6,513	N/A
2006	29,845	699,745,870	23,446	37.8	13.6	6,120	3.7%
2007	30,108	657,709,260	21,845	38.2	13.5	6,173	4.9%
2008	30,334	716,276,742	23,613	38.6	13.5	6,071	2.9%
2009	31,864	795,134,256	24,954	38.7	13.5	5,954	7.2%
2010	31,567	833,873,872	26,416	39	13.5	5,450	7.7%
2011	31,201	824,205,616	26,416	39	13.5	5,398	7.7%
2012	34,140	981,798,120	28,758	37	13.4	5,374	8.8%

### Data Sources:

- <sup>(1)</sup> The population for 2003 through 2011 was obtained from the University of Florida, Bureau of Economic Business Administration. The population for 2012 was obtained from the 2010 U.S. Census Bureau count.
- <sup>(2)</sup> Source: Business Development Board of Palm Beach County.
- <sup>(3)</sup> Source: School District of Palm Beach County.

N/A - Not Available

## Village of Royal Palm Beach

Principal Employers

Current Year and Nine Years Ago

Employer	2012 <sup>(1)</sup>			2003		
	Employees	Rank	Percentage	Employees	Rank	Percentage
			of Total County Employment			of Total County Employment
Palm Beach County School District	21,495	1	3.77%	N/A	N/A	N/A
Palm Beach County Government	11,381	2	2.00%	N/A	N/A	N/A
Tenet Healthcare Corp.	6,100	3	1.07%	N/A	N/A	N/A
NextEra Energy (Hdqtrs)	3,635	4	0.64%	N/A	N/A	N/A
G4S (Hdqtrs)	3,000	5	0.53%	N/A	N/A	N/A
Hospital Corp of America	2,714	6	0.48%	N/A	N/A	N/A
Florida Atlantic University	2,706	7	0.47%	N/A	N/A	N/A
Bethesda Memorial Hospital	2,391	8	0.42%	N/A	N/A	N/A
Office Depot (Hdqtrs)	2,250	9	0.39%	N/A	N/A	N/A
Boca Raton Community Hospital	2,250	10	0.39%	N/A	N/A	N/A
Totals	<u>57,922</u>		<u>10.16%</u>	<u>N/A</u>		<u>N/A</u>

<sup>(1)</sup> Source: Business Development Board of Palm Beach County. Data is for Palm Beach County, Florida. Employment information for the Village is not available.

N/A - Data is not available.

## Village of Royal Palm Beach, Florida

Village Government Employees by Function

Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	16	17	18	20	20	20	15.5	15.5	18	18
Public Safety										
Community Development	14	14	15	16	16	16	14	13	13	12
Police Officers <sup>(2)</sup>	48	52	52	57						
Civilian Police <sup>(2)</sup>	43	46	45	48						
Public Works										
Engineering	5	5	6	8	8	8	8.5	7.5	5	5
Public Works	30	33	35	38	38	35	35	31	31	30
Culture/Recreation	76	81	83	84	87	80	77	72	72	77
Water & Sewer Utility <sup>(1)</sup>	35	36	37	36						
<b>Total</b>	<b>267</b>	<b>284</b>	<b>291</b>	<b>307</b>	<b>169</b>	<b>159</b>	<b>150</b>	<b>139</b>	<b>139</b>	<b>142</b>

Source: Village Human Resources office.

<sup>(1)</sup> The utility was sold to Palm Beach County in April 2006.

<sup>(2)</sup> Police services were contracted with Palm Beach County Sheriff's Office beginning October 2006.

# Village of Royal Palm Beach, Florida

Operating Indicators by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Public Safety</b>										
<b>Police</b>										
Physical arrests <sup>(1)</sup>	1,303	1,106	1,080	710	1,213	1,318	1,123	1,173	1,136	980
Parking violations <sup>(2)</sup>	250	201	555	338	228	214	371	280	290	225
Traffic violations <sup>(3)</sup>	12,570	8,516	9,909	8,079	10,468	12,203	12,825	11,425	8,700	9,944
<b>Fire<sup>(4)</sup></b>										
Number of calls	2,632	2,694	2,746	2,937	3,338	3,634	3,712	3,502	3,682	3,504
<b>Parks and Recreation Services<sup>(2)</sup></b>										
Participants - Athletic Programs	N/A	N/A	N/A	2,496	2,297	1,889	1,759	1,607	1,636	1,543
Participants - Arts & Craft/Classes	N/A	N/A	N/A	501	306	374	342	459	497	610
Participants - Social/Special Events	N/A	N/A	N/A	268	324	243	200	179	186	429
Participants - Health/Fitness Programs	N/A	N/A	N/A	595	665	704	691	700	789	1,638
Participants - Spring/Summer Camps	N/A	N/A	N/A	1,035	1,140	940	940	917	889	348
Participants - Other Programs	N/A	N/A	N/A	98	87	104	75	65	62	36
Participants - Seniors Programs	N/A	N/A	N/A	2,467	2,535	2,257	2,570	3,048	3,288	2,714
Participants - Teen Programs	N/A	N/A	N/A	1,650	1,750	1,977	1,875	1,438	1,500	1,437
<b>Roads and Streets<sup>(2)</sup></b>										
Street resurfacing (lane miles)	7.16	1.73	0.61	0.00	4.45	0.00	0.00	0.00	4.13	0.00
Pot holes repaired	N/A	N/A	N/A	N/A	55	N/A	127	113	68	45
<b>Water/Sewer Utility<sup>(2)</sup></b>										
Water customers	10,257	10,623	10,693	(a)	(a)	(a)	(a)	(a)	(a)	(a)
Sewer customers	10,262	10,628	10,698	(a)	(a)	(a)	(a)	(a)	(a)	(a)
Avg daily water consumption (millions of gallons)	2.61	2.89	2.91	(a)	(a)	(a)	(a)	(a)	(a)	(a)

Note: Indicators are not available for the general government function.

N/A: Not available.

(a) The water and wastewater utility was sold to Palm Beach County Utilities on 4/27/06 and is no longer the responsibility of Royal Palm Beach.

Source:

(1) Florida Department of Law Enforcement

(2) Village departments

(3) Palm Beach County Sheriff's Office

(4) Palm Beach County Fire Rescue

# Village of Royal Palm Beach, Florida

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Roads and Streets</b>										
Street lights	N/A	N/A	N/A	651	651	668	668	668	668	668
Lane miles	82	82	141	141	147	147	147	147	147	147
<b>Parks and Recreation Services</b>										
Ballfields	14	14	16	16	16	16	14	14	14	14
Basketball courts	8	10	10	9	10	10	12	14	14	14
Soccer fields	N/A	N/A	N/A	4	4	4	4	4	4	4
Tennis courts	8	8	8	8	8	8	8	8	8	8
Parks	16	17	18	18	18	18	24	24	24	24
Bocce courts	N/A	N/A	N/A	4	4	4	4	4	4	4
Remote car track	N/A	N/A	N/A	N/A	N/A	1	1	1	1	1
Racquetball courts	N/A	N/A	N/A	N/A	N/A	N/A	4	4	4	4
Hockey rink	2	2	2	2	2	2	1	1	1	1
<b>Water and Sewer Utility</b>										
Gravity mains (miles)	58	58	58	(a)						
Force mains (miles)	38	38	38	(a)						
Water mains (miles)	84	84	84	(a)						
Sewer Pumping Stations	50	52	52	(a)						
Maximum daily water treatment capacity (millions of gallons)	5	5	6.5	(a)						

Sources: Village departments

N/A: Not available.

Note: No capital assets indicators are available for the general government function.

(a) The water and wastewater utility was sold to Palm Beach County Utilities in 2006 and is no longer the responsibility of Royal Palm Beach.

## **COMPLIANCE REPORTS**



CALER, DONTEN, LEVINE,  
COHEN, PORTER & VEIL, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM K. CALER, JR., CPA  
LOUIS M. COHEN, CPA  
JOHN C. COURTNEY, CPA, JD  
DAVID S. DONTEN, CPA  
JAMES B. HUTCHISON, CPA  
JOEL H. LEVINE, CPA  
JAMES F. MULLEN, IV, CPA  
THOMAS A. PENCE, JR., CPA  
SCOTT L. PORTER, CPA  
MARK D. VEIL, CPA

505 SOUTH FLAGLER DRIVE, SUITE 900  
WEST PALM BEACH, FL 33401-5948

TELEPHONE (561) 832-9292  
FAX (561) 832-9455

info@cdlcpa.com

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

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*

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

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of the Village of Royal Palm Beach, Florida, as of and for the year ended September 30, 2012, which collectively comprise the basic financial statements of the Village of Royal Palm Beach, Florida, and have issued our report thereon dated February 22, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

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

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

*Compliance and Other Matters*

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

This report is intended solely for the information and use of the Village Council and management of the Village of Royal Palm Beach, Florida, the Auditor General of the State of Florida, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Cale, Douten, Levine,  
Cohen, Porter & Veil, P.A.*

February 22, 2013

VILLAGE OF ROYAL PALM BEACH, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2012

Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Grant Number/ Contract Number	2012 Program Expenditures	Transfers to Subrecipients
<b>U.S. Department of the Interior</b>				
National Park Service pass-through award from Florida Department of Environmental Protection Land and Water Conservation Fund Grants Outdoor Recreation Acquisition, Development and Planning	15.916	LW570	\$ 104,465	-
Total U.S. Department of the Interior			<u>104,465</u>	<u>-</u>
<b>U.S. Department of Justice</b>				
Bureau of Justice Assistance direct awards				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-3057	7,745	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-1225	232	-
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	2009-SB-B9-2144	394	-
Total U.S. Department of Justice			<u>8,371</u>	<u>-</u>
<b>U.S. Department of Transportation</b>				
Federal Highway Administration pass-through awards from State of Florida Department of Transportation ARRA - Highway Planning and Construction	20.205	APS13 FPN 426-484-1-58-01 FAP ARRA 026B	199,088	-
Highway Planning and Construction	20.205	AQ-558 FPN 420323-2-58-01 FAP 9048 08C	465,288	-
Total U.S. Department of Transportation			<u>664,376</u>	<u>-</u>
<b>U.S. Department of Energy</b>				
Pass-through Award from Florida Energy and Climate Commission ARRA - State Energy Program	81.041	ARS051	82,282	-
Total U.S. Department of Energy			<u>82,282</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 859,494</u>	<u>\$ -</u>

See notes to schedule of expenditures of federal awards.

VILLAGE OF ROYAL PALM BEACH, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes the federal awards of the Village of Royal Palm Beach, Florida, for the year ended September 30, 2012, and is presented in accordance with the requirements of the provisions of the U.S. Office of Management and Budget (OMB) Circular A-133. The Schedule of Expenditures of Federal Awards has been prepared on the modified accrual basis of accounting and presents the federal awards expended by the Village for the year ended September 30, 2012. Because the schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position or changes in net assets of the Village. The Village did not make any subrecipient payments from federal awards.

NOTE B - CONTINGENCY

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies. Any disallowed claims, including amounts already received, might constitute a liability of the Village for the return of those funds. In the opinion of management, all grant expenditures were in compliance with the terms of the grant agreements and applicable state laws and regulations.



WILLIAM K. CALER, JR., CPA  
LOUIS M. COHEN, CPA  
JOHN C. COURTNEY, CPA, JD  
DAVID S. DONTEN, CPA  
JAMES B. HUTCHISON, CPA  
JOEL H. LEVINE, CPA  
JAMES F. MULLEN, IV, CPA  
THOMAS A. PENCE, JR., CPA  
SCOTT L. PORTER, CPA  
MARK D. VEIL, CPA

505 SOUTH FLAGLER DRIVE, SUITE 900  
WEST PALM BEACH, FL 33401-5948

TELEPHONE (561) 832-9292  
FAX (561) 832-9455

info@cldcpa.com

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance with Requirements That Could  
Have a Direct and Material Effect on Each Major Federal Program and on  
Internal Control Over Compliance in Accordance with OMB Circular A-133

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

***Compliance***

We have audited the compliance of the Village of Royal Palm Beach, Florida, (the "Village") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2012. The Village's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Village's compliance with those requirements.

In our opinion, the Village of Royal Palm Beach, Florida, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

***Internal Control Over Compliance***

Management of the Village of Royal Palm Beach, Florida, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB

Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the Village Council and management of the Village of Royal Palm Beach, Florida, the Auditor General of the State of Florida, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Cale, Dauter, Levine,  
Cohen, Porter & Veil, P.A.*

February 22, 2013

VILLAGE OF ROYAL PALM BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL AWARD PROGRAMS

Year Ended September 30, 2012

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued:	<i>Unqualified Opinion</i>
Internal control over financial reporting:	
Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiency (ies) identified that are not considered to be material weakness?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiency (ies) identified that are not considered to be material weakness?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported
Type of auditor's report issued on compliance for its major program:	<i>Unqualified Opinion</i>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Identification of Major Federal Award Program:

<u>Federal Award Program</u>	<u>CFDA No.</u>
U.S. Department of Transportation Federal Highway Administration pass-through award from State of Florida Department of Transportation ARRA - Highway Planning and Construction Highway Planning and Construction	20.205
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

VILLAGE OF ROYAL PALM BEACH, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL AWARD PROGRAMS (Continued)

Year Ended September 30, 2012

**SECTION IV - OTHER MATTERS**

1. A Summary Schedule of Prior Audit Findings is not required because there were no prior audit findings related to Federal programs.
2. A Corrective Action Plan is not required because there were no findings required to be reported for Federal programs.



CALER, DONTEN, LEVINE,  
COHEN, PORTER & VEIL, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM K. CALER, JR., CPA  
LOUIS M. COHEN, CPA  
JOHN C. COURTNEY, CPA, JD  
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Management Letter

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

We have audited the financial statements of the Village of Royal Palm Beach, Florida (the "Village"), as of and for the year ended September 30, 2012, and have issued our report thereon dated February 22, 2013.

We conducted our audit in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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*; Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133; and, Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 22, 2013, should be considered in conjunction with this management letter.

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

1. 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 and recommendations made in the preceding annual financial audit report.
2. Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Village complied with Section 218.415, Florida Statutes.
3. Section 10.554(1)(i)3., 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.
4. Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than

material but more than inconsequential. In connection with our audit, we did not have any such findings.

5. Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
6. Section 10.554(1)(i)6., 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 A to the financial statements.
7. Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Village did not meet any of the conditions described in Section 218.503(1), Florida Statutes, as of and for the year ended September 30, 2012.
8. Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Village for the fiscal year ended September 30, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2012. In connection with our audit, we determined that these two reports were in substantial agreement.
9. Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures as of September 30, 2012. It is management's responsibility to monitor the Village's financial condition, and our financial condition assessment was based in part on the representations made by management and the review of financial information provided by management. The results of our procedures disclosed no matters that are required to be reported.

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

*Calvin Dauton, Levine,  
Cohen, Porter & Veil, P.A.*

February 22, 2013