



The City of Palm Beach Gardens, Florida  
Comprehensive Annual Financial Report  
For Fiscal Year Ended September 30, 2017

**CITY OF PALM BEACH GARDENS, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

**Prepared By**  
**Finance Department**  
**City of Palm Beach Gardens, Florida**

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## **INTRODUCTORY SECTION**

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May 8, 2018

To the Honorable Mayor, Members of the Governing Council, and Citizens of the City of Palm Beach Gardens, Florida

State law requires that all general-purpose local governments publish within nine months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and audited in accordance with 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 City of Palm Beach Gardens, Florida for the year ended September 30, 2017.

This report consists of management’s representations concerning the finances of the City of Palm Beach Gardens. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Palm Beach Gardens has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Palm Beach Gardens’ financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Palm Beach Gardens’ 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 City of Palm Beach Gardens’ financial statements have been audited by Marcum LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Palm Beach Gardens for the year ended September 30, 2017, 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 unmodified opinion that the City of Palm Beach Gardens’ financial statements for the year ended September 30, 2017, are fairly presented in conformity with GAAP. The independent auditors’ report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (“MD&A”). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Palm Beach Gardens’ MD&A can be found immediately following the report of the independent auditors.

**CITY OF PALM BEACH GARDENS**

10500 N. Military Trail Palm Beach Gardens, FL 33410-4698  
[www.pbgfl.com](http://www.pbgfl.com)



## **Profile of the Government**

Palm Beach Gardens, incorporated in 1959, is located in the southeastern part of Florida, approximately 7 miles north of West Palm Beach and 70 miles north of Miami. The City currently has a land area of 56 square miles, making it one of the largest cities in Palm Beach County, and has a population of 52,591. The City is empowered to levy a property tax on real property located within its boundaries. The City also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City of Palm Beach Gardens has operated under the Council-Manager form of government from its inception. Policy-making and legislative authority are vested in the Governing Council, which consists of a Mayor and four Council Members. The Governing Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the Governing Council, for overseeing the day-to-day operations of the City and for appointing the heads of the City's departments. The Council is elected on a non-partisan basis. Council Members are elected to three-year staggered terms, with two Council Members elected one year and three Council Members the following year. Council Members are elected at large; the Mayor is selected annually from among the Council Members by the Council Members themselves.

The City of Palm Beach Gardens provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities and cultural events. Water and sewer services are provided through Seacoast Utilities, a legally separate Water and Sewer Authority, which functions totally independent of the City of Palm Beach Gardens, and therefore has not been included as an integral part of the City of Palm Beach Gardens' financial statements. There are no component units of the City of Palm Beach Gardens at this time.

The annual budget serves as the foundation for the City of Palm Beach Gardens' financial planning and control. All departments of the City of Palm Beach Gardens are required to submit requests for appropriation to the City Manager in March each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Council for review prior to July 31. The Council is required to hold two public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City of Palm Beach Gardens' fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The budget may be amended in several ways. An intradepartmental or interdepartmental transfer within the same fund may be authorized by the City Manager. A transfer between different funds may be authorized initially by the City Manager, subject to approval within 30 days by resolution adopted by the City Council. A third way is a transfer from the contingency account of the City Council, which may be authorized only by resolution adopted by the Council; except that, in the event of an emergency declared by the Manager, such a transfer may be made initially upon authorization of the Manager, subject to approval within 30 days by resolution adopted by the Council. Any increase in the total appropriations for a fund must be approved by ordinance of the Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 90-91.

**Local Economy.** The City of Palm Beach Gardens has evolved into an upscale community with a fairly diverse economic base including employment in the fields of healthcare, tourism and leisure, engineering, and education. The City also benefits from having the Scripps Florida Research Institute and Max Planck Society located in Northern Palm Beach County. The City has a strong tax base with approximately 78% of ad valorem taxes generated by the residential component. Additionally, the City does not assess many of the traditional taxes that other municipalities use for generating revenue, but rather, it primarily depends on ad valorem taxes to fund services. Residents are not assessed additional taxes for utility, solid waste, storm water, or fire rescue; and pay a minimal amount in communication services taxes. The City has opted to pay for these services out of ad valorem assessments.

The City of Palm Beach Gardens has been fortunate to have land mass that has been available for future development, which will only further enhance the City's economic base and allow the City to continue to prosper with additional employment opportunities and increases in property valuations and revenues. There is a significant amount of development within the City and three major developments that could potentially increase employment include the following:

Gardens Corporate Center – The project is currently under construction for two professional office buildings and a parking garage totaling 478,000 square foot.

Avenir – The project includes a 4,763 acre site with plans for 2,407 acres of conservation, 3,000 single family homes, 250 multifamily townhomes, 1.94 million square feet of office, 400,000 square feet of retail, 200,000 square feet of medical office and 300 hotel rooms. The project also includes a 20 acre field to table agriculture farm and land dedication for a school, recreational purposes, and municipal functions totaling 145 acres. The projected increase in population from this project represents approximately 15% of the City's current population. The City is currently reviewing two site plan petitions for the Avenir Community. One application is requesting approval of 468 single family homes. The second application is requesting approval of an age restricted 479 unit single family homes.

Alton – Alton Development of Regional Impact (DRI) – Formerly known as the Florida Phase II/Briger Tract, is a 681 acre Development of Regional Impact (DRI) project with approval for 1,018 single family homes, 681 multifamily townhomes, 353 apartment units, 2.6 million square feet of industrial/research, 1.2 million square feet of office, 450,000 square feet of retail, and 300 hotel rooms.

Construction activity at the Alton site currently consists of a residential neighborhood comprised of 217 single family homes and 143 multifamily townhomes, a 353-multifamily apartment project, the 360,203 square foot retail Town Center, and a 256-bed Assisted Living Facility. Also, construction on the United Technologies Corporation 224,066 square foot Center for Intelligent Buildings Technology Complex is complete and the building will be used to showcase the company's innovative products and integrated systems. This project represents a \$100 million capital investment, retains 70 local jobs and creates 380 new jobs with an average salary of \$85,000 by 2020. Finally, construction of the 3.5-Acre Residential Clubhouse/Recreation facility is complete.

In an effort to diversify and thus stabilize the economic base, the City of Palm Beach Gardens realized the need to attract industries and employers. Before state and local officials began courting The Scripps Research Institute, the City adopted an Economic Development Element in the City's Comprehensive Plan in January, 2005. Its adoption indicated the City's commitment to its economic goal to achieve a balanced and diversified economy which is compatible with the City's quality built environment and protects important natural resources. The City adopted policies in order to attain the objectives of a balanced and diversified economy, moderate seasonality in employment, increase opportunity for small business enterprises, improve the availability of education and training opportunities, and maintain the balance between man-made and natural environments. Based on the skill sets of the citizenry (available work force) and demographic data collected, growth in targeted cluster industries such as biotechnology, communications, information technology, medical products, marine biology, aerospace research, and associated ancillary businesses would be encouraged. The City has committed a portion of fund balance that will be used to provide future economic incentives as a way to attract companies in these industries.

The City has currently earmarked funds for four companies that have already or plan to expand and establish headquarters within the City of Palm Beach Gardens. Chromalloy Gas Turbine LLC – manufacturer of jet turbines, TBC Corporation - a tire distribution company, Zimmer Biomet Holdings – a medical device company, and United Technologies Corp. – a technology company that focuses on the aerospace and building industries.

Major industries with headquarters or divisions located within the government's boundaries or in close proximity include bioscience, technology, medical manufacturing, education, health care, financial services, and leisure service industries. Major employers include Palm Beach County School Board, Palm Beach Gardens Medical Center, TBC Corp, PGA National Resort & Spa, Zimmer Biomet, Belcan Engineering Group, Synthes Anspach Companies, LRP Publications and Cross Match Technologies.

The City of Palm Beach Gardens had an unemployment rate of 3.4% as of September 2017. This rate compares favorably to the State of Florida rate of 3.8% and to the national unemployment rate of 4.2%. With the prospect of new development projects and the addition of a number of corporate headquarters, future employment within the City appears more than stable.

**Long-term financial planning.** As mentioned previously, there are major developments that present many opportunities for the future financial stability of the City. However, there are also many challenges that will need to be dealt with. There will be quality of life issues that the City must face, such as transportation, roads, education, recreation, public safety and general government levels of services that must not be compromised for either existing or future residents.

Palm Beach County voters approved a ballot issue to enact a one-cent infrastructure sales surtax to pay for the acquisition and improvements to public infrastructure. The additional tax went into effect January 1, 2017 and will be in place for up to ten years with the City's share of the proceeds estimated to be approximately \$30 million. The City reviewed current and long-term infrastructure needs and formulated a plan for the expenditure of the one-cent sales surtax to address current and projected shortages of office and meeting space, current and future parks, recreation amenities, as well as the long-term maintenance needs associated with the expansion of the parks and facilities. The City earmarked funds for certain projects that will address the demands caused by growth occurring within the City.

Unassigned fund balance in the general fund (29.7% of total general fund expenditures) exceeds the policy guideline of a minimum of 17%. Due to the potential risk of future uncertainties relating to natural disasters, an economic downturn, or legislative changes that could have an impact on local government revenue, the City is dedicated to maintaining a strong fund balance position throughout the coming fiscal years.

**Major Initiatives.** During 2017, there were several projects completed or started that will further enhance the City's roads, parks and facilities. Major projects included the golf course club house expansion, the training facility building project, road improvements related to the Neighborhood Improvement Assessment Program, Shady Lakes Drive and 117<sup>th</sup> Court North improvement and expansion projects, and the Joseph R. Russo park expansion project.

The golf course club house expansion project will include the complete renovation of the clubhouse to address the aging facilities to support golf course operations. The project cost is approximately \$6.5 million and was 64% complete as of September 30, 2017. The project will be completed during the next fiscal year.

The Neighborhood Improvement Assessment Program for 40th Terrace, Sunset Drive, and Brenna Lane for water and roadway improvements was completed during the fiscal year. The majority of homeowners with property in this area petitioned the City to provide water and roadway improvements adjacent to their properties. The cost of such improvements will be borne by the residents via annual non ad valorem property tax assessments.

The combined Shady Lakes Drive/117<sup>th</sup> Court North improvement and expansion projects are expected to be completed in the next fiscal year. The projects were 63% complete as of September 30, 2017.

The training facility building project was completed during the fiscal year. The project included the construction of a Police Tactical Training Center that will be used to create variable and realistic multi-faceted training scenarios for officers under stressful conditions. The project cost was approximately \$3 million.

The Joseph R. Russo Athletic Complex project that totaled \$3 million and included the addition of multi-purpose fields, sports lighting, a restroom/concession building, group pavilions, and an additional playground was completed during the fiscal year.

### **Awards and Acknowledgements**

The Government Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Palm Beach Gardens for its comprehensive annual financial report ("CAFR") for the year ended September 30, 2016. This was the 22<sup>nd</sup> consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

The GFOA also awarded the Award for Distinguished Budget Presentation to the City of Palm Beach Gardens for its operating and capital improvements budget for the year ended September 30, 2017. This was the 20<sup>th</sup> consecutive year the government has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City'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.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance 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 the Governing Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Palm Beach Gardens' finances.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Ron Ferris".

Ron Ferris  
City Manager

A handwritten signature in blue ink, appearing to read "Allan Owens".

Allan Owens, CPA, CGFO  
Finance Administrator

# **CITY OF PALM BEACH GARDENS, FLORIDA**

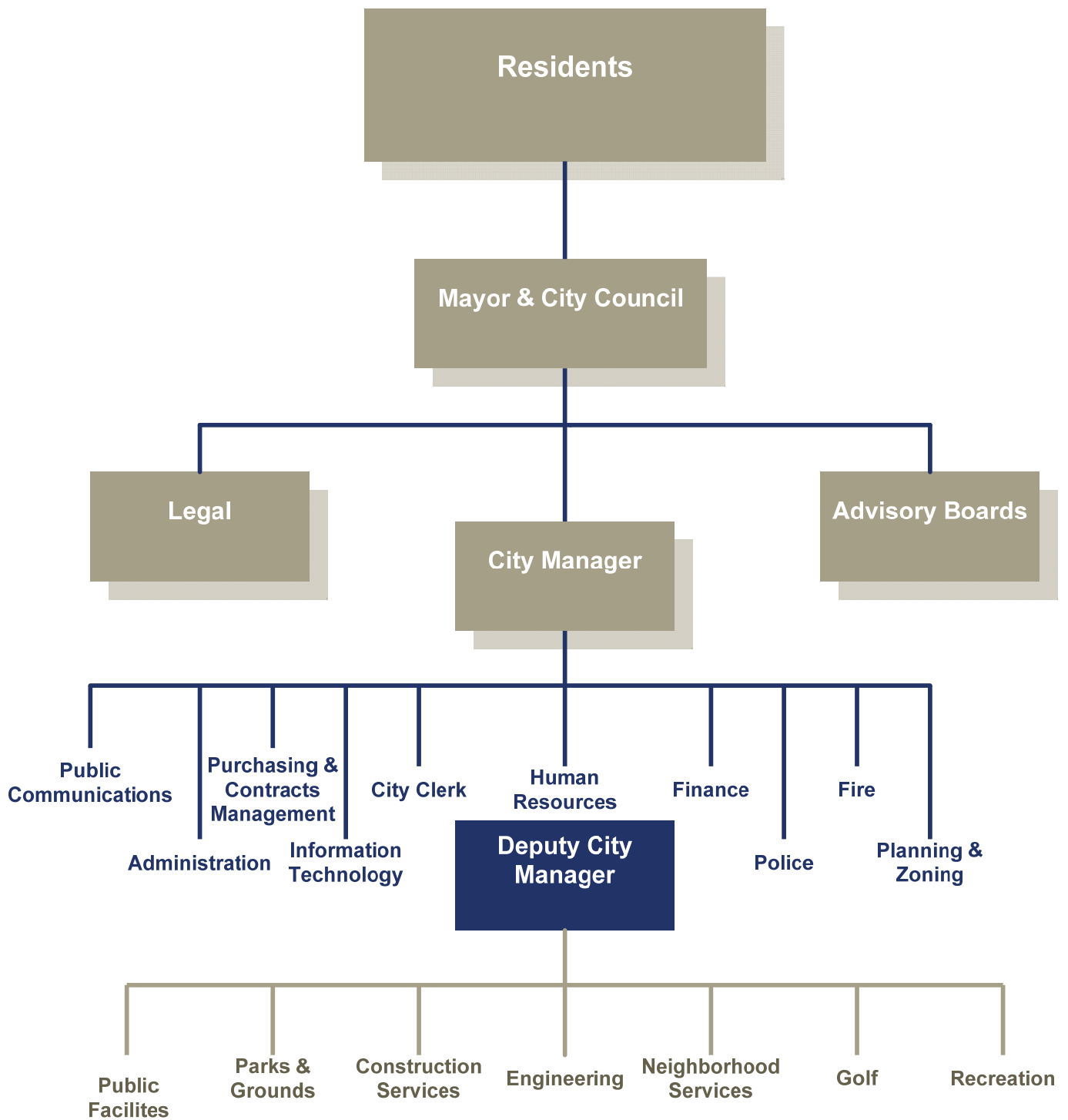
## **LIST OF PRINCIPAL OFFICIALS**

**SEPTEMBER 30, 2017**

<b>TITLE</b>	<b>NAME</b>
Mayor	Maria Marino
Vice-Mayor	Mark Marciano
Council Member	Carl Woods
Council Member	Matthew Lane
Council Member	Rachelle Litt
City Manager	Ronald M. Ferris
Deputy City Manager	Jack Doughney
City Attorney	Lohman Law Group
City Clerk	Patricia Snider
Finance Administrator	Allan Owens
Human Resources Administrator	Sheryl Stewart
Information Technology Administrator	Eric Holdt
Chief of Police	Stephen Stepp
Fire Chief	Keith Bryer

# CITY OF PALM BEACH GARDENS, FLORIDA

## ORGANIZATION CHART





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Palm Beach Gardens  
Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2016**

*Christopher P. Morrell*

Executive Director/CEO





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## **FINANCIAL SECTION**

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# **INDEPENDENT AUDITORS' REPORT**

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## **INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor, City Council and City Manager  
**City of Palm Beach Gardens, Florida**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Palm Beach Gardens, Florida (the "City"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City's Police Officers' Pension Fund and the City's Firefighters' Pension Fund, which represent 88 percent, 90 percent, and 59 percent, respectively, of the assets, net position/fund balance, and revenues/additions of the aggregate remaining fund information. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the City's Police Officers' Pension Fund and the City's Firefighters' Pension Fund, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16 and the budgetary comparison schedule and notes, schedule of funding progress for OPEB, the schedules of the City's net pension liability and related ratios, and proportionate share of net pension liability, schedules of City contributions and the schedules of investment returns for pensions, on pages 90 through 105 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 and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules, and the introductory and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic 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 it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2018, on our consideration of the City's internal control over financial reporting 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 solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Marcum LLP*

West Palm Beach, FL  
May 8, 2018

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# **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

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## Management's Discussion and Analysis

As management of the City of Palm Beach Gardens, Florida (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended September 30, 2017. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found on pages i to vi of this report.

### Financial Highlights

- The assets and deferred outflows of resources of the City of Palm Beach Gardens exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$103.4 million (*net position*).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$83.1 million, an increase of approximately \$31.6 million in comparison with the prior year. 29.2% of this total amount is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance of the general fund was \$24.3 million, or 29.7% of total general fund expenditures for financial reporting purposes. This amount includes the \$1.2 million budget stabilization fund.
- The City's total governmental activities debt increased by \$25.7 million (156.9%) during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Palm Beach Gardens' basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. In addition to these basic financial statements, this report contains other supplementary information.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave). Both the government-wide and fund financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (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 City include public safety, physical environment, transportation, culture and recreation, and general government services. The City does not operate any business-type activities.

The government-wide financial statements can be found on pages 17 – 18 of this report.

**Fund Financial Statements.** 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 City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and One-Cent Sales Surtax Capital Improvements Fund, of which both are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 106 – 121 of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget (pages 90 – 91).

The basic governmental fund financial statements can be found on pages 19 – 22 of this report.

**Proprietary Funds.** The City maintains only one type of proprietary fund. Internal service funds are used to account for the City's fleet maintenance and self-insurance provided to all departments on a cost reimbursement basis.

The basic proprietary fund financial statements can be found on pages 23 – 25 of this report. Combining and individual fund statements for the internal service funds can be found on pages 122 – 124 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 26 – 27 of this report. Combining and individual fund statements for the fiduciary funds can be found on pages 125 – 126 of this report.

**Notes to the Basic 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 basic financial statements can be found on pages 28 – 89 of this report.

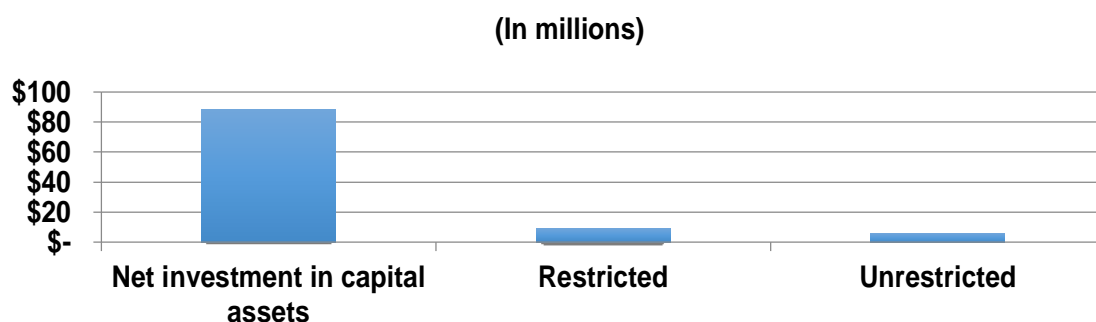
**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including the budgetary comparison schedule of the General Fund and information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees.

Required supplementary information can be found on pages 90 – 105 of this report.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Palm Beach Gardens, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$103.4 million at the close of the most recent fiscal year. The largest portion of the City's net position (85.0%) represents investment in capital assets (e.g., land, buildings and improvements, roadways, machinery and equipment), less any related outstanding debt and related deferred outflows used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, they are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

As the chart shown below illustrates, an additional portion of the City's net position, \$9.0 million (8.8%), represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$6.4 million (6.2%) may be used to meet the City's ongoing obligations to citizens and creditors.



**City of Palm Beach Gardens  
Summary of Net Position  
September 30, 2017 and 2016**

The following table illustrates a summary of net position for Governmental activities:

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Current and other assets	<b>\$ 108,029,488</b>	\$ 72,682,159
Capital assets, net	<b>100,547,320</b>	94,640,606
Total assets	<b>208,576,808</b>	167,322,765
Total deferred outflows of resources	<b>31,036,373</b>	25,169,878
Long-term liabilities	<b>115,176,701</b>	84,543,565
Other liabilities	<b>14,097,683</b>	10,069,396
Total liabilities	<b>129,274,384</b>	94,612,961
Total deferred inflows of resources	<b>6,914,660</b>	2,871,271
Net investment in capital assets	<b>87,952,986</b>	78,370,940
Restricted	<b>9,051,076</b>	12,549,249
Unrestricted	<b>6,420,075</b>	4,088,222
Total net position	<b>\$ 103,424,137</b>	\$ 95,008,411

At the end of the current fiscal year, the City is able to report positive balances in net position for all governmental type activities.

There was an overall increase in the City's assets of \$41.3 million or 24.7% during the current fiscal year. This was mainly due to the establishment of a one-cent sales surtax capital improvement fund, increases in cash and investments from the proceeds of a \$30.0 million bond issuance, as well as increases in ad valorem tax revenues relating to rising property valuations and to increases in capital assets relating to the increase in the number of city-wide projects.

The City's deferred inflows and outflows of resources as well as a portion of liabilities all significantly changed due to the posting of activity to record changes in the net pension liability as well as deferred inflows and outflows relating to the City's pension plans. The most significant change in liabilities is related to the issuance of the \$30.0 million one-cent sales surtax capital improvement bonds. The current year changes resulted in an increase to deferred outflows of resources of \$5.9 million, an increase in liabilities of \$34.7 million, and an increase in deferred inflows of resources of \$4.0 million.

The following table summarizes changes in net position for governmental activities:

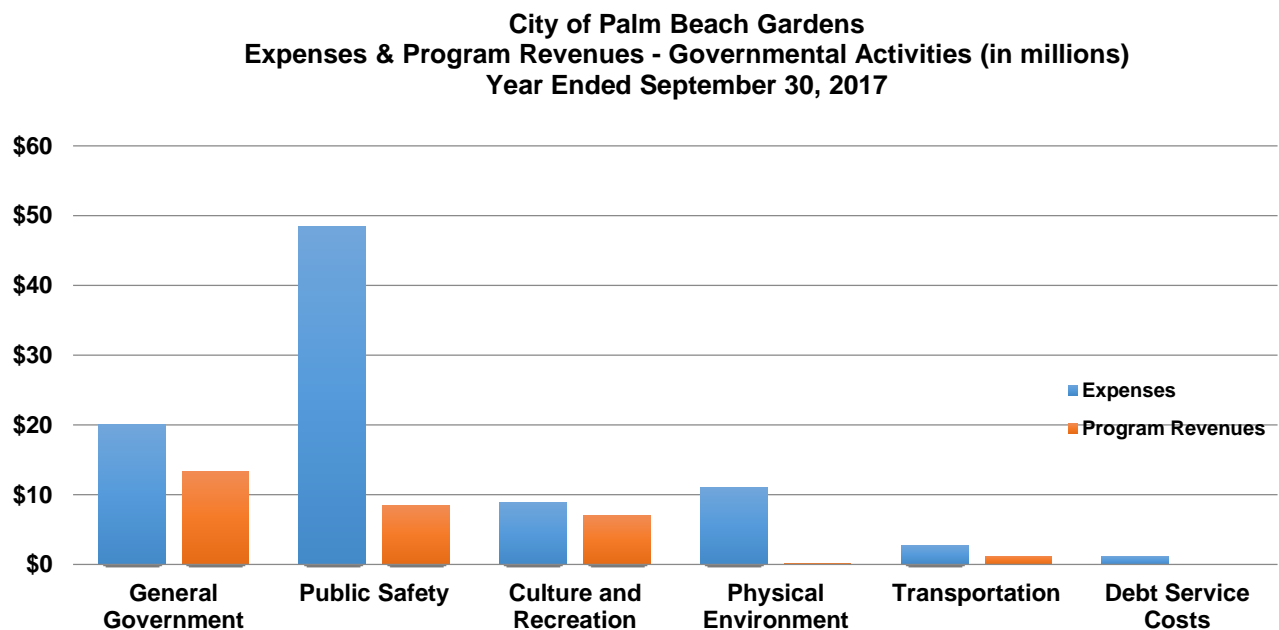
**City of Palm Beach Gardens  
Summary of Changes in Net Position  
Years Ended September 30, 2017 and 2016**

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Revenues:		
Program revenues:		
Charges for services	\$ 28,301,685	\$ 26,301,820
Operating grants and contributions	1,529,434	1,679,128
Capital grants and contributions	415,926	596,851
General Revenues:		
Taxes:		
Property taxes	55,324,350	51,974,181
Local business tax	1,608,214	1,600,232
Public service taxes	2,028,360	2,015,310
Unrestricted intergovernmental:		
Sales tax and local option gas tax	7,010,462	4,736,527
State shared revenue	1,694,011	1,601,965
Local shared revenue	68,618	38,788
Unrestricted investment earnings	497,772	442,722
Gain on disposal of capital assets	397,739	293,043
Miscellaneous	1,904,266	1,534,383
Total revenues	<b>100,780,837</b>	<b>92,814,950</b>
Expenses:		
General government	20,064,766	17,541,387
Public safety	48,503,388	43,962,040
Culture/recreation	8,904,360	8,301,284
Physical environment	10,991,757	9,700,482
Transportation	2,742,420	2,050,549
Interest on long-term debt	1,095,700	752,961
Other debt service costs	62,720	--
Total expenses	<b>92,365,111</b>	<b>82,308,703</b>
Change in net position	<b>8,415,726</b>	<b>10,506,247</b>
Net position – beginning	<b>95,008,411</b>	<b>84,502,164</b>
Net position – ending	<b>\$ 103,424,137</b>	<b>\$ 95,008,411</b>

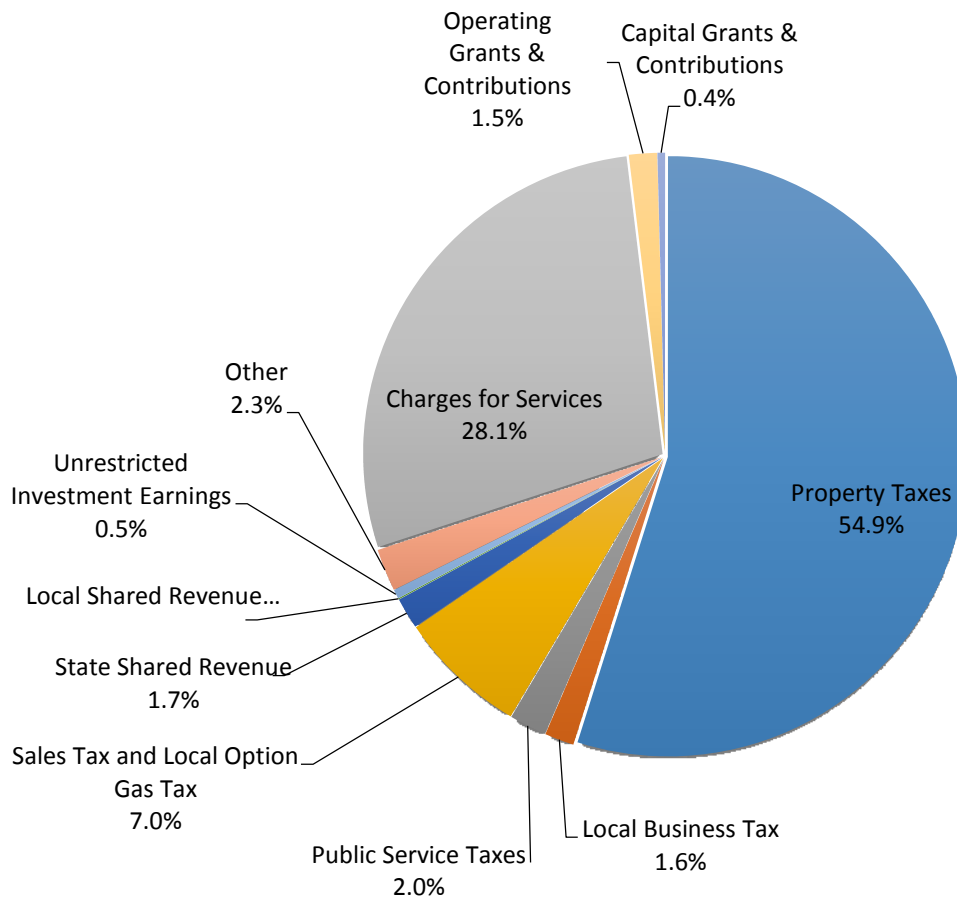
**Governmental Activities.** As illustrated in the table on the previous page, net position of the City's governmental activities increased by approximately \$8.4 million or 8.9% from \$95.0 million in last fiscal year to \$103.4 million in the current fiscal year. Key elements of this increase are:

- Total revenues exceeded expenses by \$8.4 million mostly due to a continued increase in taxable values, new construction activity, and the addition of a new one-cent sales surtax.
- Total revenues increased \$8.0 million as a result of an increase in property taxes of \$3.4 million (6.5%) due to rising property values, \$2.3 million (48.0%) increase in sales tax related to the establishment of a one-cent sales surtax for infrastructure projects and an increase in charges for services of \$2.0 million (7.6%) due to an increase in new construction activity that increased building permits and related revenues.
- Total expenses increased \$10.1 million (12.2%), mainly due to personnel increases, filling of vacant and new positions, and the effect of posting the change in the net pension liability.

The chart below depicts expenses and program revenues by function for all governmental activities. The graph illustrates the relatively minor amount of support for governmental operations that is derived from program revenues.



**City of Palm Beach Gardens  
Revenues by Source - Governmental Activities  
Year Ended September 30, 2017**



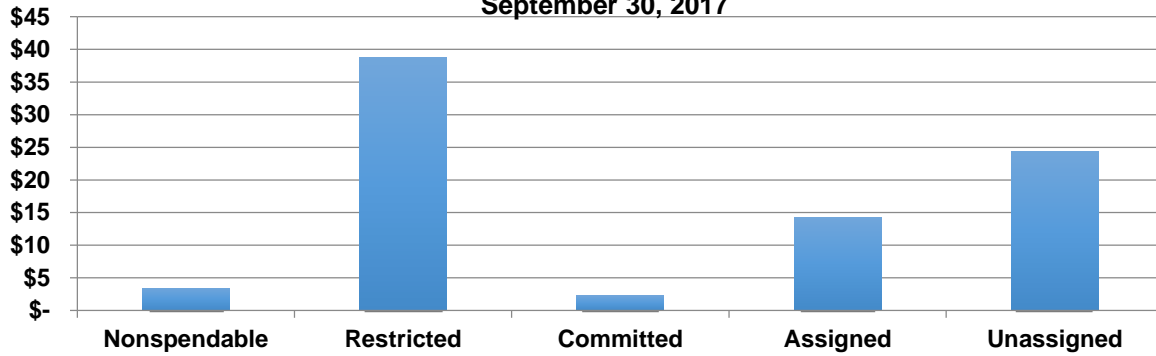
As illustrated in the chart above, property taxes comprise 54.9% of total governmental activity revenues.

### **Financial Analysis of the City's Funds**

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

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

**City of Palm Beach Gardens  
Governmental Fund Balances (in millions)  
September 30, 2017**



As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$83.2 million, an increase of \$31.7 million in comparison with the prior year.

Approximately 29.2% of this total amount (\$24.3 million) represents unassigned fund balance, which includes the budget stabilization fund and amounts available for spending at the City's discretion. The remainder of fund balance was restricted, committed, assigned, or nonspendable for a variety of purposes, such as construction projects, infrastructure improvements, economic development, and law enforcement.

The General Fund is the chief operating fund of the City. General tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs not paid through other funds are paid from this fund.

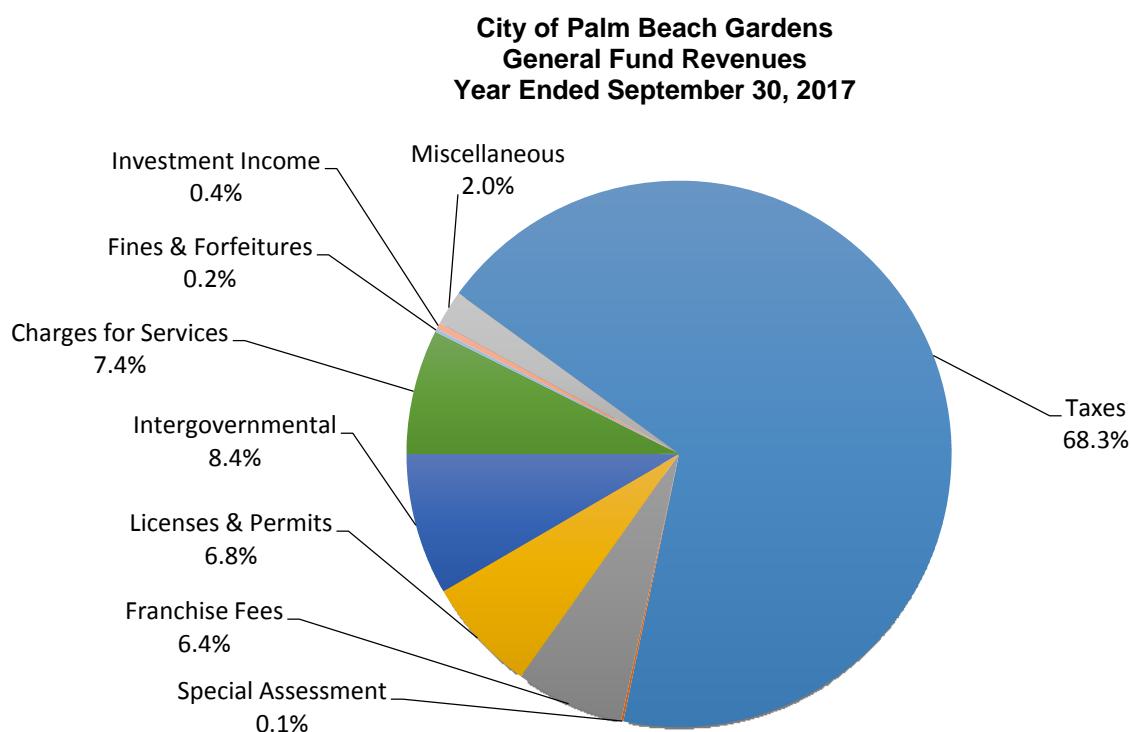
At the end of the current fiscal year, unassigned fund balance of the General Fund was \$24.3 million, nonspendable fund balance was approximately \$3.4 million, restricted fund balance was approximately \$853 thousand, committed fund balance was approximately \$2.3 million, and assigned fund balance was \$13.5 million for a total fund balance of \$44.4 million.

The amount of General Fund revenues by type, their percent of the total and the amount of change compared to last fiscal year are shown in the following schedule:

Revenue Sources	2017 Amount	Percent of Total	2016 Amount	Percent of Total	Increase (Decrease) From 2016	Percentage of Increase (Decrease)
Taxes	\$ 58,960,924	68.3%	\$ 55,589,723	69.1%	\$ 3,371,201	6.1%
Special assessment	114,377	0.1%	--	0.0%	114,377	100.0%
Franchise fees	5,564,984	6.4%	5,425,438	6.7%	139,546	2.6%
Licenses and permits	5,832,223	6.8%	4,905,124	6.1%	927,099	18.9%
Intergovernmental	7,236,439	8.4%	7,318,904	9.1%	(82,465)	(1.1)%
Charges for services	6,382,549	7.4%	5,457,325	6.8%	925,224	17.0%
Fines and forfeitures	166,503	0.2%	313,208	0.4%	(146,705)	-46.8%
Investment income	336,500	0.4%	424,701	0.5%	(88,201)	(20.8)%
Miscellaneous	1,757,015	2.0%	1,051,320	1.3%	705,695	67.1%
Total revenues	\$ 86,351,514	100.0%	\$ 80,485,743	100.0%	\$ 5,865,771	7.3%

As illustrated above, General Fund revenues increased by approximately \$5.9 million, or 7.3%, in fiscal year 2017.

Taxes increased by \$3.4 million or 6.1% as a result of an increase in property values and new construction. Licenses and permits increased by \$927 thousand or 18.9% as a result of an increase in building permits related to the continued increase in construction activity occurring within the City. Charges for services increased by \$925 thousand or 17.0% due to an increase in charges relating to inspection fees and EMS transport fees. Miscellaneous revenue increased by \$706 thousand or 67.1% due to increases in police and fire donations and a \$250 thousand developer remediation payment.



The graph above illustrates the percentage composition of General Fund revenues by type. As can be seen, Taxes comprise the majority of General Fund revenues, with the next largest sources of revenues being Intergovernmental revenues and Charges for Services.

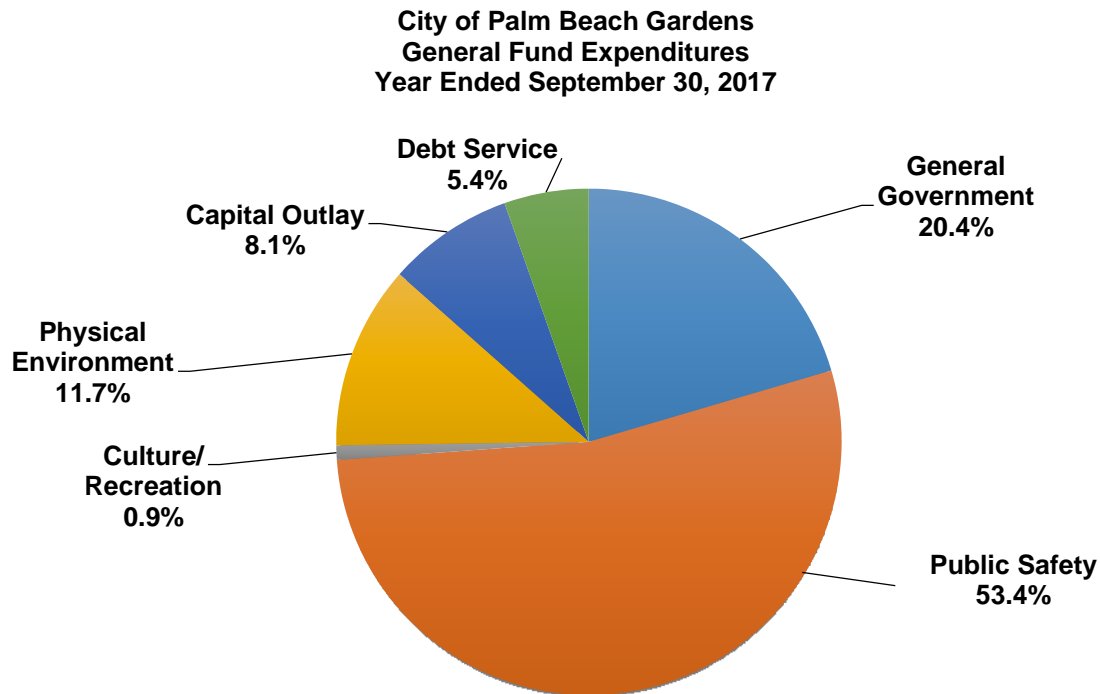
Expenditures in the General Fund are shown in the following schedule:

Expenditures	2017 Amount	Percent of Total	2016 Amount	Percent of Total	Increase (Decrease) From 2016	Percentage of Increase (Decrease)
General government	\$ 16,736,979	20.3%	\$ 15,762,838	20.0%	\$ 974,141	6.2%
Public safety	43,715,174	53.4%	42,856,500	54.6%	858,674	2.0%
Culture and recreation	749,135	0.9%	692,974	0.9%	56,161	8.1%
Physical environment	9,606,325	11.7%	8,203,345	10.5%	1,402,980	17.1%
Capital outlay	6,606,309	8.1%	6,341,650	8.1%	264,659	4.2%
Debt service	4,433,249	5.4%	4,600,928	5.9%	(167,679)	(3.6)%
Total expenditures	<u>\$ 81,847,171</u>	<u>100.0%</u>	<u>\$ 78,458,235</u>	<u>100.0%</u>	<u>\$ 3,388,936</u>	<u>4.3%</u>



In fiscal year 2017, total General Fund expenditures increased \$3.4 million or 4.3% compared to the prior year. The increase in general government of \$974 thousand is due to salary increases and the filling of vacant positions. The increase in public safety of \$859 thousand relates to salary increases. Physical environment increased by \$1.4 million due to an increase in stormwater repairs and maintenance.

As illustrated in the graph below, Public Safety expenditures account for 54.6% of total General Fund expenditures.



**One-Cent Sales Surtax Capital Improvements Fund.** The City's One-Cent Sales Surtax Capital Improvements Fund was established during the fiscal year as a capital project fund to account for the receipt and disbursement of a voter approved one-cent sales infrastructure surtax restricted for the purpose of constructing infrastructure projects within the City. Revenues consisted of approximately \$2.2 million from the one-cent sales surtax and \$147 thousand from investment income. Capital outlay expenditures of \$265 thousand were related to the beginning design phase of certain infrastructure projects. Bond proceeds of \$30 million and debt service costs of \$3.2 million were related to the funding of infrastructure projects with the use of future one-cent sales surtax revenues to make the bond payments. At the end of the current fiscal year, fund balance was \$28.9 million.

### **General Fund Budgetary Highlights**

During the past year, the budget was amended two times. The Council authorized the budget amendments principally to:

- Adjust the carryover of funds by the amounts restricted, committed, or assigned for purchase orders and projects from the previous fiscal year.
- Adjust fund balance carryovers to actual amounts per the fiscal year 2016 audit.

- Establish a new fund to account for the projected One-Cent Infrastructure Sales Surtax receipts and disbursements.
- Record the issuance of a \$30 million public improvement bond.

Actual revenue exceeded final budgeted revenue by approximately \$4.6 million mostly due to favorable variances in building permit activity of \$2.5 million, inspection and engineering fees of \$812 thousand due to an increase in building permit and construction activity, EMS transport fees of \$536 thousand, and miscellaneous revenue of \$850 thousand due to a development remediation payment and an increase in public safety contributions.

Expenditures were \$9.5 million less than the final budget. The variance is mostly attributed to unspent capital projects and purchase orders that will be included in the next fiscal year's budget amendment to carryover funds.

### Capital Assets and Debt Administration

**Capital Assets.** The following table illustrates the City's capital assets for its governmental activities as of September 30, 2017, which amount to \$100.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, roadways, drainage and structures, improvements other than buildings and machinery and equipment. The total increase in the City's capital assets for the current fiscal year was 6.2%.

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Land	\$ 15,209,845	\$ 14,852,345
Construction in progress	8,093,693	9,557,507
Buildings	18,979,716	18,524,543
Roadways	23,812,448	22,251,696
Drainage and structures	12,822,550	13,007,239
Machinery and equipment	9,762,195	6,855,601
Improvements other than buildings	11,866,873	9,591,675
Total	<u>\$ 100,547,320</u>	<u>\$ 94,640,606</u>

Major capital asset additions during the current fiscal year included the following:

- Roadway improvement projects to 117<sup>th</sup> Court North Expansion and 40<sup>th</sup> Street/Sunset/Brenna Lane Improvements totaling approximately \$2.6 million.
- Police Tactical Training Facility Building Project improvements and equipment totaling \$3 million.
- Capital lease purchases of two fire trucks, two rescue units and twenty police vehicles totaling approximately \$2.5 million.
- Joseph R. Russo Park improvements totaling \$2.7 million.

Additional information on the City's capital assets can be found in Note 5 starting on page 49 of this report.

**Long-term Debt.** The following table illustrates the City's governmental activities long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$42.1 million. All of the City's outstanding debt is secured by specified revenue sources.

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Debt payable:		
General obligation bonds	\$ 1,730,056	\$ 2,884,475
Non ad valorem bonds payable	36,034,532	10,846,217
Capital leases payable	4,378,159	2,676,052
<b>Total</b>	<b>\$ 42,142,747</b>	<b>\$ 16,406,744</b>

All of the City's general obligation debt is rated AAA by Standard & Poor's and Aaa by Moody's. The City's non-ad valorem debt is rated AA+ by Standard & Poor's and Fitch and Aa1 by Moody's. The City's comprehensive plan provides that debt expenditures shall not exceed 20% of total annual revenues and total outstanding debt is limited to no more than 10% of the City's property tax base.

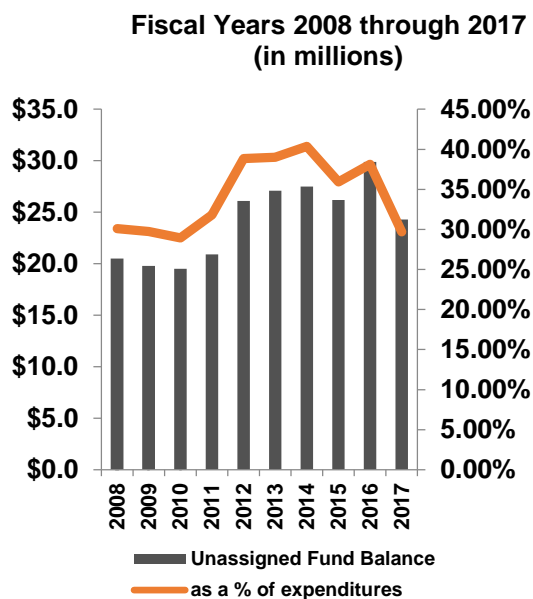
Additional information on the City's long-term debt can be found in Note 6 starting on page 50 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

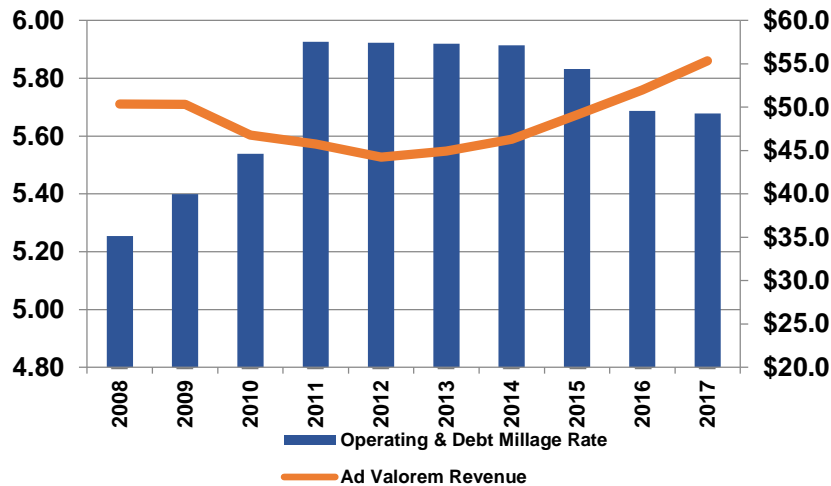
The City's local economy is primarily based upon construction, retail and service activities. The unemployment rate for the City is currently 3.4%. The City's current economic condition continues to expand as new construction continues to grow with \$560 million in permit valuations issued during the fiscal year.

These factors were considered in preparing the City of Palm Beach Gardens' budget for the year ending September 30, 2018.

During the current fiscal year, unassigned fund balance in the General Fund was \$24.3 million. It is approximately equal to three and a half months of the General Fund expenditures. The current year balance includes approximately \$1.2 million as part of the budget stabilization fund. Over the last ten years, the City has been able to maintain its unassigned fund balance, not only in dollar value but as a percentage of expenditures, within the fund balance policy target of 17% as shown in the graph to the right.



**Fiscal Years 2008 through 2017  
(in millions)**



In 1995, the State of Florida limited increases in homesteaded property taxable values in any given year to 3% or cost of living, whichever is lower. The graph to the left indicates the property tax revenue collected and millage rate trends over the last ten years. The left axis refers to the millage rate and the right axis refers to the dollar value (millions) of revenue collected. The millage rate will fluctuate from year to year depending on the total taxable value of the City and the required amount of revenue needed to maintain current levels of service. In next year's budget, the City has reduced the millage rate slightly as taxable property values have continued to increase.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Palm Beach Gardens' finances for all those with an interest in the City's finances.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Allan Owens, Finance Administrator, Finance Department, City of Palm Beach Gardens, 10500 North Military Trail, Palm Beach Gardens, Florida 33410.



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## **BASIC FINANCIAL STATEMENTS**

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# CITY OF PALM BEACH GARDENS, FLORIDA

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2017

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 42,380,810
Investments	56,420,187
Receivables (net)	3,141,898
Due from other governments	772,816
Inventory	127,780
Prepaid items	3,466,634
Investment in joint venture	1,719,363
Capital assets not being depreciated	23,303,538
Capital assets being depreciated, net	<u>77,243,782</u>
<b>Total Assets</b>	<u>208,576,808</u>
<b>Deferred Outflows of Resources</b>	
Deferred amount on refunding	553,793
Deferred outflows relating to pensions	<u>30,482,580</u>
<b>Total Deferred Outflows of Resources</b>	<u>31,036,373</u>
<b>Liabilities</b>	
Accounts payable	2,808,737
Contracts and retainage payable	646,154
Accrued liabilities	7,229,901
Claims payable	503,797
Unearned revenue	2,798,324
Accrued interest payable	110,770
Noncurrent liabilities:	
Due within one year	4,835,755
Due in more than one year	45,727,751
Net pension liability	<u>64,613,195</u>
<b>Total Liabilities</b>	<u>129,274,384</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows relating to pensions	<u>6,914,660</u>
<b>Total Deferred Inflows of Resources</b>	<u>6,914,660</u>
<b>Net Position</b>	
Net investment in capital assets	87,952,986
Restricted for:	
Capital improvements	4,028,057
Road improvements	3,195,619
Other purposes	1,827,400
Unrestricted	<u>6,420,075</u>
<b>Total Net Position</b>	<u>\$ 103,424,137</u>

*See notes to basic financial statements.*

# CITY OF PALM BEACH GARDENS, FLORIDA

## STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2017

Functions/Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
General government	\$ 20,064,766	\$ 13,300,392	\$ 123,194	\$ --	\$ (6,641,180)
Public safety	48,503,388	7,094,400	1,297,455	58,426	(40,053,107)
Culture and recreation	8,904,360	6,627,415	--	357,500	(1,919,445)
Physical environment	10,991,757	185,809	--	--	(10,805,948)
Transportation	2,742,420	1,093,669	108,785	--	(1,539,966)
Interest on long-term debt	1,095,700	--	--	--	(1,095,700)
Other debt service costs	62,720	--	--	--	(62,720)
<b>Total Governmental Activities</b>	<u>\$ 92,365,111</u>	<u>\$ 28,301,685</u>	<u>\$ 1,529,434</u>	<u>\$ 415,926</u>	<u>(62,118,066)</u>
<b>General Revenues</b>					
Taxes:					
Property taxes					55,324,350
Local business tax					1,608,214
Public service taxes					2,028,360
Unrestricted intergovernmental:					
Sales tax and local option gas tax					7,010,462
State shared revenue					1,694,011
Local shared revenue					68,618
Unrestricted investment earnings					497,772
Gain on disposal of capital assets					397,739
Miscellaneous					1,904,266
<b>Total General Revenues</b>					<u>70,533,792</u>
<b>Change in Net Position</b>					8,415,726
<b>Net Position - Beginning</b>					<u>95,008,411</u>
<b>Net Position - Ending</b>					<u>\$ 103,424,137</u>

*See notes to basic financial statements.*



**CITY OF PALM BEACH GARDENS, FLORIDA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2017**

	General Fund	One-Cent Sales Surtax Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 8,224,925	\$ 13,788,138	\$ 11,984,077	\$ 33,997,140
Investments	41,420,187	15,000,000	--	56,420,187
Receivables:				
Accounts (net of allowance for doubtful accounts of \$1,896,940)	302,507	--	36,208	338,715
Special assessment	1,384,475	--	--	1,384,475
Franchise fees	1,131,330	--	--	1,131,330
Utility taxes	212,395	--	--	212,395
Interest	74,243	--	--	74,243
Due from other governments	466,567	238,949	67,300	772,816
Inventory	--	--	43,778	43,778
Prepaid items	3,409,759	--	--	3,409,759
<b>Total Assets</b>	<b>\$ 56,626,388</b>	<b>\$ 29,027,087</b>	<b>\$ 12,131,363</b>	<b>\$ 97,784,838</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 2,115,828	\$ --	\$ 454,526	\$ 2,570,354
Contracts and retainage payable	81,077	112,380	452,697	646,154
Accrued liabilities	7,201,367	--	6,669	7,208,036
Unearned revenue	1,416,026	--	1,404,163	2,820,189
<b>Total Liabilities</b>	<b>10,814,298</b>	<b>112,380</b>	<b>2,318,055</b>	<b>13,244,733</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - special assessment	1,384,475	--	--	1,384,475
<b>Fund Balances</b>				
Nonspendable:				
Prepaid items	3,409,759	--	--	3,409,759
Inventory	--	--	43,778	43,778
Restricted for:				
Capital improvements	--	28,914,707	4,785,072	33,699,779
Road improvements	--	--	3,195,619	3,195,619
Law enforcement	852,620	--	495,562	1,348,182
Art improvements	--	--	479,218	479,218
Committed to:				
Economic development	2,324,225	--	--	2,324,225
Assigned to:				
Capital improvement and replacement	12,109,720	--	--	12,109,720
Special projects	151,637	--	--	151,637
Other purposes	712,424	--	814,059	1,526,483
Subsequent year budget	566,648	--	--	566,648
Unassigned	24,300,582	--	--	24,300,582
<b>Total Fund Balances</b>	<b>44,427,615</b>	<b>28,914,707</b>	<b>9,813,308</b>	<b>83,155,630</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 56,626,388</b>	<b>\$ 29,027,087</b>	<b>\$ 12,131,363</b>	<b>\$ 97,784,838</b>

*See notes to basic financial statements.*

**CITY OF PALM BEACH GARDENS, FLORIDA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**

**SEPTEMBER 30, 2017**

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Total fund balances - governmental funds (page 19) \$ 83,155,630

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. (Excludes internal service fund capital assets.) 98,644,980

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.  
 (Excludes internal service fund liabilities.)  
 Long-term liabilities at year-end consist of:

Bonds payable	\$ (37,795,536)	
Net pension liability	(63,816,259)	
Capital leases payable	(3,781,695)	
Net other postemployment benefit obligation	(4,328,304)	
Accrued interest payable	(110,770)	
Compensated absences	<u>(3,622,853)</u>	
		(113,455,417)

Certain deferred inflows and outflows are not required to be reported in the governmental funds but are required to be reported at the government-wide level.

Deferred amount on refunding	553,793	
Deferred outflows relating to pension activity	30,103,887	
Deferred inflows relating to pension activity	<u>(6,875,615)</u>	
		23,782,065

The internal service funds are used by management to charge the cost of fleet maintenance activities and insurance to individual funds. The assets, deferred outflows and liabilities and deferred inflows of the internal service funds are included in governmental activities in the statement of net position. 8,193,041

Other long-term assets and liabilities are not available to pay for current period expenditures, and therefore, are not recognized in the funds.

Investment in joint venture	1,719,363	
Special assessment	<u>1,384,475</u>	

**Total Net Position of Governmental Activities (page 17)** **\$ 103,424,137**

*See notes to basic financial statements.*

# CITY OF PALM BEACH GARDENS, FLORIDA

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

**YEAR ENDED SEPTEMBER 30, 2017**

	General Fund	One-Cent Sales Surtax Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes:				
Ad valorem taxes	\$ 55,324,350	\$ --	\$ --	\$ 55,324,350
Local business taxes	1,608,214	--	--	1,608,214
Utility taxes	2,028,360	--	--	2,028,360
Special assessment	114,377	--	--	114,377
Franchise fees	5,564,984	--	--	5,564,984
Licenses and permits	5,832,223	--	--	5,832,223
Intergovernmental	7,236,439	2,211,391	808,244	10,256,074
Impact fees	--	--	2,934,014	2,934,014
Charges for services	6,382,549	--	5,610,778	11,993,327
Fines and forfeitures	166,503	--	6,483	172,986
Investment earnings	336,500	147,094	7,996	491,590
Miscellaneous	1,757,015	--	706,236	2,463,251
<b>Total Revenues</b>	<u>86,351,514</u>	<u>2,358,485</u>	<u>10,073,751</u>	<u>98,783,750</u>
<b>Expenditures</b>				
Current:				
General government	16,736,979	--	--	16,736,979
Public safety	43,715,174	--	395,238	44,110,412
Culture and recreation	749,135	--	6,104,575	6,853,710
Physical environment	9,606,325	--	--	9,606,325
Transportation	--	--	616,681	616,681
Capital outlay	6,606,309	265,558	6,713,948	13,585,815
Debt service:				
Principal	3,917,493	2,725,000	--	6,642,493
Interest	515,756	390,500	--	906,256
Bond issuance costs	--	62,720	--	62,720
<b>Total Expenditures</b>	<u>81,847,171</u>	<u>3,443,778</u>	<u>13,830,442</u>	<u>99,121,391</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>4,504,343</u>	<u>(1,085,293)</u>	<u>(3,756,691)</u>	<u>(337,641)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	694,320	--	1,107,000	1,801,320
Transfers out	(1,107,000)	--	(694,320)	(1,801,320)
Issuance of debt	--	30,000,000	--	30,000,000
Capital lease financing	1,965,638	--	--	1,965,638
<b>Total Other Financing Sources (Uses)</b>	<u>1,552,958</u>	<u>30,000,000</u>	<u>412,680</u>	<u>31,965,638</u>
<b>Net Change in Fund Balances</b>	6,057,301	28,914,707	(3,344,011)	31,627,997
<b>Fund Balances - Beginning</b>	<u>38,370,314</u>	<u>--</u>	<u>13,157,319</u>	<u>51,527,633</u>
<b>Fund Balances - Ending</b>	<u>\$ 44,427,615</u>	<u>\$ 28,914,707</u>	<u>\$ 9,813,308</u>	<u>\$ 83,155,630</u>

*See notes to basic financial statements.*

# CITY OF PALM BEACH GARDENS, FLORIDA

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

**YEAR ENDED SEPTEMBER 30, 2017**

Net change in fund balances - total governmental funds (page 21)	\$ 31,627,997
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. The amount is less than the total capital outlay since capital outlay includes amounts that are under the capitalization threshold, and therefore, were not capitalized.	
Expenditures for capital assets	\$ 10,890,160
Less: current year depreciation	<u>(5,895,993)</u>
	4,994,167
Governmental funds report special assessments as revenue when collected, but the statement of activities recorded the full amount of the special assessment as revenue when there became an enforceable legal claim.	
Special assessment	(114,377)
In the statement of activities, the net effect of various miscellaneous transactions involving capital assets (disposals) is to increase net position, whereas in the governmental funds these items have no effect on current financial resources:	
Gain on disposal of capital assets	175,801
The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government wide statements.	357,500
Debt proceeds provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the payment of premiums, discounts and similar items when debt is first issued.	
Bonds issued	(30,000,000)
Capital lease financing	(1,965,638)
Principal payments on debt	6,642,493
Amortization of deferred amount on refunding	(231,803)
Amortization of premium	<u>11,954</u>
	(25,542,994)
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:	
Increase in accrued interest payable	30,405
Increase in compensated absences	(3,154)
Increase in net other postemployment benefit obligation	<u>(486,000)</u>
	(458,749)
Certain pension expenses in the statement of activities are recognized on the accrual basis of accounting in accordance with GASB 68.	
Amount of pension expenses recognized at government-wide level	(2,191,900)
Governmental funds report the investment in joint venture as expenditures. However, the cost of the investment in joint venture is recorded as an asset in the statement of net position	145,954
Internal service funds are used by management to charge the cost of fleet maintenance and self-insurance activities to individual funds. The net revenues of the internal service funds are reported with governmental activities.	<u>(577,673)</u>
<b>Change in Net Position of Governmental Activities (page 18)</b>	<b><u>\$ 8,415,726</u></b>

*See notes to basic financial statements.*

# CITY OF PALM BEACH GARDENS, FLORIDA

## STATEMENT OF NET POSITION PROPRIETARY FUNDS

SEPTEMBER 30, 2017

	Governmental Activities
	Internal Service Funds
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 8,383,670
Accounts receivable	740
Inventory	84,002
Prepaid items	56,875
Total current assets	<u>8,525,287</u>
Noncurrent assets:	
Capital assets being depreciated, net	<u>1,902,340</u>
Total noncurrent assets	<u>1,902,340</u>
<b>Total Assets</b>	<u>10,427,627</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows relating to pensions	378,693
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	238,383
Claims payable	503,797
Capital lease payable	143,639
Total current liabilities	<u>885,819</u>
Noncurrent liabilities:	
Claims payable	392,874
Net pension liability	796,936
Compensated absences payable	45,780
Capital lease payable	452,825
Total noncurrent liabilities	<u>1,688,415</u>
<b>Total Liabilities</b>	<u>2,574,234</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows relating to pensions	39,045
<b>Net Position</b>	
Net investment in capital assets	\$ 1,305,876
Unrestricted	<u>6,887,165</u>
<b>Total Net Position</b>	<u>\$ 8,193,041</u>

*See notes to basic financial statements.*

# CITY OF PALM BEACH GARDENS, FLORIDA

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 31, 2017

	Governmental Activities <u>Internal Service Funds</u>
<b>Operating Revenues</b>	
Charges for services	\$ 2,544,638
Employer contributions	6,248,557
Employee contributions	1,194,255
Miscellaneous	<u>244,165</u>
<b>Total Operating Revenues</b>	<u>10,231,615</u>
<b>Operating Expenses</b>	
Personnel expenses	1,090,873
Claims expense	6,768,717
Insurance premiums	508,392
Repair and maintenance	456,162
Fuel and chemicals	475,161
Operating supplies	192,317
Other professional and contractual	882,573
Other expenses	58,012
Depreciation	<u>516,825</u>
<b>Total Operating Expenses</b>	<u>10,949,032</u>
<b>Operating Loss</b>	<u>(717,417)</u>
<b>Nonoperating Revenues</b>	
Investment income	6,183
Gain on disposal of capital assets	<u>133,561</u>
<b>Total Nonoperating Revenues</b>	<u>139,744</u>
<b>Change in Net Position</b>	(577,673)
<b>Net Position - Beginning</b>	<u>8,770,714</u>
<b>Net Position - Ending</b>	<u><u>\$ 8,193,041</u></u>

*See notes to basic financial statements.*

# CITY OF PALM BEACH GARDENS, FLORIDA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 31, 2017

	Governmental Activities <u>Internal Service Funds</u>
<b>Cash Flows from Operating Activities</b>	
Receipts for interfund services provided	\$ 9,987,450
Payments to suppliers for goods and services	(2,474,458)
Payments to employees for services	(1,033,238)
Payments for claims	(6,688,337)
Other operating revenues	<u>244,164</u>
<b>Net Cash Provided by Operating Activities</b>	<u>35,581</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchases of capital assets	(483,211)
Proceeds from sale of capital assets	<u>133,561</u>
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>(349,650)</u>
<b>Cash Flows from Investing Activities</b>	
Interest earned	<u>6,183</u>
<b>Net Cash Provided by Investing Activities</b>	<u>6,183</u>
Net decrease in cash and cash equivalents	(307,886)
Cash and cash equivalents, beginning of year	<u>8,691,556</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 8,383,670</u></u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>	
Operating loss	\$ (717,417)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	516,825
Changes in operating assets, liabilities and deferred inflows/outflows:	
Accounts receivable	220
Deferred outflows relating to pensions	(126,017)
Inventory	(5,142)
Prepaid items	(6,375)
Accounts payable	109,676
Claims payable	80,379
Net pension liability	160,015
Compensated absences	(5,732)
Deferred inflows relating to pensions	<u>29,149</u>
<b>Total Adjustments</b>	<u>752,998</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 35,581</u></u>
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>	
Acquisition of capital assets through capital leases	<u><u>\$ 596,464</u></u>

*See notes to basic financial statements.*

# CITY OF PALM BEACH GARDENS, FLORIDA

## STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS

SEPTEMBER 30, 2017

	Pension Trust Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 2,121,295
Investments:	
Money market funds	3,878,270
U.S. Government obligations	8,861,453
Mortgage backed securities	4,748,269
Municipal obligations	922,611
Fixed income funds	7,985,925
Collateralized mortgage obligations	1,865,393
Corporate obligations	15,945,903
Equity securities	62,384,429
Equity funds	57,178,205
Foreign bonds	675,425
International funds	270,052
International bond funds	3,495,094
Real estate funds	16,590,193
Total investments	184,801,222
Receivables:	
Interest and dividends	247,565
Employers	165,810
State of Florida	1,107,673
Employees	16,683
Other	85,752
Total receivables	1,623,483
Prepaid items	277,775
<b>Total Assets</b>	188,823,775
<b>Liabilities</b>	
Accounts payable	196,424
Pending trades payable	50,836
Prepaid Employer Contributions	1,417,465
<b>Total Liabilities</b>	1,664,725
<b>Net Position</b>	
Net position restricted for pension benefits	\$ 187,159,050

*See notes to basic financial statements.*



# CITY OF PALM BEACH GARDENS, FLORIDA

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS

YEAR ENDED SEPTEMBER 30, 2017

	Pension Trust Funds
<b>Additions</b>	
Contributions:	
City	\$ 6,054,272
Insurance premium taxes collected by the State of Florida on behalf of the City of Palm Beach Gardens	1,107,673
Employees	977,391
Total contributions	8,139,336
Investment earnings:	
Net appreciation in fair value of investments	20,029,818
Interest and dividends	3,359,646
Other	1,922
Total investment earnings	23,391,386
Less investment expense	(739,361)
Net investment earnings	22,652,025
<b>Total Additions</b>	30,791,361
<b>Deductions</b>	
Pension benefits	9,123,260
Refund of participant contributions	13,857
Administrative expenses	238,543
<b>Total Deductions</b>	9,375,660
<b>Change in Net Position</b>	21,415,701
<b>Net Position Restricted for Pension Benefits</b>	
Beginning of year	165,743,349
End of year	\$ 187,159,050

*See notes to basic financial statements.*

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## **NOTES TO BASIC FINANCIAL STATEMENTS**

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# **CITY OF PALM BEACH GARDENS, FLORIDA**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2017**

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Palm Beach Gardens, Florida (the “City”) was incorporated in 1959, pursuant to House Bill No. 2186, and is located in Northern Palm Beach County, Florida. The City is governed by an elected City Council (the “Council”), which appoints a City Manager. The City provides the following services to its residents: public safety, growth management, sanitation, streets and roads, parks, recreation and a golf course. The Council is responsible for legislative and fiscal control of the City. The City operates under a Council-Manager form of government.

Significant accounting and reporting policies and practices used by the City are described below:

#### ***A. FINANCIAL REPORTING ENTITY***

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The financial statements were prepared in accordance with GASB Codification Section 2100, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of elected officials. The financial reporting entity consists of the City, organizations for which the City is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The City is financially accountable for a component unit if it appoints a voting majority of the organization’s governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. Based upon the application of these criteria, there were no organizations that met the criteria for component units described above.

#### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. The City reported no business-type activities during the current fiscal year.

# **CITY OF PALM BEACH GARDENS, FLORIDA**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2017**

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)***

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those expenses that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining nonmajor governmental funds are aggregated and reported as other governmental funds.

#### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION***

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and other postemployment benefits are recorded only when payment is due.

Property taxes when levied for, franchise taxes, licenses, charges for services, intergovernmental if eligibility requirements are met, and interest associated with the current fiscal period are all considered to be measurable and so have been recognized as revenues of the current fiscal period if available. All other revenue items are considered to be measurable only when cash is received by the City.

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED)*

The City reports the following major governmental funds:

The *General Fund* – The general fund is the primary operating fund and is used to account for all financial resources applicable to the general operations of the City except those required to be accounted for in another fund.

The *One-Cent Sales Surtax Capital Improvements Fund* – This capital projects fund accounts for the receipt and disbursement of a voter approved one-cent sales infrastructure surtax restricted for the purpose of constructing infrastructure projects within the City.

Additionally, the City reports the following fund types:

The *Internal Service Funds* – The City operates two internal service funds to account for fleet management services provided to other departments on a cost reimbursement basis and to account for self-insurance health benefits.

The *Pension Trust Funds* – The City's three defined benefit pension plans are accounted for in individual pension trust funds. The pension trust funds are the General Employees' Pension, the Police Pension and the Fire Pension.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of an internal service fund are charges to other funds for usage. Operating expenses for the internal service fund

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED)*

include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### *IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS*

##### ***GASB Statement No. 77, Tax Abatement Disclosures***

This statement addresses disclosure requirements for governments that enter into tax abatement agreements. The Statement intends to improve financial reporting by giving users of financial statements more transparent details about the effect that tax abatement has on financial position and results of operations. The adoption of GASB 77 results in increased disclosures related to tax abatement agreements. The adoption of this statement did not have any impact on the City's current year financial statements but could require disclosure in future year financial statements.

##### ***GASB Statement No. 79, Certain External Pools and Pool Participants***

This statement established specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. The adoption of this statement did not have any impact on the City's current year financial statements.

#### *D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY*

##### ***CASH AND CASH EQUIVALENTS***

Cash and cash equivalents are defined as deposits with financial institutions, money market accounts, local government investment pools and highly liquid investments which are readily convertible to known amounts of cash and have a maturity when purchased of three months or less.

For purposes of the statement of cash flows, cash and cash equivalents also include each respective fund's equity in pooled cash and investments that are described above. Each fund is able to withdraw cash at any time without prior notice or penalty and there is sufficient liquidity to meet the daily cash needs of each fund.

# **CITY OF PALM BEACH GARDENS, FLORIDA**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2017**

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### ***D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (CONTINUED)***

##### ***INVESTMENTS***

The City categorizes investments according to the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on observable and unobservable inputs used in establishing the fair value of a financial asset or liability. Investments are reported at fair value based on quoted market prices in active markets on a trade date basis. Money market mutual funds and commercial paper that has a remaining life of one year or less upon acquisition are reported at amortized cost. Net appreciation (depreciation) in fair value of investments includes the difference between cost and fair value of investments held as well as the net realized gains and losses for securities which are sold. Interest and dividend income are recognized on the accrual basis when earned. Purchases and sales of investments are recorded on a trade basis. Additional information regarding the fair value measurement of investments is disclosed in Note 2.

##### ***INTERFUND RECEIVABLES AND PAYABLES***

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.”

##### ***RECEIVABLES***

Receivables include amounts due for a special assessment, franchise taxes, utility taxes, extra police services and emergency medical services. The City does not require collateral for accounts receivable. Receivables for emergency medical service billings are reported net of an allowance for doubtful accounts, which is determined based on the age of the individual receivable. Generally, the allowance includes accounts over 60 days past due. Accounts receivable are written off on an individual basis in the year the City deems them to be uncollectible.

##### ***INVENTORY***

Inventory is valued at the lower of cost or net realizable value using the first-in, first-out basis and accounted for using the consumption method whereby inventories are charged against operations in the period when used. Inventory in the special revenue recreation and golf funds consists of merchandise held for resale. Inventory in the internal service fund consists of vehicle engine parts and fuel held for consumption. The non-spendable portion of fund balance for inventory in governmental fund types equals the physical inventory to indicate that a portion of fund balance is not available for appropriation.

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (CONTINUED)*

##### *PREPAID ITEMS*

Prepaid items consists of certain costs which have been paid prior to the end of the fiscal year, but represent items which are applicable to future accounting periods. Reported amounts in governmental funds are equally offset by a non-spendable category of fund balance to indicate that these amounts are not available for appropriation.

##### *CAPITAL ASSETS*

Capital assets, which include property, plant, equipment and infrastructure (e.g., streets, sidewalks, drainage or similar items) are reported in governmental activities in the government-wide financial statements and proprietary fund financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value on the date of donation. Lease agreements that qualify as capital leases are recorded at the present value of their future minimum lease payments as of the inception date. The City did not retroactively record their intangible assets with the implementation of GASB Statement No. 51. For fiscal year 2017, no separately identifiable assets met the threshold for recording.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, equipment and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings	15 – 25
Roadways	3 – 40
Drainage and structures	35 – 75
Machinery and equipment	3 – 7
Improvements other than buildings	15
Land improvements	25

In the governmental fund financial statements, capital assets are reported as expenditures and no depreciation expense is reported.



# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (CONTINUED)*

##### *UNEARNED REVENUE, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES*

Unearned revenue is a liability that arises when resources are obtained before revenue recognition criteria, other than time recognition criteria, have been satisfied. The unearned revenue consists mainly of business taxes and impact fees received in advance of the year for which they are levied. These amounts are recognized as revenue in the year that the revenue recognition criteria has been met.

In addition to assets and liabilities, the government-wide statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows or deferred inflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until that time. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time.

The City has one item, unavailable revenues relating to a special assessment that is reported as a deferred inflow of resources within the governmental fund financial statements. These amounts are recognized as revenue in the year that the amounts become available.

Within the government-wide statement of net position, the City reports deferred inflows/outflows of resources related to pensions for amounts representing the net difference between expected and actual results, changes in assumptions and projected and actual earnings of its pension plans. The amounts will be amortized over a five-year closed period beginning in the year in which the difference occurred or over the remaining service lives of all employees, as applicable. See Note 8 for additional details.

The City also recognizes a deferred charge on refunding, which qualifies for reporting as a deferred outflow of resources reported on the government-wide statement of net position. The refunding loss on bonds payable resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

# **CITY OF PALM BEACH GARDENS, FLORIDA**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2017**

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### ***D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (CONTINUED)***

##### ***COMPENSATED ABSENCES***

It is the City's policy to permit employees to accumulate a limited amount of earned but unused personal leave, which will be paid upon separation of service. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if it has matured, for example, as a result of employee resignation or retirements. Compensated absences for governmental activities typically have been liquidated in the general fund.

##### ***ON-BEHALF PAYMENTS***

The City receives on-behalf payments from the State of Florida to be used for Police and Fire-Rescue pension benefits. Such payments are recorded as intergovernmental revenue and public safety expenditures in the GAAP basis government-wide and general fund financial statements, but are not budgeted and therefore are not included in the general fund budgetary comparison schedule. On-behalf payments paid to the City by the State totaled \$1,085,186 for the year ended September 30, 2017. Pursuant to City Ordinance, the Fire Pension deducts 2% of the total compensation for participants from the Chapter 175 taxes received during the fiscal year and allocates this amount as Employee Contributions in lieu of increasing the members' contribution rate.

##### ***LONG-TERM OBLIGATIONS***

In the government-wide financial statements, and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are recognized during the current period. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received and principal payments on debt are reported as debt service expenditures.

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (CONTINUED)*

##### *NET OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS*

The City is required to calculate and recognize a net other postemployment benefit obligation at September 30, 2017. The net other postemployment benefit obligation is, in general, the cumulative difference between the actuarial required contribution and the actual contributions. Net other postemployment benefit obligations have typically been liquidated in the general fund.

##### *NET POSITION*

Equity in the government-wide statement of net position is displayed in three categories: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Net investment in capital assets consist of capital assets reduced by accumulated depreciation and by any outstanding debt and any deferred inflows/outflows associated with the debt, incurred to acquire, construct or improve those assets, excluding unexpended proceeds. Net position is reported as restricted when there are legal limitations imposed on their use by City legislation or external restrictions by other governments, creditors or grantors. Unrestricted net position consists of all remaining net position that does not meet the definition of either of the other two components.

##### *FUND BALANCE*

In the fund financial statements, fund balance is a measurement of available financial resources and is the difference between total assets and deferred outflows and total liabilities and deferred inflows in each fund. Governmental accounting principles distinguish fund balance classification based on the relative strength of the constraints that control the purposes for which specified amounts can be spent. Beginning with the most restrictive constraints, the City's fund balance amounts will be reported in the following categories:

*Nonspendable.* Represents amounts that are not in a spendable form, or are legally or contractually required to be maintained intact.

*Restricted.* Represents amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation.

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (CONTINUED)*

##### *FUND BALANCE (CONTINUED)*

*Committed.* Represents amounts that can be used only for the specific purposes determined by a formal action (ordinance or resolution which are of equal authority) of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through the same action that created the commitment.

*Assigned.* Represents amounts intended to be used by the City for specific purposes. Intent can be expressed by the City Council or by a designee to whom the governing body delegates the authority. Under the City's adopted policy through resolution, only the City Council or City Manager may assign amounts for specific purposes. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

*Unassigned.* Includes all amounts not contained in other classifications and is the residual classification of the General Fund only. Unassigned amounts are the portion of fund balance which is not obligated or specifically designated and is available for any purpose.

The goal of the City's fund balance policy is to achieve and maintain an unassigned fund balance in the General Fund at fiscal year-end of not less than 17% of expenditures, which represents approximately two (2) months' operating expenditures. If the unassigned fund balance at fiscal year-end falls below the goal, the City shall develop a restoration plan to achieve and maintain the minimum fund balance. At the end of the fiscal year, the City's unassigned fund balance equaled 29.7% of expenditures.

#### *FLOW ASSUMPTIONS*

##### *Net Position Flow Assumption*

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

# **CITY OF PALM BEACH GARDENS, FLORIDA**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2017**

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### ***D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (CONTINUED)***

##### ***FLOW ASSUMPTIONS (CONTINUED)***

##### ***Fund Balance Flow Assumption***

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

##### ***USE OF ESTIMATES***

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows/outflows and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from estimates.

### **NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS**

#### ***CASH AND CASH EQUIVALENTS***

Cash and cash equivalents at September 30, 2017, excluding amounts held by Fiduciary Funds, include petty cash of \$24,755 and deposits with financial institutions with a carrying value of \$22,368,009 and a bank balance of \$24,859,674. Cash equivalents also includes \$19,988,046 in money market funds which are recorded at amortized cost. Cash equivalents consist of amounts invested in money market mutual funds and the Florida Education Investment Trust Fund (FEITF).

The FEITF is an external investment pool that is not registered with the Securities Exchange Commission (SEC) but operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. Rule 2a-7 allows funds to use amortized cost to maintain a constant net asset value of \$1.00 per share. There are no restrictions or fees to withdrawal from this pool.

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

#### *CASH AND CASH EQUIVALENTS (CONTINUED)*

Cash of the Fiduciary Funds at September 30, 2017, consist of deposits with financial institutions with a carrying value and bank balance of \$2,121,295.

City deposits with financial institutions were entirely covered by a combination of federal depository 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. The money market mutual fund deposits are uninsured and uncollateralized.

#### *INVESTMENTS*

Florida Statutes and the City's investment policy authorize the City to invest in obligations and agencies of the U.S. Government; fully collateralized interest bearing time deposits or savings accounts with banks or savings and loan associations; the State Board of Administration Florida PRIME Fund; local government investment pools; short term corporate obligations; investments in any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided the portfolio of such investment company is limited to Government Obligations and to repurchase agreements fully collateralized by such Government Obligations; Government National Mortgage Association, Fannie Mae or Florida Home Loan Mortgage Corporation. The City's Pension Boards have full power and authority to invest and reinvest subject to the general terms, conditions, limitations and restrictions imposed by Part VII, Chapter 112, Florida Statutes, on the investments of public employee retirement systems.

The General Employees' Pension Plan is a participating member in the Florida Municipal Pension Trust Fund (FMPTF) and therefore the investments follow the policies established by the Master Trust Agreement. The agreement provides that the Master Trustees have the authority and discretion to manage and control the assets of the FMPTF. The established

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

#### *INVESTMENTS (CONTINUED)*

investment policy and portfolio guidelines are designed to assist the plan administrator in monitoring the assets and to guide investment managers with structuring portfolios that are consistent with the FMPTF desired performance results and levels of acceptable risk. A variance of more than 5% from the approved allocation percentages of any asset class requires approval by the Master Trustees. The FMPTF has adopted operating procedures consistent with the requirements for a 2a-7 like pool. The FMPTF is an external investment pool and therefore, the fair value of the City's position in the pool is the same as the value of pool shares.

Due to the various risks associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

#### *FAIR VALUE HIERARCHY*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

##### *Level 1*

Investments' fair values based on prices quoted in active markets for identical assets.

##### *Level 2*

Investments' fair values based on observable inputs for the assets either directly or indirectly, other than those considered Level 1 inputs, which may include quoted prices for identical assets in markets that are not considered to be active, and quoted prices of similar assets in active or inactive markets.

##### *Level 3*

Investments' fair values based upon unobservable inputs.



# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

#### *FAIR VALUE HIERARCHY (CONTINUED)*

The following is a description of the fair value techniques for the City's investments. Level 1 and 2 prices are obtained from various pricing sources by the City's custodian bank:

Money market funds, commercial paper and FEITF that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost.

Equity securities traded on national or international exchanges are valued at the last reported sales price or current exchange rates (Level 1). This includes common stock and mutual fund equities.

Debt securities classified as Level 2 are valued using pricing inputs that reflect the assumptions market participants would use to price an asset or liability and are developed based on market data obtained from sources independent of the reporting entity. This includes U.S. federal agencies, mortgage backed and collateralized securities, municipal bonds, and corporate obligations, including asset backed, bonds and notes.

The General Employees' Pension Plan invests in various funds in which the underlying securities have observable Level 1 quoted pricing inputs or observable Level 2 significant other observable pricing inputs. Most of the security prices were obtained from a pricing service, Interactive Data Corporation (IDC). While the underlying asset values are based on quoted prices or market-corroborated inputs, the net asset value of the portfolio is not publicly quoted. Value is based on market corroborated data. (Level 2 inputs).

The General Employees' Pension Plan also invest in a Core Plus Fixed Income Fund. This fund invests in two underlying funds, which are not publicly quoted. These underlying funds invest in a variety of financial instruments, including equity investments, asset-backed securities, debt securities, swaps, forward exchange contracts, credit-linked notes, escrow accounts, litigation trusts for both U.S. and foreign companies and governments. Value is based on unobservable inputs. (Level 3 inputs).

The Police Officer and Fire Pensions hold certain investments in alternative assets consisting of real estate funds and a collective investment trust fund which hold a variety of investment vehicles that do not have readily available market quotations. The alternative investments are measured at net asset value based on their proportionate share of the value of the investments as determined by the fund managers and are valued according to methodologies which include pricing models, discounted cash flow models and similar techniques.



# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

### NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

#### *FAIR VALUE HIERARCHY (CONTINUED)*

The City has the following recurring fair value measurements as of September 30, 2017:

Investment Types	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Primary Government</b>				
U.S. Government obligations	\$ 11,734,685	\$ --	\$ 11,734,685	\$ --
Mortgage backed securities	8,969,501	--	8,969,501	--
Corporate obligations	4,116,969	--	4,116,969	--
Municipal obligations	301,875	--	301,875	--
<b>Total Investments by Fair Value Level</b>	<b>25,123,030</b>	<b>\$ --</b>	<b>\$ 25,123,030</b>	<b>\$ --</b>
<b>Investments Measured at the Net Asset Value (NAV) *</b>				
Florida Education Investment Trust Fund Term	15,000,000			
Total Investments Measured at NAV	15,000,000			
Commercial paper (exempt)	16,297,157			
<b>Total Primary Government Investments</b>	<b>\$ 56,420,187</b>			
<b>Fiduciary Funds</b>				
Investments by fair value level:				
U.S. Government obligations	\$ 8,861,453	\$ 2,662,937	\$ 6,198,516	\$ --
Mortgage-backed securities	4,748,269	--	4,748,269	--
Collateralized mortgage obligations	1,865,393	--	1,865,393	--
Fixed income funds	7,402,916	--	7,402,916	--
Corporate obligations	15,945,903	--	15,945,903	--
Municipal obligations	922,611	--	922,611	--
Foreign bonds	675,425	--	675,425	--
Equity securities	62,384,429	60,526,976	1,857,453	--
Equity funds	51,695,357	50,428,386	1,266,971	--
International funds	267,528	--	267,528	--
International bond funds	3,495,094	3,495,094	--	--
<b>Total Investments by Fair Value Level</b>	<b>158,264,378</b>	<b>\$ 117,113,393</b>	<b>\$ 41,150,985</b>	<b>\$ --</b>
<b>Investments Measured at the Net Asset Value (NAV) *</b>				
FMIT core plus fixed income fund	583,009			
Real estate funds	16,590,193			
Equity common trust fund	5,485,372			
Total Investments Measured at NAV	22,658,574			
Money market funds (exempt)	3,878,270			
<b>Total Fiduciary Funds Investments</b>	<b>\$ 184,801,222</b>			

\* As required by generally accepted accounting principles (GAAP), certain investments that are measured at net asset value have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the total investment line item in the financial statements.

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

### NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

#### FAIR VALUE HIERARCHY (CONTINUED)

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient, including their related unfunded commitments and redemption restrictions.

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period (Days)
<b>Primary Government</b>				
Florida Education Investment Trust Fund Term <sup>1</sup>	\$ 15,000,000	\$ --	N/A	7 days
<b>Fiduciary Funds</b>				
FMIvT core plus fixed income fund <sup>2</sup>	583,009	--	Monthly	5 days
Real estate fund <sup>3</sup>	11,679,381	--	Quarterly	10 days
Real estate fund <sup>4</sup>	4,910,812	--	Quarterly	90 days
Equity common trust fund <sup>5</sup>	5,485,372	--	Monthly	5 days
<b>Total Investments Measured at NAV</b>	<u>\$ 37,658,574</u>	<u>\$ --</u>		

<sup>(1)</sup> Florida Education Investment Trust Fund: The fund's strategy is to invest funds in commercial paper and negotiable certificates of deposit with maturities of up to one year to benefit from the wider sector spreads available as a result of the outflow of investors from prime institutional money market funds. Shares of FEITF Term Series are purchased to mature upon pre-determined maturity dates selected by the investor at the time of purchase. Should an investor need to redeem shares in an FEITF Term Series prematurely, they must provide notice at least 7 days prior to the premature redemption date.

<sup>(2)</sup> FMIvT Core Plus Fixed Income Fund: This non-mutual commingled fund invests in a broad spectrum of fixed and floating rate debt securities that are diversified by credit quality, geography, and duration. The investment is valued at NAV.

<sup>(3)</sup> Real estate fund: The fund is an open-end diversified core real estate commingled fund that invests primarily in core institutional office, retail, industrial, and multi-family properties located throughout the United States. The investment is valued at NAV and its redemptions must be received by the fund 10 days prior to quarter end.

<sup>(4)</sup> Real estate fund: The fund is an open-ended real estate investment fund investing primarily in core institutional office, retail, industrial, and multi-family properties located throughout the United States. The investment is valued at NAV and its redemptions must be received by the fund 90 days prior to quarter end.

<sup>(5)</sup> Equity common trust fund: The fund is an international equity commingled fund that consists of assets invested in a diversified portfolio of foreign equity securities deemed to be undervalued by the fund's investment team. The investment is valued at NAV and its redemptions must be received by the fund 5 days prior to month end.

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

### NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

#### *FAIR VALUE HIERARCHY (CONTINUED)*

The value, liquidity, and related income of certain securities with contractual cash flows, such as asset backed securities collateralized by mortgage obligations, commercial mortgage backed securities, and mutual funds investing in these securities or entities, are particularly sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

#### *INTEREST RATE RISK*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk disclosures are required for fixed income securities including debt investment pools - such as bond mutual funds and external bond investment pools—that do not meet the requirements to be reported as a 2a7-like pool. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Cash equivalents have a weighted average maturity of ninety days or less, resulting in minimal interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy states that securities included within the short term fund will have maturities of less than one year. Investments included in the core fund will have a maximum maturity of five (5) years. Although the Fiduciary Funds' investment policies do not provide limitations as to maturities, the Funds minimize the risk of fair value losses in fixed income portfolios due to rising interest rates by structuring the investment portfolio so that securities mature to meet ongoing cash requirements, thereby avoiding the need to sell securities on the open market prior to maturity; and by investing operating funds primarily in shorter-term securities or by cash flow projections. The table below summarizes the scheduled maturities of fixed income investments at September 30, 2017:

		Investment Maturities			
		Less Than One Year	One to Five Years	Six to Ten Years	More Than Ten Years
Investment Types	Value				
<b>Primary Government</b>					
U.S. Government obligations	\$ 11,734,685	\$ --	\$ 11,734,685	\$ --	\$ --
Mortgage backed securities	8,969,501	--	8,969,501	--	--
Corporate obligations	4,116,969	--	4,116,969	--	--
Municipal obligations	301,875	--	301,875	--	--
Commercial paper	16,297,157	16,297,157	--	--	--
Florida Education Investment Trust	15,000,000	15,000,000	--	--	--
<b>Total Primary Government</b>	<b>\$ 56,420,187</b>	<b>\$ 31,297,157</b>	<b>\$ 25,123,030</b>	<b>\$ --</b>	<b>\$ --</b>

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

**YEAR ENDED SEPTEMBER 30, 2017**

### NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

#### *INTEREST RATE RISK (CONTINUED)*

Investment Types	Value	Investment Maturities				
		Less Than One Year	One to Five Years	Six to Ten Years	More Than Ten Years	
<b>Fiduciary Funds</b>						
Money market funds (at cost)	\$ 3,878,270	\$ 3,878,270	\$ --	\$ --	\$ --	
U.S. Government obligations	8,861,453	1,072,180	3,446,512	897,635	3,445,126	
Mortgage backed securities	4,745,269	3,446	12,122	1,065,198	3,664,503	
Fixed income funds	7,985,925	1,861,295	3,159,961	2,011,683	952,986	
Collateralized mortgage obligations	1,865,393	--	6,605	283,157	1,575,631	
Corporate obligations	15,945,903	578,146	6,609,568	6,414,871	2,343,318	
Municipal obligations	922,611	--	168,143	358,793	395,675	
Foreign bonds	675,425	--	232,371	214,997	228,057	
<b>Total Fiduciary Funds</b>	<b>\$ 44,880,249</b>	<b>\$ 7,393,337</b>	<b>\$ 13,635,282</b>	<b>\$ 11,246,334</b>	<b>\$ 12,605,296</b>	

#### *CREDIT RISK*

Credit risk is the risk that an issuer will not fulfill its obligations. The City's investment policy minimizes credit risk by limiting investments to the safest types of securities and diversifying the investment portfolio. The Police Pension Plan's investment policy limits corporate obligations to only those holding a rating of one of the three highest classifications by an NRSRO. The Fire Pension Plan's policy limits investments to securities with a rating of investment grade or a higher classification by an NRSRO. The General Employee Pension Plan's investment policy does not limit corporate obligations to those with one of the three highest classifications by an NRSRO. The NRSRO ratings for the City's and the Plan's investments at September 30, 2017, are summarized below.

Investment Type	NRSRO Rating	Value
Money market funds (at cost)	Aaa-mf	\$ 3,878,270
Fixed income funds	AAA...B	7,006,672
Fixed income funds	AA	979,253
U.S. Gov't bonds & notes	Aaa...AA+	11,734,685
U.S. Gov't bonds & notes	Aaa	5,388,889
U.S. Gov't bonds & notes	Aaa	3,472,564
U.S. Gov't agency securities	Aaa...AA+	8,969,501
U.S. Gov't agency securities	Aaa	3,475,694
U.S. Gov't agency securities	Aaa	1,272,575

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

#### *CREDIT RISK (CONTINUED)*

Investment Type	NRSRO Rating	Value
Commercial paper	A-1+...P-1	\$ 16,297,157
Collateralized mortgage obligations	Aaa...A1	270,199
Collateralized mortgage obligations	Aaa	1,595,194
Corporate Obligations	Aaa...BBB+	4,116,969
Corporate Obligations	Aaa...Baa3	6,396,379
Corporate Obligations	Aaa...B1	9,549,524
Municipal Obligations	A1....A+	301,875
Municipal Obligations	Aaa...A1	922,611
Foreign bonds	Aa2...Baa3	675,425
Florida Education Investment Trust		
Fund Term	AAAf	15,000,000
Equity securities	Unrated	62,384,429
Equity funds	Unrated	57,178,205
International funds	Unrated	270,052
International bond funds	Unrated	3,495,094
Real estate funds	Unrated	16,590,193

#### *CUSTODIAL CREDIT RISK*

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investment policy of the City minimizes this risk by prohibiting the purchase of securities subject to custodial credit risk. The City and its pension plans require that all securities be held by a third party custodian in the name of the City or the respective Plan. Securities transactions between a broker-dealer and the custodian involving the purchase or sale of securities must be made on a “delivery vs. payment” basis to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

#### *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. The City’s investment policy limits the concentration of credit risk by setting limits on the maximum amount of securities held by type and by single issuer. The City’s Police Pension Plan’s investment policies limit investments in the stock

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

#### *CONCENTRATION OF CREDIT RISK (CONTINUED)*

of any one issuing company to 5% of the Plan's assets and to 5% of the outstanding capital stock of any issuing company. The City's Fire Pension Plan's investment policy limits investments in the stock of any one issuing company to 3% of the Fund's assets, and to 3% of the outstanding capital stock of any issuing company. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement.

The General Employees' Pension Plan as well as the Police and Fire Pension Plans did not hold investments in any one organization that represents 5% or more of the pension plan's fiduciary net position.

#### *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 direct exposure to foreign currency risk in the City's and the Plans' investments at September 30, 2017.

### NOTE 3 – RECEIVABLES

Receivables and the related allowance for doubtful accounts at September 30, 2017, are summarized as follows:

	Gross Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
<b>Governmental Activities</b>			
Due from EMS	\$ 2,169,901	\$ (1,896,940)	\$ 272,961
Special assessment	1,384,475	--	1,384,475
Franchise fees	1,131,330	--	1,131,330
Utility taxes	212,395	--	212,395
Interest	74,243	--	74,243
Extra police services	36,208	--	36,208
Other miscellaneous services	30,286	--	30,286
<b>Total Governmental Activities</b>	<u>\$ 5,038,838</u>	<u>\$ (1,896,940)</u>	<u>\$ 3,141,898</u>

# **CITY OF PALM BEACH GARDENS, FLORIDA**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2017**

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### **NOTE 4 – PROPERTY TAXES**

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector, respectively. All property is reassessed according to its fair market value on January 1 of each year and each assessment roll is submitted to the State Department of Revenue for review to determine if the assessment roll meets all of the appropriate requirements of State law. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills.

The tax levy of the City is established by the Council prior to October 1st of each year during the budget process. The Palm Beach County Property Appraiser incorporates the City's millage into the total tax levy, which includes the County, County School Board, and special district tax requirements. The millage rate assessed by the City for the year ended September 30, 2017, was 5.6781 (\$5.6781 for each \$1,000 of assessed valuation).

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

After sale, tax certificates bear interest at 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County. Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations. At September 30, 2017, unpaid delinquent taxes are not material and have not been recorded by the City.

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

**YEAR ENDED SEPTEMBER 30, 2017**

### NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2017, was as follows:

	Balance October 1, 2016	Additions/ Transfers	Retirements/ Transfers	Balance September 30, 2017
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 14,852,345	\$ 357,500	\$ --	\$ 15,209,845
Construction in progress	<u>9,557,507</u>	<u>10,378,075</u>	<u>(11,841,889)</u>	<u>8,093,693</u>
Total capital assets not being depreciated	<u>24,409,852</u>	<u>10,735,575</u>	<u>(11,841,889)</u>	<u>23,303,538</u>
Capital assets being depreciated:				
Buildings	38,441,252	1,897,732	--	40,338,984
Roadways	66,411,056	2,646,910	--	69,057,966
Drainage and structures	17,760,417	--	--	17,760,417
Machinery and equipment	28,784,235	5,404,717	(2,793,447)	31,395,505
Improvements other than buildings	<u>22,478,054</u>	<u>3,484,291</u>	<u>--</u>	<u>25,962,345</u>
Total capital assets being depreciated	<u>173,875,014</u>	<u>13,433,650</u>	<u>(2,793,447)</u>	<u>184,515,217</u>
Less accumulated depreciation:				
Buildings	(19,916,709)	(1,442,559)	--	(21,359,268)
Roadways	(44,159,360)	(1,086,158)	--	(45,245,518)
Drainage and structures	(4,753,178)	(184,689)	--	(4,937,867)
Machinery and equipment	(21,928,634)	(2,490,319)	2,785,643	(21,633,310)
Improvements other than buildings	<u>(12,886,379)</u>	<u>(1,209,093)</u>	<u>--</u>	<u>(14,095,472)</u>
Total accumulated depreciation	<u>(103,644,260)</u>	<u>(6,412,818)</u>	<u>2,785,643</u>	<u>(107,271,435)</u>
Total capital assets being depreciated, net	<u>70,230,754</u>	<u>7,020,832</u>	<u>(7,804)</u>	<u>77,243,782</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 94,640,606</u>	<u>\$ 17,756,407</u>	<u>\$ (11,849,693)</u>	<u>\$ 100,547,320</u>

### Governmental Activities

General government	\$ 594,739
Public safety	2,472,699
Culture and recreation	1,886,472
Physical environment	349,984
Transportation	<u>1,108,924</u>

**Total Depreciation Expense – Governmental Activities** \$ 6,412,818



# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

**YEAR ENDED SEPTEMBER 30, 2017**

### NOTE 6 – LONG-TERM DEBT

#### *CHANGES IN LONG-TERM LIABILITIES*

Long-term liability activity for the year ended September 30, 2017, was as follows:

	Balance October 1, 2016	Additions	Reductions	Balance September 30, 2017	Due Within One Year
<b>Governmental Activities</b>					
Debt Payable					
Capital leases payable	\$ 2,676,052	\$ 2,562,102	\$ (859,995)	\$ 4,378,159	\$ 819,830
General obligation bonds payable	2,884,475	--	(1,154,419)	1,730,056	1,189,590
Public improvement and refunding bonds payable	7,825,000	--	(1,645,000)	6,180,000	1,675,000
Add premium on revenue bonds	42,901	--	(11,953)	30,948	--
Public improvement bonds payable	<u>3,021,217</u>	<u>30,000,000</u>	<u>(3,166,685)</u>	<u>29,854,532</u>	<u>449,860</u>
<b>Total Debt Payable</b>	<u>16,449,645</u>	<u>32,562,102</u>	<u>(6,838,052)</u>	<u>42,173,695</u>	<u>4,134,280</u>
<b>Other Liabilities</b>					
Compensated absences	3,671,210	3,763,436	(3,766,013)	3,668,633	308,601
Claims payable	277,168	6,370,305	(6,254,599)	392,874	392,874
Net OPEB obligation	3,842,304	711,000	(225,000)	4,328,304	--
Net pension liability	<u>60,303,239</u>	<u>21,031,134</u>	<u>(16,721,178)</u>	<u>64,613,195</u>	<u>--</u>
<b>Total Other Liabilities</b>	<u>68,093,921</u>	<u>31,875,875</u>	<u>(26,966,790)</u>	<u>73,003,006</u>	<u>701,475</u>
<b>Total Governmental Activities</b>	<u>\$ 84,543,566</u>	<u>\$ 64,437,977</u>	<u>\$ (33,804,842)</u>	<u>\$ 115,176,701</u>	<u>\$ 4,835,755</u>

#### *CAPITAL LEASES PAYABLE*

The City has entered into various lease agreements as lessee for financing the acquisition of fire rescue vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 6 – LONG-TERM DEBT (CONTINUED)

#### *CAPITAL LEASES PAYABLE (CONTINUED)*

Assets acquired through capital leases are as follows:

	Governmental Activities
<b>Assets</b>	
Machinery and equipment	\$ 6,293,777
Less accumulated depreciation	<u>(1,597,205)</u>
<b>Total</b>	<u><u>\$ 4,696,572</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, were as follows:

Year Ending September 30,	Governmental Activities
2018	\$ 950,396
2019	798,029
2020	749,385
2021	774,385
2022	388,470
2023-2026	<u>1,217,029</u>
<b>Total Minimum Lease Payments</b>	4,877,694
Less amount representing interest	<u>(499,535)</u>
<b>Present Value of Minimum Lease Payments</b>	<u><u>\$ 4,378,159</u></u>

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 6 – LONG-TERM DEBT (CONTINUED)

#### *BONDS PAYABLE*

##### *General Obligation Bonds*

The City's voters authorized by special referendum on September 3, 1996, the issuance of bonds, not to exceed \$19.1 million, for payment of the cost of demolition of the old City Hall and Police Station; acquisition, construction and furnishing of the new City Hall, new Police Station, an addition to the central Fire Station; and improvements to certain recreational facilities. The bonds are general obligations of the City, payable from ad valorem taxes to be levied upon all taxable property in the City, in addition to all other taxes, without limitation as to rate or amount. The bonds were issued in series.

Outstanding  
Balance

---

##### Series 2005

The City issued \$6,901,176 General Obligation Refunding Bonds, Series 2005 on May 20, 2005, to retire the General Obligation Bonds that were issued in 1996 and 1997. Interest on the bonds is 3.32% and is payable semiannually on June 1 and December 1. Principal is payable in annual installments of \$218,298 to \$334,319, with the final payment due December 1, 2017. Debt service payments will be made from the general fund.

\$ 663,179

##### Series 2010

The City issued \$4,440,997 General Obligation Bonds, Series 2010 on December 17, 2010, to retire the General Obligation Bonds that were issued in 1998 and 1999. Interest on the bonds is 2.67% and is payable semi-annually on January 1 and July 1, commencing on July 1, 2011. Principal payments will be due July 1 each year beginning July 1, 2011 through July 1, 2019. Debt service payments will be made from the general fund.

1,066,877

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##### **Total General Obligation Bonds**

\$ 1,730,056

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 6 – LONG-TERM DEBT (CONTINUED)

#### *BONDS PAYABLE (CONTINUED)*

##### ***Public Improvement Bonds***

On November 6, 2003, the City Council approved, through adoption of Resolution 174, 2003, the issuance of Public Improvement Bonds in one or more series for the purpose of financing the costs of acquiring, constructing and installing capital and non-capital projects and refunding prior obligations issued by the City. The bonds are payable from non-ad valorem revenues.

Outstanding  
Balance

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##### Public Improvement Bonds

###### Series 2011

The City issued \$16,190,000 Public Improvement Refunding Bonds, Series 2011 on November 8, 2011, to advance refund the outstanding Public Improvement Refunding Bonds, Series 2003. Interest at rates ranging from .85% to 3.75% is payable semi-annually on May 1 and November 1. Principal is payable in annual installments of \$325,000 to \$1,880,000, with the final payment due May 1, 2023. Debt service payments will be made from the general fund.

\$ 6,180,000

###### Series 2013

On June 6, 2013, the City approved, through adoption of Resolution 39, 2013, the issuance of the Public Improvement Bond, Series 2013, in the amount of \$4,300,000 for the purpose of financing the cost of improvements to the City's Golf Course and the construction of a new fire station. Interest at rates ranging from 1.77% to 1.89% is payable semiannually on June 1 and December 1. Principal is payable in annual installments of \$209,370 to \$245,403, with the final payment due December 1, 2022. Debt service payments will be made from the general fund.

2,579,532

###### Series 2017

On February 9, 2017, the City approved, through adoption of Resolution 14, 2017, the issuance of the Public Improvement Bond, Series 2017, in the amount of \$30,000,000 for the purpose of financing the cost of certain infrastructure projects within the City relating to the one-cent sales surtax. Interest at the rate of 2.20% is payable semiannually on April 1 and October 1. Principal is payable in annual installments of \$2,725,000 to \$3,300,000, with the final payment due October 1, 2026. Debt service payments will be made from the one-cent sales surtax capital improvements fund.

27,275,000

##### **Total Public Improvement Bonds**

\$ 36,034,532

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

**YEAR ENDED SEPTEMBER 30, 2017**

### NOTE 6 – LONG-TERM DEBT (CONTINUED)

#### *BONDS PAYABLE (CONTINUED)*

Annual debt service payments to maturity for all bonds are as follows:

Year Ending September 30	General Obligation Bonds		Public Improvement Bonds		Total All Bonds		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2018	\$ 1,189,590	\$ 39,495	\$ 2,124,860	\$ 540,952	\$ 3,314,450	\$ 580,447	\$ 3,894,897
2019	540,466	14,430	4,958,187	755,325	5,498,653	769,755	6,268,408
2020	--	--	5,076,669	631,254	5,076,669	631,254	5,707,923
2021	--	--	3,695,307	500,438	3,695,307	500,438	4,195,745
2022	--	--	3,779,106	416,265	3,779,106	416,265	4,195,371
2023-2026	--	--	16,400,403	899,818	16,400,403	899,818	17,300,221
<b>Total</b>	<u>\$ 1,730,056</u>	<u>\$ 53,925</u>	<u>\$ 36,034,532</u>	<u>\$ 3,744,052</u>	<u>\$37,764,588</u>	<u>\$3,797,977</u>	<u>\$41,562,565</u>

#### *IN-SUBSTANCE DEFEASANCE – PRIOR YEARS*

In 2003, the City defeased a bond issue (Florida Intergovernmental Finance Commission Capital Revenue Bonds, 2001 Series B) by creating a separate irrevocable trust fund. New debt was issued and the proceeds of the new debt were used to purchase U.S. government securities that were placed in an irrevocable trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of September 30, 2017, the amount of defeased debt outstanding, but removed from the City's government-wide financial statements is \$5,720,000.

In 2011, the City defeased the Public Improvement and Refunding Bonds, Series 2003 by creating a separate irrevocable trust fund. New debt was issued and the proceeds of the new debt were used to purchase U.S. government securities that were placed in an irrevocable trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of September 30, 2017, the amount of defeased debt outstanding, but removed from the City's government-wide financial statements is \$6,105,000.

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 7 – INTERFUND TRANSFERS

The following is a summary of transfers by fund type for the year ended September 30, 2017:

Transfer Out	Transfer In		
	General Fund	Non-major governmental funds	Total
General Fund	\$ --	\$ 1,107,000	\$ 1,107,000
Non-major governmental funds	694,320	--	694,320
<b>Total Funds</b>	<u>\$ 694,320</u>	<u>\$ 1,107,000</u>	<u>\$ 1,801,320</u>

Transfers were made to move funds from the general fund to the recreation impact fund and road impact fund as part of a mid-year budget authorization for additional funding related to capital improvement projects. A transfer from the general fund to the golf special revenue fund to offset the anticipated loss of revenue related to ongoing operations at the same time as the construction of the clubhouse expansion project. A transfer to the general fund from the road impact fund was made for scheduled debt service payments.

### NOTE 8 – PENSION PLANS

#### *COST-SHARING DEFINED BENEFIT PLANS*

In October 2006, the City approved, through the adoption of Resolution 84, 2006, the participation in the Florida Retirement System (“FRS”) for general employees, including elected officials and senior management. Employees participating in another City retirement plan that were hired prior to October 1, 2006, had the right to elect to continue participating in the City plan or discontinue participation in the City plan and join the FRS. Employees that elected to join the FRS were eligible for past service credit, at the City’s expense, for the period of the participation in the City retirement plan, up to 9.75 years. Additional past service credit could be purchased at the employee’s expense. Employees are vested in FRS after six years of service.

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 8 – PENSION PLANS (CONTINUED)

#### *COST-SHARING DEFINED BENEFIT PLANS (CONTINUED)*

There are two defined benefit plans as part of the Florida Retirement System. The FRS is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) for eligible employees. The Health Insurance Subsidy Program (“HIS”) is a cost-sharing, multiple-employer defined benefit pension plan. The FRS and HIS were created by the Florida Legislature and are administered by the State of Florida, Department of Management Services, Division of Retirement. FRS provides retirement, disability or death benefits for retirees or their designated beneficiaries while HIS assists retirees in paying costs related to health insurance. All retirement legislation must comply with Article X, Section 14 of the State Constitution and Part VII, Chapter 112 Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis.

Both plans are included as a fiduciary fund in the State of Florida’s Comprehensive Annual Financial Report. The report is available via the Florida Department of Financial Services’ homepage at [www.myfloridacfo.com](http://www.myfloridacfo.com). FRS issues a publicly available financial report that includes statements of financial condition, investment objectives and policy, an actuarial report, historical and statistical information on active members, annuitants, and benefit payments, as well as a description of the retirement plans. The report is available from the Florida Department of Management Services’ website ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

#### ***Benefits Provided***

HIS - The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state administered retirement systems must provide proof of eligible health insurance coverage, which may include Medicare.

FRS –The general classes of membership are as follows:

*Regular Class* – Members of the FRS who do not qualify for membership in the other classes.

*Elected County Officers Class* – Members who hold specified elective offices in local government.

*Senior Management Service Class (SMSC)* – Members in senior management level positions.

*Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 8 – PENSION PLANS (CONTINUED)

#### *COST-SHARING DEFINED BENEFIT PLANS (CONTINUED)*

##### ***Benefits Provided (continued)***

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants. DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The Plan's total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

Below is the percentage value for each year of service credit earned:

##### ***Regular Class members initially enrolled before July 1, 2011***

Retirement up to age 62 or up to 30 years of service 1.60%

Retirement at age 63 or with 31 years of service 1.63%

Retirement at age 64 or with 32 years of service 1.65%

Retirement at age 65 or with 33 or more years of service 1.68%



# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 8 – PENSION PLANS (CONTINUED)

#### *COST-SHARING DEFINED BENEFIT PLANS (CONTINUED)*

##### *Benefits Provided (continued)*

##### *Regular Class members initially enrolled on or after July 1, 2011*

Retirement up to age 65 or up to 33 years of service 1.60%

Retirement at age 66 or with 34 years of service 1.63%

Retirement at age 67 or with 35 years of service 1.65%

Retirement at age 68 or with 36 or more years of service 1.68%

*Elected County Officers* 3.00%

*Senior Management Service Class* 2.00%

##### *Special Risk Regular Class* 3.00%

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Employees in the Florida Retirement System Pension Plan and Investment Plan are required to contribute 3% of their income as part of SB 2100 FRS reform measures that passed in the 2011 Florida legislative session. The total amount of employee contributions was \$499,173. Contribution percentage amounts are subject to change each year based on legislative law changes, investment experience and the actuarial experience of the trust fund. As of September 30, 2017, the City's required annual contribution is 7.92% of the covered salary for general employees, 22.71% for senior management, 45.5% for elected officials, and 23.27% for special risk. The City's contribution to FRS for the fiscal year ended September 30, 2017 was \$1,689,710, equal to 100% of the required contribution for the fiscal year. Included in these rates is 1.66% relating to the HIS plan for all classes of employees.

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

**YEAR ENDED SEPTEMBER 30, 2017**

### NOTE 8 – PENSION PLANS (CONTINUED)

#### *COST-SHARING DEFINED BENEFIT PLANS (CONTINUED)*

#### ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At September 30, 2017, the City reported liabilities of \$14,076,184 for its proportionate share of the FRS net pension liability and \$5,711,209 for the HIS net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportionate share of the net pension liability was based on the City's fiscal year 2017 contributions relative to the fiscal year 2016 contributions of all participating members. At September 30, 2017, the City's proportionate share was 0.04759 percent for the FRS plan and .05341 percent for the HIS plan, which was an increase of 0.00873 percent and 0.00581 percent respectively, from the proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the City recognized pension expense of \$3,283,609. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	FRS	HIS	Total
Differences between expected and actual experience	\$ 1,291,855	\$ --	\$ 1,291,855
Assumption Changes	4,730,592	802,800	5,533,392
Net difference between projected and actual earnings on pension plan investments	--	3,167	3,167
Changes in proportion and differences between City contributions and proportionate share of contributions	1,594,359	807,112	2,401,471
Employer contributions subsequent to the measurement date	326,489	69,445	395,934
<b>Total Deferred Outflows of Resources</b>	<b>\$ 7,943,295</b>	<b>\$ 1,682,524</b>	<b>\$ 9,625,819</b>

	Deferred Inflows of Resources		
	FRS	HIS	Total
Differences between expected and actual experience	\$ 77,975	\$ 11,892	\$ 89,867
Assumption Changes	--	493,854	493,854
Net difference between projected and actual earnings on pension plan investments	348,843	--	348,843
Changes in proportion and differences between City contributions and proportionate share of contributions	96,742	--	96,742
<b>Total Deferred Inflows of Resources</b>	<b>\$ 523,560</b>	<b>\$ 505,746</b>	<b>\$ 1,029,306</b>

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

**YEAR ENDED SEPTEMBER 30, 2017**

### NOTE 8 – PENSION PLANS (CONTINUED)

#### *COST-SHARING DEFINED BENEFIT PLANS (CONTINUED)*

#### ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)***

The deferred outflows of resources related to pensions, totaling \$395,934, resulting from City contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30	Employer Share of Deferred Outflows / (Inflows)		
	FRS	HIS	Total
2018	\$ 1,082,286	\$ 246,407	\$ 1,328,693
2019	2,293,192	245,808	2,539,000
2020	1,650,934	245,520	1,896,454
2021	490,461	208,031	698,492
2022	1,140,555	137,291	1,277,846
Thereafter	435,818	24,276	460,094
<b>Total</b>	<b>\$ 7,093,246</b>	<b>\$ 1,107,333</b>	<b>\$ 8,200,579</b>

#### ***Actuarial Assumptions***

Actuarial assumptions for both cost-sharing defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	FRS	HIS
Mortality Table	Generational RP-2000 with	
Experience Study	Projection Scale BB Tables	
Actuarial Cost Method	7/1/08-6/30/13	
Investment rate of return	Individual Entry Age Normal	
Projected salary increases	7.10%	3.58%
Inflation	3.25%	3.25%
	2.60%	2.60%

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 8 – PENSION PLANS (CONTINUED)

#### *COST-SHARING DEFINED BENEFIT PLANS (CONTINUED)*

##### ***Long-Term Expected Rate of Return***

The long-term expected rate of return on the Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.0%	3.0%	1.8%
Fixed income	18%	4.5%	4.4%	4.2%
Global equity	53%	7.8%	6.6%	17.0%
Real estate (property)	10%	6.6%	5.9%	12.8%
Private equity	6%	11.5%	7.8%	30.0%
Strategic investments	12%	6.1%	5.6%	9.7%
	<u>100%</u>			
Assumed inflation-Mean		2.6%		1.9%

##### ***Discount Rate***

The discount rate used to measure the total pension liability was 7.10 percent for the FRS plan. The fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The HIS program uses a pay as you go funding structure, therefore, the depletion date is considered to be immediate and the single equivalent discount rate is equal to the municipal bond rate. The municipal bond rate of 3.58% was used to determine the total pension liability for the program. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Since the prior measurement date, the discount rate for FRS was decreased from 7.60% to 7.10%. The HIS discount rate was increased from 2.85% to 3.58%.

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 8 – PENSION PLANS (CONTINUED)

#### *COST-SHARING DEFINED BENEFIT PLANS (CONTINUED)*

##### ***Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate***

The following table presents the sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the City's proportionate share of the net pension liability if the discount rate was 1.00% lower or 1.00% higher than the current discount rate at June 30, 2017.

Pension Plan	City's Proportionate Share of the Net Pension Liability			
		1% Decrease	Current Discount Rate	1% Increase
FRS	\$	25,477,043	\$ 14,076,184	\$ 4,610,859
HIS		6,517,246	5,711,209	5,039,825

##### ***Pension Plan Fiduciary Net Position***

Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

#### ***CITY SPONSORED – DEFINED BENEFIT PLANS***

##### ***Plan Descriptions***

The City is the sponsor of three single-employer defined benefit plans: City of Palm Beach Gardens Police Officers' Pension Fund (the "Police Pension") covering police officers, City of Palm Beach Gardens Retirement Plan for Firefighters (the "Fire Pension") covering Firefighters, and City of Palm Beach Gardens Retirement Plan for General Employees (the "General Employees' Pension"). The defined benefit plan for general employees was closed to new employees hired after May 1, 1995. All three plans are reported as pension trust funds. The City Council is authorized to establish benefit levels and to approve the actuarial assumptions used in the determination of contribution levels.

At the election of the Pension Boards, separate audited financial statements are produced for the Police Pension and the Fire Pension. The General Employees' Pension does not issue separate statements. The stand-alone statements for the Police Pension and the Fire Pension are available on the City's homepage at [www.pbgfl.com](http://www.pbgfl.com).

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 8 – PENSION PLANS (CONTINUED)

#### *CITY SPONSORED – DEFINED BENEFIT PLANS (CONTINUED)*

##### ***Plan Descriptions (continued)***

Each pension plan has its own board that acts as plan administrator and trustee. Each plan's assets may only be used for the payment of benefits to the members and beneficiaries of the plan in accordance with the terms of each plan document. The costs of administering each plan are financed in the appropriate pension trust fund.

The General Employees' Pension Board has three members and is comprised of a plan member or retiree or HR administrator if one of these is unable to serve; the City's finance administrator and the City manager or designee.

The Police and Fire Pension Boards are managed by a five-member Board of Trustees comprised of two members appointed by City Council, two members that are elected by plan membership, and a fifth member who is chosen by the other four members.

##### ***Basis of Accounting***

The Plans' financial statements are prepared using the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Employer and State of Florida contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

##### ***Investments***

Investments are reported at fair value except for money market funds and commercial paper which are at amortized cost, and are managed by third party money managers. The Plans' independent custodians and individual money managers price each instrument using various third party pricing sources. The benefits and refunds of the defined benefit pension plans are recognized when due and payable in accordance with the terms of the plan.

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 8 – PENSION PLANS (CONTINUED)

#### *CITY SPONSORED – DEFINED BENEFIT PLANS (CONTINUED)*

##### *BENEFIT TERMS*

##### **General Employees' Pension**

The Plan provides normal retirement, early retirement, deferred retirement, disability retirement and death benefits. The benefit provisions are established and may be amended under the authority of City Ordinance. A participant may retire with normal benefits after age 62 with 10 years of credited service. Reduced early retirement benefits are available once a participant reaches age 55 and accumulates 10 years of credited service. Normal retirement benefits are calculated at 2.5% of the participant's average earnings times the participant's credited service years. A participant becomes 100% vested after 10 years of credited service. Early retirement benefits are the same as normal retirement benefits, reduced by 0.55% for each of the first sixty months by which the early retirement age precedes age 62 and further reduced by 0.27% for each of the next twenty-four months by which the early retirement age precedes age 62. Average earnings for purposes of calculating benefits is the average of the three highest years of pensionable earnings out of the last five years of employment. Salary means the average monthly earnings reported to the Internal Revenue Service for income tax purposes.

##### *Disability Benefits*

A participant must become totally and permanently disabled prior to his termination of employment as determined by the pension board. The disability benefit is a monthly 10-year certain and life annuity equal to the participant's monthly accrued benefit, but offset as necessary to preclude the total of the participant's worker's compensation, 50% of the participant's social security disability benefit, and any other City-provided disability compensation from exceeding his final monthly salary excluding overtime. For this purpose, the amount of any lump sum worker's compensation payment is converted to an equivalent monthly benefit payable for 10 years certain by dividing the lump sum amount by 83.9692. A disabled participant may elect the single life annuity or a joint and contingent annuity in lieu of the 10-year certain and life form of payment. Regardless of the form of payment, benefits cease upon the participant's recovery from the disability prior to normal retirement date.

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 8 – PENSION PLANS (CONTINUED)

#### *CITY SPONSORED – DEFINED BENEFIT PLANS (CONTINUED)*

##### *BENEFIT TERMS (CONTINUED)*

#### **General Employees' Pension (continued)**

##### ***Disability Benefits (continued)***

Eligibility for disability benefits begins from the participant's date of hire, if the disability is service connected, or after 10 years of service if non-service connected. Service-incurred disability benefits are 60% of the participant's average final compensation, and not less than 2.0% of the participant's average final compensation times his or her credited service years. Non-service incurred disability benefits are 2.5% of the participant's average final compensation times his or her credited service years up to a maximum of 50% of average final compensation.

##### ***Death Benefits***

If a vested participant dies prior to retirement, the participant's beneficiary receives a 10-year certain annuity equal to the participant's monthly accrued benefit, payable beginning at the participant's early or normal retirement age. If a non-vested participant dies prior to retirement, the participant's beneficiary receives the participant's accumulated contributions.

##### ***Termination Benefits***

Termination benefits for unvested participants are the return of the participant's contributions. For participants who are vested when they terminate, their vested accrued pension benefit is payable at the early or normal retirement date. Full vesting occurs at the completion of 10 years of credited service.

#### **Police Pension**

The Plan provides retirement, death and disability benefits for its members. Benefit provisions are established and may be amended by the City of Palm Beach Gardens, in conjunction with the Palm Beach County Police Benevolent Association. A member hired before September 13, 2012 may retire with normal benefits after the earlier of age 52 with 10 years of credited service, or 20 years of credited service regardless of age. A member hired on or after September 13, 2012 may retire with normal benefits upon the attainment of age 59 and 10 years of credited service. Reduced early retirement benefits are available once a member reaches age 50 and accumulates 10 years of credited service. For members retiring prior to September 13, 2012, normal retirement benefits are 3.5% of the member's average monthly earnings times his or her credited service years, up to a maximum of 100% of average monthly earnings, plus a monthly supplemental benefit of \$12.50 per year of



# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 8 – PENSION PLANS (CONTINUED)

#### *CITY SPONSORED – DEFINED BENEFIT PLANS (CONTINUED)*

##### *BENEFIT TERMS (CONTINUED)*

##### **Police Pension (continued)**

service. For members hired prior to September 13, 2012 and retiring on or after September 13, 2012, but not having attained the normal retirement date prior to September 13, 2012, normal retirement benefits are 3.5% of the member's average monthly earnings times his or her credited service years earned prior to September 13, 2012 plus 2.75% of the member's average monthly earnings times his or her credited service years earned on or after September 13, 2012, up to a maximum of 75% of average monthly earnings, plus a monthly supplemental benefit of \$12.50 per year of service. For members hired on or after September 13, 2012, normal retirement benefits are 2.75% of the member's average monthly earnings times his or her credited service years, up to a maximum of 75% of average monthly earnings, plus a monthly supplemental benefit of \$12.50 per year of service. Early retirement benefits are the same as normal retirement benefits, reduced by 3.0% for each year by which early retirement precedes the normal retirement date. Average monthly earnings for purposes of calculating benefits is the average of salary during the last five years of employment producing the highest average. Salary means the average monthly earnings reported to the Internal Revenue Service for income tax purposes, plus deferred compensation. Beginning with salary after December 31, 2008, the definition of salary includes amounts paid by the City as differential wages to members who are absent from employment while in qualified military service. Notwithstanding the preceding two sentences, effective September 13, 2012, salary will henceforth mean base pay, excluding all other compensation, provided that the salary of any member employed on September 13, 2012 shall include payment for unused accrued sick and annual leave up to the dollar amount of unused sick and annual leave that the member has accrued as of September 13, 2012. However, in no event will the salary of any member who is employed on September 13, 2012 be less than the member's salary on September 12, 2012 as determined in accordance with the definition of salary in effect on September 12, 2012.

##### ***Deferred Retirement Option Plan***

Any member who attains 20 years of service or age 52 with 10 years of service may elect to participate in a deferred retirement option plan (DROP) while continuing his or her active employment as a police officer. The election to enter the DROP must be made prior to completing 25 years of credited service. Upon participation in the DROP, the member becomes a retiree for all Plan purposes so that he or she ceases to accrue any further benefits under the Plan. Normal retirement payments that would have been payable to the member as a result are accumulated and invested in the DROP plan to be distributed to the member upon his or her termination of employment. Participation in the DROP plan ceases for a member at the first to occur of: termination of employment, 30 years of credited service or 5 years of participation.

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 8 – PENSION PLANS (CONTINUED)

#### *CITY SPONSORED – DEFINED BENEFIT PLANS (CONTINUED)*

#### *BENEFIT TERMS (CONTINUED)*

#### **Police Pension (continued)**

##### ***Disability Benefits***

Eligibility for disability benefits begins from the member's date of hire, if the disability is service connected, or after 10 years of service if non-service connected. Service-incurred disability benefits are 60% of the member's current compensation, and not less than the accrued pension benefit. Non-service incurred disability benefits are calculated the same as a normal retirement pension based on average monthly earnings and credited service at the time of disability, but not less than 25% of average monthly earnings or the accrued pension benefit, whichever is greater.

##### ***Death Benefits***

Pre-retirement death benefits for service related deaths are paid to the member's beneficiary for life. Benefits are calculated at 50% of the member's average monthly earnings, with a minimum equal to the accrued pension benefit (with no early retirement reduction). Pre-retirement death benefits for non-service related deaths are paid to the member's beneficiary for life. For members with less than 5 years of contributing service at the date of death, the benefit is the return of the member's contributions without interest. For members with 5 years or more of contributing service at the date of death, the benefit is equal to that payable at early or normal retirement age. If the member is eligible for normal retirement, the benefit is equal to his or her accrued pension benefit, and is payable for life.

##### ***Termination Benefits***

Termination benefits for unvested members are the return of the member's contributions. For members who are vested when they terminate, their vested accrued pension benefit is payable at the early or normal retirement date. Full vesting occurs at the completion of 10 years of credited service.

#### **Fire Pension**

The Plan provides normal retirement, early retirement, deferred retirement, disability retirement and death benefits. The benefit provisions are established and may be amended under the authority of City Ordinance. A participant may retire with normal benefits after the earlier of age 52 with 10 years of credited service, or 25 years of credited service regardless of age. Reduced early retirement benefits are available once a participant reaches age 50 and accumulates 10 years of credited service. Normal retirement benefits are 3.0%

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 8 – PENSION PLANS (CONTINUED)

#### *CITY SPONSORED – DEFINED BENEFIT PLANS (CONTINUED)*

#### *BENEFIT TERMS (CONTINUED)*

#### **Fire Pension (continued)**

of the participant's average final compensation times the participant's credited service years up to a maximum of 99% (75% for participants retiring on or after September 13, 2012 who were not eligible for normal retirement or who did not have an accrued pension benefit in excess of 75% of average final compensation on that date) of average final compensation. Early retirement benefits are the same as normal retirement benefits, reduced by 3.0% for each year by which the commencement of benefits precedes age 52. Average final compensation for purposes of calculating benefits is one twelfth of the average annual salary for the best five years of the last ten years of credited service. Salary means the total compensation for services rendered to the City as a firefighter reportable on the participant's W-2 form plus all tax deferred, tax-sheltered or tax exempt items of income derived from elective employee payroll deduction or salary reduction. Notwithstanding the preceding sentence, effective September 13, 2012, salary shall exclude all overtime compensation as well as payments for unused accrued sick and annual leave; provided the salary of any participant employed on September 13, 2012 shall include payment for unused accrued sick and annual leave up to the number of hours of unused sick and annual leave accrued on September 13, 2012.

#### ***Deferred Retirement Option Plan***

Any participant who attains 25 years of service or age 52 with 10 years of service may elect to participate in the deferred retirement option plan (DROP) while continuing his or her active employment as a firefighter. Upon participation in the DROP, the participant becomes a retiree for all Plan purposes so that he or she ceases to accrue any further benefits under the Plan. Normal retirement payments that would have been payable to the participant as a result are accumulated and invested in the DROP plan to be distributed to the participant upon his or her termination of employment. Participation in the DROP plan ceases for a participant at the first to occur of: termination of employment or 5 years of participation.

#### ***Disability Benefits***

Eligibility for disability benefits begins from the participant's date of hire, if the disability is service connected, or after 10 years of service if non-service connected. Service-incurred disability benefits are 60% of the participant's average final compensation, and not less than 2.0% of the participant's average final compensation times his or her credited service years. Non-service incurred disability benefits are 2.5% of the participant's average final compensation times his or her credited service years up to a maximum of 50% of average final compensation.

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 8 – PENSION PLANS (CONTINUED)

#### *CITY SPONSORED – DEFINED BENEFIT PLANS (CONTINUED)*

#### *BENEFIT TERMS (CONTINUED)*

#### **Fire Pension (continued)**

##### ***Death Benefits***

The death benefit for a participant who was partially or fully vested, but had not attained at least age 50, is a payment of the participant's accrued pension benefit to the participant's beneficiary for 10 years, beginning on the date that the participant would have attained age 52 for a normal retirement benefit or age 50 for an early retirement benefit, at the option of the beneficiary. The death benefit for a participant who was not vested is a return of the participant's contributions to the participant's beneficiary.

##### ***Termination Benefits***

Termination benefits for unvested participants are the return of the participant's contributions. For participants who are vested when they terminate, their vested accrued pension benefit is payable at the early or normal retirement date. Full vesting occurs at the completion of 10 years of credited service.

##### ***Cost of Living Adjustments***

Beginning January 1, 2004, and each January 1 thereafter, all participants receiving benefits, excluding disability retirees, shall receive an age based cost of living adjustment. The amount will be 1.0% for participants who are age 53, 2.0% for participants who are age 54, and 3.0% for participants who are age 55 or greater. Effective January 1, 2013, the applicable percentage for participants who are age 55 or greater, and who were not employed and eligible for normal retirement on September 13, 2012, shall be 1.5%.

The plan membership as of October 1, 2017 for the General Employees' and October 1, 2016 for the Police and Fire, the date of the latest actuarial valuation are listed below:

	General Employees'	Police	Fire
Active Employees	2	86	91
Benefits	10	78	45
Inactive Employees Entitled to but not yet Receiving Benefits	2	3	4
Total	14	167	140

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 8 – PENSION PLANS (CONTINUED)

#### *CITY SPONSORED – DEFINED BENEFIT PLANS (CONTINUED)*

#### *BENEFIT TERMS (CONTINUED)*

##### ***Contributions***

The Florida Constitution requires local governments to make the actuarially determined contribution. The Florida Division of Retirement reviews and approves each local government's actuarial report for funding purposes. Additionally, the State collects two locally authorized insurance premium surcharges (one for the Police Pension Plan on casualty insurance policies and one for the Fire Pension Plan on certain real and personal property insurance policies within the corporate limits) which can only be distributed after the State has ascertained that the local government has met their actuarial funding requirement for the then most recently completed fiscal year.

The following schedule summarizes the contribution rates for the City and its plan members:

	General Employees'	Police	Fire
Contribution Rates:			
City	104.36%	53.37%	40.31%
State	N/A	7.74%	6.80%
Plan members	6.00%	8.60%	6.00%

The Police Officers' and Firefighters' Pension Plans are partially funded by contributions from the State of Florida under Chapters 185 and 175, respectively, of the Florida Statutes. This contribution consists of excise taxes collected by the State on property and casualty insurance premiums on policies written within the City and totaled \$1,085,186 for the year ended September 30, 2017: \$460,998 for property insurance contracts for firefighters and \$624,188 for casualty insurance contracts for police officers. These amounts are recognized as insurance premium tax revenues and public safety expenditures in the General Fund.

#### ***NET PENSION LIABILITY***

The City's net pension liability was measured as of September 30, 2016 for the Police Pension and Fire Pension and the General Employees' Pension was measured as of September 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial accounting valuation as of these dates.

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

### NOTE 8 – PENSION PLANS (CONTINUED)

#### *CITY SPONSORED – DEFINED BENEFIT PLANS (CONTINUED)*

#### *NET PENSION LIABILITY (CONTINUED)*

#### *Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of October 1, 2015, updated to September 30, 2016 for the Police Pension and Fire Pension and the General Employees' Pension used an actuarial valuation as of October 1, 2016 updated to September 30, 2017. The following actuarial assumptions, applied to all measurement periods:

	General Employees'	Police	Fire
	RP-2000 Combined Mortality Table with full generational improvements in mortality using Scale BB	RP-2000 Table for annuitants with mortality improvement projected to all future years using Scale BB	RP-2000 Generational Table using Scale BB
Mortality Table	BB	BB	BB
Investment rate of return	7.00%	6.80%	7.45%
Projected salary increases	5.00%	3.0% - 4.5%	0% - 3.7%
Inflation	0.00%	2.50%	2.50%
Cost of living adjustments	0.00%	N/A	1%-2%

The actuarial assumptions used in the September 30, 2016 accounting valuation for the Police Pension and Fire Pension were based on the results of an actuarial experience study for the period of October 1, 2013 – September 30, 2016. The assumptions used in the September 30, 2017 accounting valuation for the General Employees' Pension were based on the results of an actuarial experience study for the period of October 1, 2014 – September 30, 2017.

#### *Long-term Expected Rate of Return*

The long-term expected rate of return for the General Employees' Pension, Police Pension and the Fire Pension investments were determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the General Employee's Pension, Police Pension and Fire Pension plan's target asset allocation as of September 30, 2017 are summarized and included in the following table.

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

### NOTE 8 – PENSION PLANS (CONTINUED)

#### *CITY SPONSORED – DEFINED BENEFIT PLANS (CONTINUED)*

#### *NET PENSION LIABILITY (CONTINUED)*

#### *Long-term Expected Rate of Return (continued)*

Plan	Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
General Employees	Core bonds	16%	0.58%
	Multi-sector	24%	1.08%
	U.S. large cap equity	39%	6.08%
	U.S. small cap equity	11%	6.83%
	Non-U.S. equity	10%	6.83%
Fire	Domestic equity	50%	7.50%
	Foreign equity	10%	8.50%
	Broad market fixed income	10%	2.50%
	Intermediate fixed income	10%	2.50%
	Global fixed income	5%	3.50%
	Real estate	10%	4.50%
	Alternative	5%	6.00%
Police	Domestic equity	55%	7.50%
	International equity	10%	8.50%
	Domestic bonds	23.5%	2.50%
	International bonds	4%	3.50%
	Real estate	7.5%	4.50%

#### *Discount Rate*

The discount rate used to measure the total pension liability was 7.00% for the General Employees' Pension, 6.80% for the Police Pension, and 7.45% for the Fire Pension. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made as legally required. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

### NOTE 8 – PENSION PLANS (CONTINUED)

#### *CITY SPONSORED – DEFINED BENEFIT PLANS (CONTINUED)*

#### *NET PENSION LIABILITY (CONTINUED)*

#### *Discount Rate (continued)*

Since the prior measurement date, the discount rate of the Police Pension discount rate has been lowered each year for the past five years and will continue until the rate of 6.50% is reached. The Fire Pension discount rate was decreased from 7.65% to 7.45%.

#### *Changes in the Net Pension Liability*

The changes in the net pension liability at the measurement date, were as follows:

	General Employees'	Police	Fire
<b>Total Pension Liability</b>			
Service Cost	\$ 29,083	\$ 1,321,153	\$ 1,637,466
Interest	229,409	6,705,476	7,174,074
Change in Excess State Money	--	--	--
Share Plan Allocation	--	(70,233)	51,623
Changes of Benefit Terms	--	--	--
Differences Between Expected and Actual Experience	92,626	53,192	(1,684,439)
Changes of Assumptions	122,668	1,038,564	5,890,763
Benefit Payments Including Refunds of Employee Contributions	(237,655)	(3,946,901)	(1,803,517)
Net Change in Total Pension Liability	236,131	5,101,251	11,265,970
Total Pension Liability - Beginning	3,370,170	97,868,222	93,043,038
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 3,606,301</b>	<b>\$ 102,969,473</b>	<b>\$ 104,309,008</b>



# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

### NOTE 8 – PENSION PLANS (CONTINUED)

#### *CITY SPONSORED – DEFINED BENEFIT PLANS (CONTINUED)*

#### *NET PENSION LIABILITY (CONTINUED)*

#### *Changes in the Net Pension Liability (continued)*

	General Employees'	Police	Fire
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 253,534	\$ 2,897,754	\$ 3,088,524
Contributions - State	--	643,259	568,403
Contributions - Employee	10,111	452,421	455,983
Net Investment Income	315,027	8,107,238	6,152,911
Benefit Payments Including Refunds of Employee Contributions	(237,655)	(3,946,901)	(1,803,517)
Administrative Expense	(11,796)	(132,973)	(91,145)
Other	--	--	--
Net Change in Plan Fiduciary Net Position	329,221	8,020,798	8,371,159
Plan Fiduciary Net Position - Beginning	2,285,725	74,092,896	72,959,181
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 2,614,946 *</u>	<u>\$ 82,113,694</u>	<u>\$ 81,330,340</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	<u>\$ 991,355</u>	<u>\$ 20,855,779</u>	<u>\$ 22,978,668</u>
Plan Fiduciary Net Position as a % of the Total Pension Liability	72.51%	79.75%	77.97%
Covered Employee Payroll	\$ 174,581	\$ 5,260,709	\$ 7,599,715
Net Pension Liability as a % of Covered Employee Payroll	567.85%	396.44%	302.36%

\* The amount does not agree to the General Employees' Pension Trust Fund by \$92,024 due to differences related to the timing in the fiscal year 2018 employer contributions of \$91,099 as well as an adjusting journal entry of \$925.

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

### NOTE 8 – PENSION PLANS (CONTINUED)

#### *CITY SPONSORED – DEFINED BENEFIT PLANS (CONTINUED)*

#### *NET PENSION LIABILITY (CONTINUED)*

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

The following presents the City's net pension liability calculated using the current discount rates and the liability using discount rates that are one percentage point lower and one percentage point higher than the current rates:

Pension Plan	Net Pension Liability		
	1% Decrease	Current Discount Rate	1% Increase
General Employees'	\$ 1,359,633	\$ 991,355	\$ 676,157
Police	31,407,719	20,855,779	12,109,544
Fire	36,614,699	22,978,668	11,964,508

Discount Rate: The discount rate used to measure the total pension liability was 7.00% for General Employees, 6.80% for Police and 7.45% for the Fire Plan.

*Pension plan fiduciary net position.* Detailed information about the Police Pension and Fire Pension fiduciary net position is available in the separately issued financial reports. The General Employees' fiduciary net position information is shown below:

#### **General Employees Pension Trust Fund Statement of Fiduciary Net Position September 30, 2017**

<b>Assets</b>	
Cash and cash equivalents	\$ 10,095
Investments	2,513,752
Receivables	337
<b>Total Assets</b>	<b>2,524,184</b>
<b>Liabilities</b>	
Accounts payable	1,262
<b>Net Position Restricted for Pension Benefits</b>	<b><u>\$ 2,522,922</u></b>

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 8 – PENSION PLANS (CONTINUED)

#### *CITY SPONSORED – DEFINED BENEFIT PLANS (CONTINUED)*

#### **General Employees Pension Trust Fund Statement of Changes in Fiduciary Net Position Year Ended September 30, 2017**

##### **Additions**

##### Contributions:

Employer	\$ 162,435
Employees	<u>10,163</u>

**Total Contributions** 172,598

##### Investment earnings:

Net increase in the fair value of investments	315,026
Less investment expenses	<u>(4,972)</u>
Net investment gain	<u>310,054</u>

**Total Additions** 482,652

##### **Deductions**

Pension benefits	237,655
Administrative expenses	<u>6,943</u>

**Total Deductions** 244,598

**Change in Net Position** 238,054

##### Net Position, Restricted for Pension Benefits:

Beginning	<u>2,284,868</u>
Ending	<u><u>\$ 2,522,922</u></u>

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

**YEAR ENDED SEPTEMBER 30, 2017**

### NOTE 8 – PENSION PLANS (CONTINUED)

#### *CITY SPONSORED – DEFINED BENEFIT PLANS (CONTINUED)*

#### *Pension Expense, Deferred Outflows and Deferred Inflows of Resources Related to Pensions*

For the year ended September 30, 2017, The City recognized pension expense of \$7,736,349. Deferred outflows and inflows of resources related to pensions are as follows:

	<b>Deferred Outflows of Resources</b>			
	General Employees'	Police	Fire	Total
Differences between expected and actual experience	\$ --	\$ 686,190	\$ --	\$ 686,190
Assumption Changes	250,065	1,627,132	7,101,401	8,978,598
Net difference between projected and actual earnings on pension plan investments	62,013	2,549,948	1,566,309	4,178,270
Differences between expected and actual experience	63,010	--	--	63,010
Employer and State contributions subsequent to the measurement date	--	3,467,611	3,483,082	6,950,693
<b>Total Deferred Outflows of Resources</b>	<b>\$ 375,088</b>	<b>\$ 8,330,881</b>	<b>\$ 12,150,792</b>	<b>\$ 20,856,761</b>

	<b>Deferred Inflows of Resources</b>			
	General Employees'	Police	Fire	Total
Differences between expected and actual experience	\$ 126,780	\$ --	\$ 2,377,532	\$ 2,504,312
Assumption Changes	--	--	--	--
Net difference between projected and actual earnings on pension plan investments	141,024	3,240,018	--	3,381,042
<b>Total Deferred Inflows of Resources</b>	<b>\$ 267,804</b>	<b>\$ 3,240,018</b>	<b>\$ 2,377,532</b>	<b>\$ 5,885,354</b>

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

**YEAR ENDED SEPTEMBER 30, 2017**

### NOTE 8 – PENSION PLANS (CONTINUED)

#### *CITY SPONSORED – DEFINED BENEFIT PLANS (CONTINUED)*

#### ***Pension Expense, Deferred Outflows and Deferred Inflows of Resources Related to Pensions (continued)***

Deferred outflows of resources related to City contributions made subsequent to the measurement date of \$6,950,693 will be recognized as a reduction of the net pension liability for the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending September 30	General Employees'	Police	Fire	Total
2018	\$ 72,597	\$ 609,887	\$ 1,506,619	\$ 2,189,103
2019	11,513	595,215	1,506,619	2,113,347
2020	(19,492)	765,768	1,881,477	2,627,753
2021	(14,558)	(389,609)	694,409	290,242
2022	16,348	41,991	701,054	759,393
Thereafter	40,877	--	--	40,877
<b>Total</b>	<u>\$ 107,285</u>	<u>\$ 1,623,252</u>	<u>\$ 6,290,178</u>	<u>\$ 8,020,715</u>

The following summarizes the pension related amounts for the City as of the indicated measurement date:

	Measurement Date	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense/Income
FRS	6/30/2017	\$ 14,076,184	\$ 7,943,295	\$ 523,560	\$ 2,696,391
HIS	6/30/2017	5,711,209	1,682,524	505,746	587,218
General Employees'	9/30/2017	991,355	375,088	267,804	260,223
Police	9/30/2016	20,855,779	8,330,881	3,240,018	3,137,407
Fire	9/30/2016	<u>22,978,668</u>	<u>12,150,792</u>	<u>2,377,532</u>	<u>4,338,719</u>
Total		<u>\$ 64,613,195</u>	<u>\$ 30,482,580</u>	<u>\$ 6,914,660</u>	<u>\$ 11,019,958</u>

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 8 – PENSION PLANS (CONTINUED)

#### *DEFINED CONTRIBUTION PLANS*

##### *Investment Plan*

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

Cost of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 6% of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2016-17 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 3.30%, Special Risk Administrative Support class 4.95%, Special Risk class 11.00%, Senior Management Service class 4.67% and County and Local Elected Officers class 8.34%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2017, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 8 – PENSION PLANS (CONTINUED)

#### *DEFINED CONTRIBUTION PLANS (CONTINUED)*

##### *Investment Plan (continued)*

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The City's Investment Plan pension expense totaled \$264,722 for the fiscal year ended September 30, 2017.

##### *Defined Contribution Plan*

The City of Palm Beach Gardens Money Purchase Plan (the "General Plan") and the City of Palm Beach Gardens Executive Plan (the "Executive Plan") are defined contribution pension plans established by the City and administered by ICMA Retirement Corporation to provide benefits at retirement to the employees of the City. The General Plan was closed to new employees hired on or after October 1, 2006.

Employees of the City that were hired prior to October 1, 2006, and elected not to join the FRS are eligible to participate in the General Plan. There were seventeen plan members during the fiscal year. The City contributes to the General Plan an amount equal to the FRS contribution rate at the time of election (9.85% general employee and 13.12% senior management) of the employee's base salary each month. Employees also contribute an amount equal to 4% of their base salary in the General Plan. The City's contributions for each employee (and interest allocated to the employees' accounts) are fully vested after one year of continuous service. Plan revisions and contribution requirements are established and may be amended by the City Council.

The City Manager is the only employee eligible to participate in the Executive Plan. The City contributes 15% to the Executive Plan. As part of the employment agreement with the City Manager, the City contributes 3% of the base salary to the Executive Plan, in addition to the 15%.

The City's contributions were calculated using the base salary amount of \$937,081 for the General Plan and \$225,343 for the Executive Plan. The City made its required contributions of \$102,244 for the General Plan and \$40,562 for the Executive Plan and employees made their required contributions of \$37,483 to the General Plan.

# **CITY OF PALM BEACH GARDENS, FLORIDA**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2017**

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### **NOTE 8 – PENSION PLANS (CONTINUED)**

#### ***DEFINED CONTRIBUTION PLANS (CONTINUED)***

##### ***Deferred Compensation Plan***

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. This plan, available to all City employees, permits them to defer the payment of a portion of their salary until future years. Participation in this plan is voluntary and the City makes no contributions to this plan on behalf of the employee. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency. All amounts of compensation deferred, including the investments and earnings thereon, vest with the employee and are not subject to the claims of the City's general creditors.

### **NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS**

The cost of postemployment healthcare benefits generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The City recognizes the cost of postemployment healthcare benefits in the year when the employee services are performed, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows.

#### ***PLAN DESCRIPTION***

The City provides certain healthcare benefits to active and retired employees and their dependents. The health plan is a single employer plan administered by the City. The benefits, levels of benefit, employee contributions, and employer contributions are governed by the City and can be amended by the City through management recommendations to, and approval by, City Council as part of the annual budget adoption process. The plan is not reported as a trust fund nor has an irrevocable trust or equivalent arrangement been established to account for the plan. As a result, the plan does not issue a separate financial report. The activity of the plan is reported in the City's Self-Insurance fund, an internal service fund.

#### ***BENEFITS PROVIDED***

Retired City employees can continue the same medical coverage they had as active employees. The City provides postemployment health care benefits to its retired employees and their dependents. To be eligible for benefits, an employee must reach retirement eligibility in their respective pension plan.



# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

#### ***BENEFITS PROVIDED (CONTINUED)***

All health care benefits are provided through the City's self-insured health plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, and substance abuse care, dental care, and prescriptions. Upon a retired employee reaching 65 years of age, Medicare becomes the primary insurer and the City's plan will not pay benefits already paid by Medicare.

#### ***MEMBERSHIP***

As of September 30, 2017, membership consisted of:

Membership September 30, 2017	
Active Employees	464
Retirees	<u>42</u>
<b>Total</b>	<u><u>506</u></u>

#### ***FUNDING POLICY***

The City establishes the individual premium to be paid by the retired employees. The State of Florida prohibits the City from separately rating retired employees and active employees. As a result, the City's premium charges to retired employees can be no more than the premium cost applicable to active employees. Generally accepted accounting principles, however, require that the actuarial information presented below be calculated using age adjusted premiums approximating claim costs for retirees separate from the active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. For the year ended September 30, 2017, retired employees contributed \$554,798 to the plan. For those employees, through its Self-Insurance Fund, the City paid \$618,601 in claims and administrative costs resulting in a net cost of \$63,803. Active employees do not contribute 100% of the premium cost to the plan until retirement.

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

#### *ANNUAL OPEB COST AND ANNUAL OPEB OBLIGATION*

The City's actuarial valuation was performed for the plan as of October 1, 2016 and determined the employer's annual required contribution (ARC) for the year ended September 30, 2017. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, benefit payments made, and the changes in the net OPEB obligation.

Annual Required Contribution (ARC)	\$ 758,000
Interest on net OPEB obligation	134,000
Adjustment to annual required contribution	<u>(181,000)</u>
Annual OPEB cost	711,000
Benefit payments made	<u>(225,000)</u>
Increase in net OPEB obligation	486,000
Net OPEB obligation, beginning of year	<u>3,842,304</u>
<b>Net OPEB Obligation, End of Year</b>	<b><u><u>\$ 4,328,304</u></u></b>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation was as follows:

Fiscal Year Ended	Beginning Net OPEB Obligation	Annual OPEB Cost	Benefit Payments	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2015	\$ 2,729,000	\$ 650,324	\$ 67,217	10.34%	\$ 3,312,107
9/30/2016	3,312,107	671,636	141,439	21.06%	3,842,304
9/30/2017	3,842,304	711,000	225,000	31.65%	4,328,304

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

#### *FUNDED STATUS*

The funded status of the plan at October 1, 2016, the most recent actuarial valuation date, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2016	\$ --	\$ 8,346,000	\$ 8,346,000	0.00%	\$ 33,156,343	25.17%

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. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The City has not established an irrevocable trust fund or equivalent arrangement to accumulate assets to cover the unfunded actuarial accrued liability, but instead has elected to account for the OPEB liability on a pay as you go basis.

#### *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 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 projections do not explicitly incorporate the potential effects of legal or contractual funding limitations. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

#### *ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)*

In the October 1, 2016 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 3.5% investment discount rate, inflation rate of 2.2%, an annual healthcare cost trend rate of 5.50% decreasing until it reaches 4.00%, and payroll growth of 3.5%. Life expectancies were based upon data found in the RP-2000 healthy and disability tables. The actuarial value of assets was not determined as the City has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at September 30, 2017 was twenty-two years.

### NOTE 10 – CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various claims and legal actions occurring in the course of operations. While the ultimate outcome of the litigation cannot be determined at this time, management believes that any amounts not covered by insurance, if any, resulting from these lawsuits would not materially affect the financial position of the City.

### NOTE 11 – COMMITMENTS

Commitments on major construction contracts consist of the following:

<b>Project</b>	<b>Total Project Authorization</b>	<b>Expended at September 30, 2017</b>	<b>Balance to Complete</b>
Shady Lakes/117th Court Connector Road	\$ 2,500,000	\$ 1,979,182	\$ 520,818
117th Court North Expansion	2,200,000	1,395,089	804,911
Golf Course Club House Expansion	6,458,382	4,149,772	2,308,610
Joseph Russo Athletic Complex	2,972,898	2,762,385	210,513
<b>Total Major Construction Contract Commitments</b>	<b>\$ 14,131,280</b>	<b>\$ 10,286,428</b>	<b>\$ 3,844,852</b>

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 11 – COMMITMENTS (CONTINUED)

#### *SOLID WASTE, RECYCLING, AND VEGETATIVE WASTE COLLECTION SERVICES*

On February 17, 2006, the City entered into an agreement with Waste Management, Inc. of Florida granting an exclusive solid waste, recycling and vegetative waste collection services franchise. The City renewed a five-year option for the agreement on April 5, 2012 which will terminate on March 30, 2018. The cost of the contract totaled \$2,632,753 for the year ended September 30, 2017.

On January 4<sup>th</sup>, 2018, the City entered into an agreement to retain the services of Waste Management, Inc. of Florida for a period of ten years commencing April 1, 2018 through March 31, 2028, with no options to renew.

#### *ENCUMBRANCES*

Encumbrance accounting, in which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is utilized by the City during the year. Because appropriations expire at year end, even if encumbered, it is the City's policy to re-appropriate such amounts at the beginning of the next fiscal year. Encumbrances outstanding at year end are reported as part of restricted and assigned fund balances. Below is a listing of outstanding encumbrances by fund at September 30, 2017:

Fund	Encumbrances Outstanding
General fund	\$ 5,457,922
One-cent sales surtax capital improvements fund	787,402
Non-major governmental funds	<u>3,159,483</u>
<b>Total</b>	<u><u>\$ 9,404,807</u></u>

### NOTE 12 – JOINTLY GOVERNED ORGANIZATION

The City, through an interlocal agreement with certain other municipalities and Palm Beach County, created the Seacoast Utility Authority ("Seacoast") which provides water and sewer service to the citizens of each of the participating municipalities and a portion of Palm Beach County. Seacoast's governing board is comprised of one member from each participating entity. Seacoast is an independent authority organized under the laws of the State of Florida and the City has no participating equity ownership in Seacoast. The City paid \$239,867 to Seacoast during the fiscal year for water and sewer service and connection fees relating to capital projects.

# **CITY OF PALM BEACH GARDENS, FLORIDA**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2017**

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### **NOTE 13 – RISK MANAGEMENT AND HEALTH INSURANCE**

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omission; and natural disasters for which the City carries commercial insurance. Specifically, the City purchases commercial insurance for property, liability, and workers' compensation. The City is also covered by Florida Statutes under the Doctrine of Sovereign Immunity which effectively limits the amount of liability of municipalities to individual claims of \$200,000/\$300,000 for all claims relating to the same accident. There have been no significant reductions in insurance coverage from the prior year. In addition, there have been no settlements in excess of insurance coverage for the past three fiscal years.

#### ***SELF-INSURANCE FUND***

During fiscal year 2009, the City established the Self-Insurance Fund (internal service fund) to account for medical insurance claims of City employees and their covered dependents. Under this program, the fund provides the employee with an unlimited lifetime maximum benefit. A maximum deductible of \$200,000 for specific claims has been set. Commercial insurance for specific loss claims in excess of the coverage provided by the fund is supplied by Symetra Life Insurance Company. The City has contracted with Blue Cross/Blue Shield to perform certain administrative functions, such as monitoring, reviewing and paying claims. Settled claims have not exceeded the excess insurance limits during the fiscal year.

All City departments participate in the program and make payments to the Self-Insurance Fund based upon actuarial estimates of the amounts needed to pay prior and current year claims, claims reserves, and administrative costs.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors.

# CITY OF PALM BEACH GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 13 – RISK MANAGEMENT AND HEALTH INSURANCE (CONTINUED)

#### *SELF-INSURANCE FUND (CONTINUED)*

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether the expenses are allocated to specific claims. Changes in claims liabilities were as follows:

Fiscal Year Ended	Claims Payable Beginning of Year	Claims and Changes in Estimates	Claim Payments	Claims Payable End of Year
9/30/2016	\$262,592	\$ 5,371,336	\$ (5,356,760)	\$ 277,168
9/30/2017	277,168	6,370,305	(6,254,599)	392,874

### NOTE 14 – INVESTMENT IN JOINT VENTURE

The City entered into an interlocal agreement with two other municipalities in Palm Beach County to purchase and operate a county-wide public safety communications system. The interlocal agreement established the Municipal Public Safety Communications Consortium of Palm Beach County (“MPSCC”) whose purpose is to provide its members with expanded radio communication services (via the 800MHz trunked radio system) to aid in public safety over a larger geographical region. The MPSCC is a cost sharing organization. Its annual budget is prepared by the Executive Director and approved by the Board of Directors of MPSCC. The member municipalities of the MPSCC are obligated for the debt incurred by the consortium and each municipality is responsible for their respective portion of costs incurred by the MPSCC. The City’s initial investment in this joint venture was \$676,200, which represented 13.8% of the total consortium investment. During the current fiscal year, the City had expenditures of \$145,954 relating to the consortium. The City’s investment in the joint venture is \$1,719,363 as of September 30, 2017. Separate financial statements for the MPSCC may be obtained from, Palm Beach Gardens Police, Attention: Ernie Carr, 10500 Military Trail, Palm Beach Gardens, Florida 33410.

# **CITY OF PALM BEACH GARDENS, FLORIDA**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2017**

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### **NOTE 15 – INTERLOCAL AGREEMENT**

On September 30, 2010, the City adopted Resolution 74, 2010, entering into an agreement with three other municipalities (the Town of Jupiter, Town of Juno Beach, and Jupiter Inlet Colony) to provide consolidated police dispatch operations in Palm Beach County. On September 17, 2014, the Village of North Palm Beach entered the interlocal agreement. The Northern Municipal Regional Communications Center's (NMRCC) budget for the fiscal year was \$3,441,473 which was offset by \$72,594 in Palm Beach County 911 reimbursements. In addition, each participating municipality was responsible for its pro-rata share of administrative service fees totaling \$541,167.

The allocation of expenditures to the four municipalities is based on population with the City's share at 40.3%, the Town of Jupiter at 47.1%, the Village of North Palm Beach at 9.7%, the Town of Juno Beach at 2.6% and the Jupiter Inlet Colony at .3%. The City received payments from the Town of Jupiter, Town of Juno Beach, Village of North Palm Beach and Jupiter Inlet Colony for dispatch services totaling \$2,345,080, which included an administrative services fee of \$323,264. The City was responsible for \$1,564,962. Actual expenditures were less than the dispatch operations budget during the fiscal year by \$116,563. The accumulated portion of payments from municipalities that exceed actual expenditures is shown as restricted to law enforcement on the governmental funds balance sheet.





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## **REQUIRED SUPPLEMENTARY INFORMATION**

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# CITY OF PALM BEACH GARDENS, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND

**YEAR ENDED SEPTEMBER 30, 2017**

	Original Adopted Budget	Legally Adopted Budget Amendments	Final Revised Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>					
Taxes:					
Ad valorem taxes	\$ 55,125,895	\$ --	\$ 55,125,895	\$ 55,324,350	\$ 198,455
Local business taxes	1,600,000	--	1,600,000	1,608,214	8,214
Utility taxes	2,100,000	--	2,100,000	2,028,360	(71,640)
Special assessment	114,500	--	114,500	114,377	(123)
Franchise fees	5,730,000	--	5,730,000	5,564,984	(165,016)
Licenses and permits	3,326,300	--	3,326,300	5,832,223	2,505,923
Intergovernmental	5,977,898	143,206	6,121,104	6,151,253	30,149
Charges for services	5,061,155	--	5,061,155	6,382,549	1,321,394
Fines and forfeitures	214,100	--	214,100	166,503	(47,597)
Investment income	358,100	--	358,100	336,500	(21,600)
Miscellaneous	906,200	--	906,200	1,757,015	850,815
<b>Total Revenues</b>	<b>80,514,148</b>	<b>143,206</b>	<b>80,657,354</b>	<b>85,266,328</b>	<b>4,608,974</b>
<b>Expenditures</b>					
General Government:					
City Council	478,774	(23)	478,751	383,786	94,965
Administration	737,046	(55)	736,991	661,260	75,731
Purchasing and Contract Management	154,478	(15)	154,463	152,870	1,593
Information Technology	2,185,267	22,463	2,207,730	2,234,009	(26,279)
City Clerk	725,065	69,943	795,008	779,439	15,569
Legal Services	469,446	(13)	469,433	405,042	64,391
Public Communications	325,947	57,982	383,929	266,946	116,983
Engineering Services	572,655	(827)	571,828	562,870	8,958
Human Resources	768,106	34,486	802,592	767,740	34,852
Finance	1,134,943	(122)	1,134,821	1,141,082	(6,261)
General Services	5,760,249	(414,488)	5,345,761	5,118,971	226,790
Planning and Zoning:					
Administration	686,367	228,068	914,435	584,165	330,270
Development Compliance	507,859	(54)	507,805	426,357	81,448
Planning	517,544	(54)	517,490	581,929	(64,439)
GIS	251,496	(3,576)	247,920	228,476	19,444
Construction Services - Building	1,647,393	18,704	1,666,097	1,615,523	50,574
Code Enforcement	925,695	(21,550)	904,145	826,514	77,631
Total general government	17,848,330	(9,131)	17,839,199	16,736,979	1,102,220
Public safety:					
Police	23,218,957	144,906	23,363,863	22,348,255	1,015,608
Fire and Emergency Services	20,280,124	173,385	20,453,509	20,281,733	171,776
Total public safety	43,499,081	318,291	43,817,372	42,629,988	1,187,384

(Continued)

*See notes to budgetary comparison schedule.*

**CITY OF PALM BEACH GARDENS, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND (CONTINUED)**

**YEAR ENDED SEPTEMBER 30, 2017**

	Original Adopted Budget	Legally Adopted Budget Amendments	Final Revised Budget	Actual	Variance With Final Budget Positive (Negative)
Culture and Recreation:					
Administrative Services	\$ 183,671	\$ 6,750	\$ 190,421	\$ 180,085	\$ 10,336
Seniors and Wellness	58,750	(4,000)	54,750	52,784	1,966
Aquatics	214,211	--	214,211	258,516	(44,305)
Tennis	171,490	(226)	171,264	150,878	20,386
Programs	111,433	--	111,433	106,872	4,561
Total cultural and recreation	<u>739,555</u>	<u>2,524</u>	<u>742,079</u>	<u>749,135</u>	<u>(7,056)</u>
Physical Environment:					
Administrative Services	976,011	12,267	988,278	801,895	186,383
Facilities Maintenance	2,817,182	(13,265)	2,803,917	2,635,365	168,552
Stormwater and Street Maintenance	2,915,967	236,686	3,152,653	2,644,823	507,830
Parks and Grounds	<u>3,659,278</u>	<u>109,415</u>	<u>3,768,693</u>	<u>3,524,242</u>	<u>244,451</u>
Total physical environment	<u>10,368,438</u>	<u>345,103</u>	<u>10,713,541</u>	<u>9,606,325</u>	<u>1,107,216</u>
Capital outlay	<u>4,622,702</u>	<u>8,069,566</u>	<u>12,692,268</u>	<u>6,606,309</u>	<u>6,085,959</u>
Debt Service:					
Principal	3,917,498	--	3,917,498	3,917,493	5
Interest	<u>516,006</u>	<u>--</u>	<u>516,006</u>	<u>515,756</u>	<u>250</u>
Total debt service	<u>4,433,504</u>	<u>--</u>	<u>4,433,504</u>	<u>4,433,249</u>	<u>255</u>
<b>Total Expenditures</b>	<u>81,511,610</u>	<u>8,726,353</u>	<u>90,237,963</u>	<u>80,761,985</u>	<u>9,475,978</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(997,462)</u>	<u>(8,583,147)</u>	<u>(9,580,609)</u>	<u>4,504,343</u>	<u>14,084,952</u>
<b>Other Financing Sources/(Uses)</b>					
Transfers in	694,320	--	694,320	694,320	--
Transfers out	(220,000)	(997,000)	(1,217,000)	(1,107,000)	110,000
Capital lease financing	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,965,638</u>	<u>1,965,638</u>
<b>Total Other Financing Sources/(Uses)</b>	<u>474,320</u>	<u>(997,000)</u>	<u>(522,680)</u>	<u>1,552,958</u>	<u>2,075,638</u>
<b>Change in Fund Balance</b>	<u>(523,142)</u>	<u>(9,580,147)</u>	<u>(10,103,289)</u>	<u>6,057,301</u>	<u>16,160,590</u>
<b>Fund Balance, Beginning</b>	<u>29,355,135</u>	<u>9,015,178</u>	<u>38,370,313</u>	<u>38,370,314</u>	<u>(1)</u>
<b>Fund Balance, End</b>	<u>\$ 28,831,993</u>	<u>\$ (564,969)</u>	<u>\$ 28,267,024</u>	<u>\$ 44,427,615</u>	<u>\$ 16,160,589</u>

*See notes to budgetary comparison schedule.*

# **CITY OF PALM BEACH GARDENS, FLORIDA**

## **REQUIRED SUPPLEMENTARY INFORMATION**

### **NOTES TO BUDGETARY COMPARISON SCHEDULE**

**YEAR ENDED SEPTEMBER 30, 2017**

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#### **NOTE 1 – BUDGETARY INFORMATION**

State of Florida statutes require that all municipal governments establish budgetary systems and approve annual operating budgets. The Council annually adopts an operating budget and appropriates funds for the general fund, special revenue funds (except the extra duty police fund), capital projects funds and the proprietary fund. The procedures for establishing budgetary data are as follows:

Prior to the first Council meeting in August of each year, the City Manager submits a proposed operating budget to the Council for the next fiscal year commencing the following October 1. The proposed budget includes expenditures and the means of financing them.

The Council holds public meetings to obtain taxpayer comments.

Upon completion of the public hearings, a final operating budget is legally enacted through the passage of an ordinance before September 30<sup>th</sup>. Estimated fund balances are considered in the budgetary process.

A City ordinance establishes the legal level of budgetary control at the fund level. Any increase in the total amount appropriated for all funds must be approved by ordinance of the Council. Any transfer between funds must be approved by the City Manager and by ordinance of the City Council. Transfers from the Council contingency account must be approved by the City Council. Any other budget transfer within the same fund must be approved by the City Manager.

The adopted budgets are prepared in accordance with generally accepted accounting principles. The Council also adopts non-appropriated operating budgets for the proprietary funds substantially on a basis consistent with generally accepted accounting principles, except that depreciation is not budgeted and capital outlay purchases are presented as expenditures. The reported budgetary data represents the final appropriated budgets after amendments adopted by the Council.

# CITY OF PALM BEACH GARDENS, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION

### NOTES TO BUDGETARY COMPARISON SCHEDULE

YEAR ENDED SEPTEMBER 30, 2017

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#### NOTE 2 – BUDGET AND ACTUAL COMPARISONS

The Budgetary Comparison Schedule for the General Fund is required to be prepared under the basis of accounting used in preparing the budget. As indicated in Note 1, the modified accrual basis of accounting is used for budgetary purposes. On-behalf payments from the State of Florida for Police and Fire-Rescue pensions are not included in the budget. As a result, General Fund revenue and expenditures reported in the budget and actual statement differ from the corresponding amounts reported on the basis of U.S. generally accepted accounting principles. These differences can be reconciled as follows:

	<u>Revenue</u>	<u>Expenditures</u>
Budgetary basis	\$ 85,266,328	\$ 80,761,985
State on-behalf payments for Police and Fire-Rescue pension contributions not included in budgetary basis	<u>1,085,186</u>	<u>1,085,186</u>
GAAP Basis	<u>\$ 86,351,514</u>	<u>\$ 81,847,171</u>

# CITY OF PALM BEACH GARDENS, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF OPEB FUNDING PROGRESS OTHER POSTEMPLOYMENT BENEFITS

**YEAR ENDED SEPTEMBER 30, 2017**

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Actuarial Valuation Date	Actuarial Value of of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2010	\$ --	\$ 6,693,000	\$ 6,693,000	0.00%	\$ 27,872,696	24.01%
10/1/2011	--	7,208,000	7,208,000	0.00%	28,366,590	25.41%
10/1/2012	--	6,376,000	6,376,000	0.00%	28,739,392	22.19%
10/1/2013	--	6,758,000	6,758,000	0.00%	28,817,778	23.45%
10/1/2014	--	6,916,414	6,916,414	0.00%	29,838,856	23.18%
10/1/2016	--	8,346,000	8,346,000	0.00%	33,156,343	25.17%

# **CITY OF PALM BEACH GARDENS, FLORIDA**

## **REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF INVESTMENT RETURNS DEFINED BENEFIT PENSION PLANS**

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Year Ended September 30,	Annual Money-Weighted Rate of Return, Net of Investment Expense		
	General		
	Employees'	Police	Fire
2012	17.37%	18.63%	17.64%
2013	11.82%	14.53%	14.29%
2014	8.68%	10.73%	11.65%
2015	0.08%	1.29%	0.92%
2016	8.15%	10.96%	8.21%
2017	13.06%	13.60%	14.37%

Note: Data not available prior to 2012.

Note to Schedule:

This schedule is intended to have 10 years of data. Additional data to be compiled as information becomes available.



# CITY OF PALM BEACH GARDENS, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS GENERAL EMPLOYEES' PENSION PLAN

Measurement Date, September 30,	2014	2015	2016	2017
<b>Total Pension Liability</b>				
Service cost	\$ 22,444	\$ 26,882	\$ 28,547	\$ 29,083
Expected interest growth	247,973	216,936	225,546	229,409
Differences between expected and actual experience	--	(177,492)	45,110	92,626
Changes of assumptions	--	299,295	--	122,668
Benefit payments, including refunds of member contributions	(255,756)	(244,528)	(240,519)	(237,655)
<b>Net Change in Total Pension Liability</b>	14,661	121,093	58,684	236,131
<b>Total Pension Liability - Beginning</b>	<u>3,175,732</u>	<u>3,190,393</u>	<u>3,311,486</u>	<u>3,370,170</u>
<b>Total pension liability - Ending</b>	<u>\$ 3,190,393</u>	<u>\$ 3,311,486</u>	<u>\$ 3,370,170</u>	<u>\$ 3,606,301</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 120,572	\$ 172,758	\$ 146,187	\$ 253,534
Contributions - member	9,540	10,080	9,976	10,111
Expected interest growth	173,559	156,819	151,081	160,489
Unexpected investment income	12,965	(155,031)	24,668	154,538
Benefit payments, including refunds of member contributions	(244,528)	(244,528)	(240,519)	(237,655)
Administrative expense	(5,486)	(11,175)	(10,675)	(11,796)
<b>Net Change in Plan Fiduciary Net Position</b>	66,622	(71,077)	80,718	329,221
<b>Plan Fiduciary Net Position - Beginning</b>	<u>2,209,462</u>	<u>2,276,084</u>	<u>2,205,007</u>	<u>2,285,725</u>
<b>Plan Fiduciary Net Position - Ending</b>	<u>2,276,084</u>	<u>2,205,007</u>	<u>2,285,725*</u>	<u>2,614,946</u>
<b>City's Net Pension Liability - Ending</b>	<u>\$ 914,309</u>	<u>\$ 1,106,479</u>	<u>\$ 1,084,445</u>	<u>\$ 991,355</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	71.34%	66.59%	67.82%	72.51%
<b>Covered Employee Payroll</b>	\$ 101,085	\$ 166,945	\$ 176,405	\$ 174,581
<b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	904.50%	662.78%	614.75%	567.85%

Note to Schedule:

This schedule is intended to have 10 years of data. Additional data to be compiled as information becomes available.

\* The amount does not agree to the General Employees' Pension Trust Fund by \$857 due to an adjusting journal entry.

\*\* The amount does not agree to the General Employees' Pension Trust Fund by \$92,024 due to differences related to the timing in the fiscal year 2018 employer contributions of \$91,099 as well as an adjusting journal entry of \$925.

# CITY OF PALM BEACH GARDENS, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS GENERAL EMPLOYEES' PLAN

Year Ended September 30,	Actuarially Determined Contribution	Contributions Recognized By the Plan	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2012	\$ 130,810	\$ 130,810	\$ --	\$ 122,051	107.18%
2013	120,572	120,572	--	101,085	119.28%
2014	120,572	120,572	--	101,085	119.28%
2015	142,615	172,758	(30,143)	166,945	103.48%
2016	149,812	146,187	3,625	176,405	82.87%
2017	182,198	253,534	(71,336)	174,581	145.22%

Note: Information is only included for pension plans that do not issue stand-alone financial statements. Data not available prior to 2012.

*Notes to Schedule:*

Valuation Date	October 1, 2016
Asset Valuation Method	4-year smoothed
Actuarial Cost Method	Aggregate Cost
Amortization Method	Level percent of pay, open
Amortization Period	30 years

Actuarial Assumptions:

Investment return	7.00%
Projected salary increases	5.00%
Inflation	(1)
Cost of living adjustments	(1)

(1) Included in projected salary increases

Note to Schedule:

This schedule is intended to have 10 years of data. Additional data to be compiled as information becomes available.

# CITY OF PALM BEACH GARDENS, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS POLICE PENSION PLAN

Measurement Date, September 30,	2014	2015	2016
<b>Total Pension Liability</b>			
Service Cost	\$ 1,229,681	\$ 1,232,020	\$ 1,321,153
Interest	6,083,570	6,501,215	6,705,476
Change in Excess State Money	--	--	--
Share Plan Allocation	134,105	(426,717)	(70,233)
Changes of Benefit Terms	885,269	--	--
Differences Between Expected and Actual Experience	264,087	911,791	53,192
Changes of Assumptions	876,591	750,916	1,038,564
Benefit Payments Including Refunds of Employee Contributions	<u>(2,284,524)</u>	<u>(3,297,505)</u>	<u>(3,946,901)</u>
<b>Net Change in Total Pension Liability</b>	<b>7,188,779</b>	<b>5,671,720</b>	<b>5,101,251</b>
<b>Total Pension Liability - Beginning</b>	<b><u>85,007,723</u></b>	<b><u>92,196,502</u></b>	<b><u>97,868,222</u></b>
<b>Total Pension Liability - Ending (a)</b>	<b><u>\$ 92,196,502</u></b>	<b><u>\$ 97,868,222</u></b>	<b><u>\$ 102,969,473</u></b>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	2,712,635	3,007,780	2,897,754
Contributions - State	546,749	524,479	643,259
Contributions - Employee	391,188	422,145	452,421
Net Investment Income	6,798,928	925,754	8,107,238
Benefit Payments Including Refunds of Employee Contributions	<u>(2,284,524)</u>	<u>(3,297,505)</u>	<u>(3,946,901)</u>
Administrative Expense	<u>(114,098)</u>	<u>(116,088)</u>	<u>(132,973)</u>
Other	<u>--</u>	<u>--</u>	<u>--</u>
<b>Net Change in Plan Fiduciary Net Position</b>	<b>8,050,878</b>	<b>1,466,565</b>	<b>8,020,798</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b><u>64,575,453</u></b>	<b><u>72,626,331</u></b>	<b><u>74,092,896</u></b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b><u>72,626,331</u></b>	<b><u>74,092,896</u></b>	<b><u>82,113,694</u></b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b><u>\$ 19,570,171</u></b>	<b><u>\$ 23,775,326</u></b>	<b><u>\$ 20,855,779</u></b>
<b>Plan Fiduciary Net Position as a % of the Total Pension Liability</b>	<b>78.77%</b>	<b>75.71%</b>	<b>79.75%</b>
<b>Covered Employee Payroll</b>	<b>\$ 4,548,698</b>	<b>\$ 4,908,663</b>	<b>\$ 5,260,709</b>
<b>Net Pension Liability as a % of Covered Employee Payroll</b>	<b>430.24%</b>	<b>484.35%</b>	<b>396.44%</b>

Note to Schedule:

This schedule is intended to have 10 years of data. Additional data to be compiled as information becomes available.

# CITY OF PALM BEACH GARDENS, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS POLICE PENSION PLAN

Year Ended September 30,	Actuarially Determined Contribution	Contributions Recognized By the Plan	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2014	\$ 3,125,279	\$ 3,125,279	\$ --	\$ 4,548,698	68.71%
2015	3,357,659	3,420,424	(62,765)	4,908,663	69.68%
2016	3,316,250	3,456,991	(140,741)	5,260,709	65.71%
2017	3,256,067	3,393,124	(137,057)	5,994,337	56.61%

Note: Data not available prior to 2014.

Notes to Schedule:

Valuation Date	October 1, 2015
Asset Valuation Method	The Actuarial Value of Assets is calculated by recognizing 20% of the difference between the market value of assets and expected actuarial asset value.
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent, closed
Amortization Period	20 years
Actuarial Assumptions:	
Investment return	6.9%
Projected salary increases:	5.5%-7.0%
Inflation	2.5%
Cost of living adjustments	N/A

Note to Schedule:

This schedule is intended to have 10 years of data. Additional data to be compiled as information becomes available.

# CITY OF PALM BEACH GARDENS, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS FIRE PENSION PLAN

Measurement Date, September 30,	2014	2015	2016
<b>Total Pension Liability</b>			
Service Cost	\$ 1,741,473	\$ 1,760,152	\$ 1,637,466
Interest	6,280,207	6,786,918	7,174,074
Change in Excess State Money	--	--	--
Share Plan Allocation	304,698	222,133	51,623
Changes of Benefit Terms	--	--	--
Differences Between Expected and Actual Experience	--	(1,460,746)	(1,684,439)
Changes of Assumptions	1,772,793	2,004,899	5,890,763
Benefit Payments Including Refunds of Employee Contributions	(1,844,859)	(1,935,428)	(1,803,517)
<b>Net Change in Total Pension Liability</b>	<b>8,254,312</b>	<b>7,377,928</b>	<b>11,265,970</b>
<b>Total Pension Liability - Beginning</b>	<b>77,410,798</b>	<b>85,665,110</b>	<b>93,043,038</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 85,665,110</b>	<b>\$ 93,043,038</b>	<b>\$ 104,309,008</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	2,866,126	3,746,995	3,088,524
Contributions - State	843,533	726,993	568,403
Contributions - Employee	475,442	445,465	455,983
Net Investment Income	6,977,925	835,212	6,152,911
Benefit Payments Including Refunds of Employee Contributions	(1,844,859)	(1,935,428)	(1,803,517)
Administrative Expense	(88,142)	(84,807)	(91,145)
Other	--	--	--
<b>Net Change in Plan Fiduciary Net Position</b>	<b>9,230,025</b>	<b>3,734,430</b>	<b>8,371,159</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>59,994,726</b>	<b>69,224,751</b>	<b>72,959,181</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 69,224,751</b>	<b>\$ 72,959,181</b>	<b>\$ 81,330,340</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 16,440,359</b>	<b>\$ 20,083,857</b>	<b>\$ 22,978,668</b>
<b>Plan Fiduciary Net Position as a % of the Total Pension Liability</b>	<b>80.81%</b>	<b>78.41%</b>	<b>77.97%</b>
<b>Covered Employee Payroll</b>	<b>\$ 7,924,041</b>	<b>\$ 9,695,082</b>	<b>\$ 7,599,715</b>
<b>Net Pension Liability as a % of Covered Employee Payroll</b>	<b>207.47%</b>	<b>207.16%</b>	<b>302.36%</b>

Note to Schedule:

This schedule is intended to have 10 years of data. Additional data to be compiled as information becomes available.

**CITY OF PALM BEACH GARDENS, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FIRE PENSION PLAN**

Year Ended September 30,	Actuarially Determined Contribution	Contributions Recognized By the Plan	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2013	\$ 3,443,143	\$ 3,911,687	\$ (468,544)	\$ 8,294,732	47.16%
2014	3,404,960	3,404,960	--	7,924,041	42.97%
2015	3,460,519	4,251,855	(791,336)	9,695,082	43.86%
2016	3,605,305	3,605,305	--	7,599,715	47.44%
2017	3,531,899	3,531,899	--	7,497,133	47.11%

Note: Data not available prior to 2013.

*Notes to Schedule:*

Valuation Date

October 1, 2015

Asset Valuation Method

The Actuarial Value of Assets is calculated by recognizing 25% of the difference between the market value of assets and expected market value of assets.

Actuarial Cost Method

Projected Unit Credit

Amortization Method

Level percent of pay, closed

Amortization Period

20 years

Actuarial Assumptions:

Investment return

7.65%

Projected salary increases:

Age	Increase
20	5.2%
30	2.6%
40	2.2%
50	1.7%
60	0.0%

Inflation

2.50%

Cost of living adjustments

(1)

<sup>(1)</sup> 1.0% increase for members who are Age 53, 2.0% increase for members who are age 54, and 1.5% increase for members who are Age 55 or greater.

Note to Schedule:

This schedule is intended to have 10 years of data. Additional data to be compiled as information becomes available.

# CITY OF PALM BEACH GARDENS, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FLORIDA RETIREMENT SYSTEM

---

Measurement Date, June 30,	2017	2016	2015
City's proportion of the net pension liability	0.047587909%	0.038860308%	0.039859281%
City's proportionate share of the net pension liability	\$ 14,076,184	\$ 9,812,258	\$ 5,148,361
City's covered-employee payroll	\$ 17,317,803	\$ 14,920,339	\$ 14,032,498
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	81.28%	65.76%	36.69%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%

### Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68

This schedule is intended to have 10 years of data. Additional data to be compiled as information becomes available.

# CITY OF PALM BEACH GARDENS, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CITY CONTRIBUTIONS FLORIDA RETIREMENT SYSTEM

---

Measurement Date, September 30,	2017	2016	2015
Contractually required contribution	\$ 1,238,830	\$ 947,671	\$ 971,803
Contributions in relation to the contractually required contribution	<u>\$ (1,238,830)</u>	<u>\$ (947,671)</u>	<u>\$ (971,803)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered-employee payroll	\$ 17,317,803	\$ 14,920,339	\$ 14,032,498
Contributions as a percentage of covered-employee payroll	7.15%	6.35%	6.93%

### Notes to Schedule:

The amounts presented for each fiscal year were determined as of September 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68

This schedule is intended to have 10 years of data. Additional data to be compiled as information becomes available.



**CITY OF PALM BEACH GARDENS, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**

**FLORIDA RETIREMENT SYSTEM HEALTH INSURANCE SUBSIDY PROGRAM**

---

<b>Measurement Date, June 30,</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
City's proportion of the net pension liability	0.053413415%	0.047598032%	0.045751278%
City's proportionate share of the net pension liability	\$ 5,711,209	\$ 5,547,353	\$ 4,665,911
City's covered-employee payroll	\$ 17,317,803	\$ 14,920,339	\$ 14,032,498
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	32.98%	37.18%	33.25%
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68

This schedule is intended to have 10 years of data. Additional data to be compiled as information becomes available.

# CITY OF PALM BEACH GARDENS, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF CITY CONTRIBUTIONS

#### FLORIDA RETIREMENT SYSTEM HEALTH INSURANCE SUBSIDY PROGRAM

---

Measurement Date, September 30,	2017	2016	2015
Contractually required contribution	\$ 282,679	\$ 243,970	\$ 174,890
Contributions in relation to the contractually required contribution	<u>(282,679)</u>	<u>(243,970)</u>	<u>(174,890)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered-employee payroll	\$ 17,317,803	\$ 14,920,339	\$ 14,032,498
Contributions as a percentage of covered-employee payroll	1.63%	1.64%	1.25%

#### Notes to Schedule:

The amounts presented for each fiscal year were determined as of September 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68

This schedule is intended to have 10 years of data. Additional data to be compiled as information becomes available.



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**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

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## **OTHER GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

*Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes, other than debt service or capital projects. The nonmajor special revenue funds of the City are as follows:*

Police Training Fund – This fund is established to account for fees collected from traffic citations to be used for the training and education of the City's police.

Recreation Programs Fund – This fund is used to account for revenues and costs related to special programs such as special events and athletic programs.

Golf Course Fund – This fund is used to account for revenues and costs related to the operations of the City's Golf Course.

Extra Duty Police Fund – This fund is used to account for revenues to be used to fund extra police duty.

Local Option Gas Tax Fund – This fund is established to account for the receipt of local option gas taxes. The use of these funds is restricted for transportation related capital improvements or maintenance costs.

### **CAPITAL PROJECTS FUNDS**

*Capital Projects Funds are established to account for financial resources to be used for the acquisition and construction of major capital facilities, other than those financed by proprietary funds. The nonmajor capital projects funds of the City are as follows:*

Recreation Impact Capital Projects Fund – This fund is established to account for the receipt and disbursement of developer paid impact fees restricted for the purpose of enhancing the recreational facilities within the City.

Police Impact Capital Projects Fund – This fund is established to account for the receipt and disbursement of developer paid impact fees restricted for the purpose of enhancing the level of law enforcement services in the City.

Fire Impact Capital Projects Fund – This fund is established to account for the receipt and disbursement of developer paid impact fees restricted for the purpose of enhancing the level of fire/rescue services in the City.

Art Impact Capital Projects Fund – This fund is established to account for the receipt and disbursement of developer paid impact fees restricted for the purpose of providing art and cultural activities.

Road Impact Capital Projects Fund – This fund is established to account for the receipt and disbursement of developer paid impact fees restricted for the purpose of improving roads within the City.

Capital Improvement & Replacement Fund – This fund is established to account for the receipt and disbursement of debt proceeds and special assessments related to infrastructure and capital improvement and replacement projects.

Public Facilities Impact Capital Projects Fund – This fund is established to account for the receipt and disbursement of developer paid impact fees restricted for the purpose of improving public facilities within the City.

**CITY OF PALM BEACH GARDENS, FLORIDA**

**COMBINING BALANCE SHEET  
OTHER GOVERNMENT FUNDS**

**SEPTEMBER 30, 2017**

	Special Revenue Funds					Total
	Police Training	Recreation Programs	Golf	Extra Duty Police	Local Option Gas Tax	
<b>Assets</b>						
Cash and cash equivalents	\$ 7,577	\$ 910,988	\$ 185,507	\$ 451,985	\$ 1,204,482	\$ 2,760,539
Receivables	--	--	--	36,208	--	36,208
Due from other governments	1,198	--	--	--	66,102	67,300
Inventory	--	12,413	31,365	--	--	43,778
<b>Total Assets</b>	<u>\$ 8,775</u>	<u>\$ 923,401</u>	<u>\$ 216,872</u>	<u>\$ 488,193</u>	<u>\$ 1,270,584</u>	<u>\$ 2,907,825</u>
<b>Liabilities</b>						
Accounts payable	\$ --	\$ 36,950	\$ 81,032	\$ 1,406	\$ 284,282	\$ 403,670
Contracts and retainage payable	--	--	--	--	22,356	22,356
Accrued liabilities	--	3,548	3,121	--	--	6,669
Unearned revenues	--	143,781	14,004	--	--	157,785
<b>Total Liabilities</b>	<u>--</u>	<u>184,279</u>	<u>98,157</u>	<u>1,406</u>	<u>306,638</u>	<u>590,480</u>
<b>Fund Balances</b>						
Nonspendable:						
Inventory	--	12,413	31,365	--	--	43,778
Restricted for:						
Capital improvements	--	--	--	--	--	--
Road improvements	--	--	--	--	963,946	963,946
Law enforcement	8,775	--	--	486,787	--	495,562
Art improvements	--	--	--	--	--	--
Assigned	--	726,709	87,350	--	--	814,059
<b>Total Fund Balances</b>	<u>8,775</u>	<u>739,122</u>	<u>118,715</u>	<u>486,787</u>	<u>963,946</u>	<u>2,317,345</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 8,775</u>	<u>\$ 923,401</u>	<u>\$ 216,872</u>	<u>\$ 488,193</u>	<u>\$ 1,270,584</u>	<u>\$ 2,907,825</u>

(Continued)

**CITY OF PALM BEACH GARDENS, FLORIDA**

**COMBINING BALANCE SHEET  
OTHER GOVERNMENT FUNDS (CONTINUED)**

**SEPTEMBER 30, 2017**

	Capital Projects Funds								Total Other Governmental Funds
	Recreation Impact	Police Impact	Fire Impact	Art Impact	Road Impact	Capital Improvement & Replacement	Public Facilities Impact	Total	
<b>Assets</b>									
Cash and cash equivalents	\$ 3,353,061	\$ 554,189	\$ 1,039,101	\$ 501,083	\$ 3,456,736	\$ 211,275	\$ 108,093	\$ 9,223,538	\$ 11,984,077
Receivables	--	--	--	--	--	--	--	--	36,208
Due from other governments	--	--	--	--	--	--	--	--	67,300
Inventory	--	--	--	--	--	--	--	--	43,778
<b>Total Assets</b>	<u>\$ 3,353,061</u>	<u>\$ 554,189</u>	<u>\$ 1,039,101</u>	<u>\$ 501,083</u>	<u>\$ 3,456,736</u>	<u>\$ 211,275</u>	<u>\$ 108,093</u>	<u>\$ 9,223,538</u>	<u>\$ 12,131,363</u>
<b>Liabilities</b>									
Accounts payable	\$ 50,251	\$ --	\$ 605	\$ --	\$ --	\$ --	\$ --	\$ 50,856	\$ 454,526
Contracts and retainage payable	429,791	--	--	--	550	--	--	430,341	452,697
Accrued liabilities	--	--	--	--	--	--	--	--	6,669
Unearned revenue	--	--	--	21,865	1,224,513	--	--	1,246,378	1,404,163
<b>Total Liabilities</b>	<u>480,042</u>	<u>--</u>	<u>605</u>	<u>21,865</u>	<u>1,225,063</u>	<u>--</u>	<u>--</u>	<u>1,727,575</u>	<u>2,318,055</u>
<b>Fund Balances</b>									
Nonspendable:									
Inventory	--	--	--	--	--	--	--	--	43,778
Restricted for:									
Capital improvements	2,873,019	554,189	1,038,496	--	--	211,275	108,093	4,785,072	4,785,072
Road improvements	--	--	--	--	2,231,673	--	--	2,231,673	3,195,619
Law enforcement	--	--	--	--	--	--	--	--	495,562
Art improvements	--	--	--	479,218	--	--	--	479,218	479,218
Assigned	--	--	--	--	--	--	--	--	814,059
<b>Total Fund Balances</b>	<u>2,873,019</u>	<u>554,189</u>	<u>1,038,496</u>	<u>479,218</u>	<u>2,231,673</u>	<u>211,275</u>	<u>108,093</u>	<u>7,495,963</u>	<u>9,813,308</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,353,061</u>	<u>\$ 554,189</u>	<u>\$ 1,039,101</u>	<u>\$ 501,083</u>	<u>\$ 3,456,736</u>	<u>\$ 211,275</u>	<u>\$ 108,093</u>	<u>\$ 9,223,538</u>	<u>\$ 12,131,363</u>



**CITY OF PALM BEACH GARDENS, FLORIDA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS**

**YEAR ENDED SEPTEMBER 30, 2017**

	Special Revenue Funds					Total
	Police Training	Recreation Programs	Golf	Extra Duty Police	Local Option Gas Tax	
<b>Revenues</b>						
Intergovernmental	\$ --	\$ --	\$ --	\$ --	\$ 808,244	\$ 808,244
Impact fees	--	--	--	--	--	--
Charges for services	--	3,683,882	1,926,896	--	--	5,610,778
Fines and forfeitures	6,483	--	--	--	--	6,483
Investment income	--	1,531	346	92	544	2,513
Miscellaneous	--	32,966	115,015	449,470	108,785	706,236
<b>Total Revenues</b>	<u>6,483</u>	<u>3,718,379</u>	<u>2,042,257</u>	<u>449,562</u>	<u>917,573</u>	<u>7,134,254</u>
<b>Expenditures</b>						
Current:						
Public safety	7,546	--	--	387,692	--	395,238
Culture and recreation	--	4,055,000	2,049,575	--	--	6,104,575
Transportation	--	--	--	--	616,681	616,681
Capital outlay	--	--	2,596	--	222,956	225,552
<b>Total Expenditures</b>	<u>7,546</u>	<u>4,055,000</u>	<u>2,052,171</u>	<u>387,692</u>	<u>839,637</u>	<u>7,342,046</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,063)</u>	<u>(336,621)</u>	<u>(9,914)</u>	<u>61,870</u>	<u>77,936</u>	<u>(207,792)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	--	--	110,000	--	--	110,000
Transfers out	--	--	--	--	--	--
<b>Total Other Financing Sources (Uses)</b>	<u>--</u>	<u>--</u>	<u>110,000</u>	<u>--</u>	<u>--</u>	<u>110,000</u>
<b>Change in Fund Balances</b>	(1,063)	(336,621)	100,086	61,870	77,936	(97,792)
<b>Fund Balances - Beginning</b>	<u>9,838</u>	<u>1,075,743</u>	<u>18,629</u>	<u>424,917</u>	<u>886,010</u>	<u>2,415,137</u>
<b>Fund Balances - Ending</b>	<u>\$ 8,775</u>	<u>\$ 739,122</u>	<u>\$ 118,715</u>	<u>\$ 486,787</u>	<u>\$ 963,946</u>	<u>\$ 2,317,345</u>

(Continued)

**CITY OF PALM BEACH GARDENS, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS (CONTINUED)**

**YEAR ENDED SEPTEMBER 30, 2017**

	Capital Projects Funds							Total Other Governmental Funds
	Recreation Impact	Police Impact	Fire Impact	Art Impact	Road Impact	Capital Improvement & Replacement	Public Facilities Impact	Total
<b>Revenues</b>								
Intergovernmental	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 808,244
Impact fees	872,978	350,074	388,044	121,180	1,093,669	--	108,069	2,934,014
Charges for services	--	--	--	--	--	--	--	5,610,778
Fines and forfeitures	--	--	--	--	--	--	--	6,483
Investment income	2,433	374	448	223	1,981	--	24	7,996
Miscellaneous	--	--	--	--	--	--	--	706,236
<b>Total Revenues</b>	<u>875,411</u>	<u>350,448</u>	<u>388,492</u>	<u>121,403</u>	<u>1,095,650</u>	<u>--</u>	<u>108,093</u>	<u>10,073,751</u>
<b>Expenditures</b>								
Current:								
Public safety	--	--	--	--	--	--	--	395,238
Culture and recreation	--	--	--	--	--	--	--	6,104,575
Transportation	--	--	--	--	--	--	--	616,681
Capital outlay	<u>3,913,328</u>	<u>597,432</u>	<u>116,782</u>	<u>58,487</u>	<u>1,801,851</u>	<u>516</u>	<u>--</u>	<u>6,713,948</u>
<b>Total Expenditures</b>	<u>3,913,328</u>	<u>597,432</u>	<u>116,782</u>	<u>58,487</u>	<u>1,801,851</u>	<u>516</u>	<u>--</u>	<u>13,830,442</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,037,917)</u>	<u>(246,984)</u>	<u>271,710</u>	<u>62,916</u>	<u>(706,201)</u>	<u>(516)</u>	<u>108,093</u>	<u>(3,756,691)</u>
<b>Other Financing Sources (Uses)</b>								
Transfers in	520,000	--	--	--	477,000	--	--	1,107,000
Transfers out	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(694,320)</u>	<u>--</u>	<u>--</u>	<u>(694,320)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>520,000</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(217,320)</u>	<u>--</u>	<u>--</u>	<u>412,680</u>
<b>Change in Fund Balances</b>	<u>(2,517,917)</u>	<u>(246,984)</u>	<u>271,710</u>	<u>62,916</u>	<u>(923,521)</u>	<u>(516)</u>	<u>108,093</u>	<u>(3,344,011)</u>
<b>Fund Balances - Beginning</b>	<u>5,390,936</u>	<u>801,173</u>	<u>766,786</u>	<u>416,302</u>	<u>3,155,194</u>	<u>211,791</u>	<u>--</u>	<u>13,157,319</u>
<b>Fund Balances - Ending</b>	<u>\$ 2,873,019</u>	<u>\$ 554,189</u>	<u>\$ 1,038,496</u>	<u>\$ 479,218</u>	<u>\$ 2,231,673</u>	<u>\$ 211,275</u>	<u>\$ 108,093</u>	<u>\$ 9,813,308</u>

# CITY OF PALM BEACH GARDENS, FLORIDA

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL POLICE TRAINING - SPECIAL REVENUE FUND

**YEAR ENDED SEPTEMBER 30, 2017**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Fines and forfeitures	<u>\$ 8,700</u>	<u>\$ 8,700</u>	<u>\$ 6,483</u>	<u>\$ (2,217)</u>
<b>Total Revenues</b>	8,700	8,700	6,483	(2,217)
<b>Expenditures</b>				
Current:				
Public Safety	<u>14,000</u>	<u>14,000</u>	<u>7,546</u>	<u>6,454</u>
<b>Total Expenditures</b>	<u>14,000</u>	<u>14,000</u>	<u>7,546</u>	<u>6,454</u>
<b>Change in Fund Balance</b>	(5,300)	(5,300)	(1,063)	4,237
<b>Fund Balance - Beginning</b>	<u>9,084</u>	<u>9,838</u>	<u>9,838</u>	<u>--</u>
<b>Fund Balance - Ending</b>	<u><u>\$ 3,784</u></u>	<u><u>\$ 4,538</u></u>	<u><u>\$ 8,775</u></u>	<u><u>\$ 4,237</u></u>

# CITY OF PALM BEACH GARDENS, FLORIDA

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL RECREATION PROGRAMS - SPECIAL REVENUE FUND

**YEAR ENDED SEPTEMBER 30, 2017**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Charges for services	\$ 3,888,000	\$ 3,888,000	\$ 3,683,882	\$ (204,118)
Investment income	1,100	1,100	1,531	431
Miscellaneous	<u>45,600</u>	<u>45,600</u>	<u>32,966</u>	<u>(12,634)</u>
<b>Total Revenues</b>	<u>3,934,700</u>	<u>3,934,700</u>	<u>3,718,379</u>	<u>(216,321)</u>
<b>Expenditures</b>				
Current:				
Culture and recreation	3,971,932	3,966,782	4,055,000	(88,218)
Capital outlay	<u>--</u>	<u>5,149</u>	<u>--</u>	<u>5,149</u>
<b>Total Expenditures</b>	<u>3,971,932</u>	<u>3,971,931</u>	<u>4,055,000</u>	<u>(83,069)</u>
<b>Change in Fund Balance</b>	(37,232)	(37,231)	(336,621)	(299,390)
<b>Fund Balance - Beginning</b>	<u>1,070,913</u>	<u>1,075,743</u>	<u>1,075,743</u>	<u>--</u>
<b>Fund Balance - Ending</b>	<u>\$ 1,033,681</u>	<u>\$ 1,038,512</u>	<u>\$ 739,122</u>	<u>\$ (299,390)</u>

# CITY OF PALM BEACH GARDENS, FLORIDA

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GOLF COURSE - SPECIAL REVENUE FUND

**YEAR ENDED SEPTEMBER 30, 2017**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Charges for services	\$1,547,600	\$1,792,800	\$1,926,896	\$ 134,096
Investment income	200	199	346	147
Miscellaneous	<u>361,200</u>	<u>116,000</u>	<u>115,015</u>	<u>(985)</u>
<b>Total Revenues</b>	<u>1,909,000</u>	<u>1,908,999</u>	<u>2,042,257</u>	<u>133,258</u>
<b>Expenditures</b>				
Current:				
Culture and recreation	2,120,191	2,112,391	2,049,575	62,816
Capital outlay	<u>--</u>	<u>7,800</u>	<u>2,596</u>	<u>5,204</u>
<b>Total Expenditures</b>	<u>2,120,191</u>	<u>2,120,191</u>	<u>2,052,171</u>	<u>68,020</u>
<b>Excess/(Deficiency) of Revenues Over/(Under) Expenditures</b>	(211,191)	(211,192)	(9,914)	201,278
<b>Other Financing Sources</b>				
Transfers in	<u>220,000</u>	<u>220,000</u>	<u>110,000</u>	<u>110,000</u>
<b>Change in Fund Balance</b>	8,809	8,808	100,086	201,278
<b>Fund Balance - Beginning</b>	<u>23,297</u>	<u>18,629</u>	<u>18,629</u>	<u>--</u>
<b>Fund Balance - Ending</b>	<u>\$ 32,106</u>	<u>\$ 27,437</u>	<u>\$ 118,715</u>	<u>\$ 201,278</u>

# CITY OF PALM BEACH GARDENS, FLORIDA

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL LOCAL OPTION GAS TAX - SPECIAL REVENUE FUND

**YEAR ENDED SEPTEMBER 30, 2017**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$ 738,000	\$ 738,000	\$ 808,244	\$ 70,244
Investment income	500	500	544	44
Miscellaneous	<u>87,000</u>	<u>87,000</u>	<u>108,785</u>	<u>21,785</u>
<b>Total Revenues</b>	825,500	825,500	917,573	92,073
<b>Expenditures</b>				
Current:				
Transportation	899,804	929,272	616,681	312,591
Capital outlay	<u>--</u>	<u>345,769</u>	<u>222,956</u>	<u>122,813</u>
<b>Total Expenditures</b>	<u>899,804</u>	<u>1,275,041</u>	<u>839,637</u>	<u>435,404</u>
<b>Change in Fund Balance</b>	(74,304)	(449,541)	77,936	527,477
<b>Fund Balance - Beginning</b>	<u>221,873</u>	<u>886,010</u>	<u>886,010</u>	<u>--</u>
<b>Fund Balance - Ending</b>	<u>\$ 147,569</u>	<u>\$ 436,469</u>	<u>\$ 963,946</u>	<u>\$ 527,477</u>

# CITY OF PALM BEACH GARDENS, FLORIDA

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL RECREATION IMPACT - CAPITAL PROJECTS FUND

YEAR ENDED SEPTEMBER 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$ --	\$ --	\$ --	\$ --
Impact fees	436,207	436,207	872,978	436,771
Investment income	--	--	2,433	2,433
<b>Total Revenues</b>	<u>436,207</u>	<u>436,207</u>	<u>875,411</u>	<u>439,204</u>
<b>Expenditures</b>				
Capital outlay	--	6,347,143	3,913,328	2,433,815
<b>Total Expenditures</b>	<u>--</u>	<u>6,347,143</u>	<u>3,913,328</u>	<u>2,433,815</u>
<b>Excess/(Deficiency) of Revenues Over/(Under) Expenditures</b>	436,207	(5,910,936)	(3,037,917)	2,873,019
<b>Other Financing Sources</b>				
Transfers in	--	520,000	520,000	--
<b>Change in Fund Balance</b>	436,207	(5,390,936)	(2,517,917)	2,873,019
<b>Fund Balance - Beginning</b>	<u>--</u>	<u>5,390,936</u>	<u>5,390,936</u>	<u>--</u>
<b>Fund Balance - Ending</b>	<u>\$ 436,207</u>	<u>\$ --</u>	<u>\$ 2,873,019</u>	<u>\$ 2,873,019</u>

# CITY OF PALM BEACH GARDENS, FLORIDA

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL ROAD IMPACT - CAPITAL PROJECTS FUND

YEAR ENDED SEPTEMBER 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Impact fees	\$ 1,138,037	\$ 1,138,037	\$ 1,093,669	\$ (44,368)
Investment income	<u>          --</u>	<u>          --</u>	<u>      1,981</u>	<u>      1,981</u>
<b>Total Revenues</b>	<u>  1,138,037</u>	<u>  1,138,037</u>	<u>  1,095,650</u>	<u>     (42,387)</u>
<b>Expenditures</b>				
Current:				
Transportation	<u>          --</u>	<u>          --</u>	<u>          --</u>	<u>          --</u>
Capital outlay	<u>  450,000</u>	<u> 3,891,070</u>	<u> 1,801,851</u>	<u> 2,089,219</u>
<b>Total Expenditures</b>	<u>  450,000</u>	<u> 3,891,070</u>	<u> 1,801,851</u>	<u> 2,089,219</u>
<b>Excess/(Deficiency) of Revenues Over/(Under) Expenditures</b>	688,037	(2,753,033)	(706,201)	2,046,832
<b>Other Financing Sources/(Uses)</b>				
Transfers in	<u>          --</u>	<u>     477,000</u>	<u>     477,000</u>	<u>          --</u>
Transfers out	<u> (694,320)</u>	<u> (694,320)</u>	<u> (694,320)</u>	<u>          --</u>
<b>Total Other Financing Sources/(Uses)</b>	<u> (694,320)</u>	<u> (217,320)</u>	<u> (217,320)</u>	<u>          --</u>
<b>Change in Fund Balance</b>	(6,283)	(2,970,353)	(923,521)	2,046,832
<b>Fund Balance - Beginning</b>	<u>      6,283</u>	<u> 3,155,195</u>	<u> 3,155,194</u>	<u> 3,145,703</u>
<b>Fund Balance - Ending</b>	<u>\$          --</u>	<u>\$  184,842</u>	<u>\$ 2,231,673</u>	<u>\$ 5,192,535</u>



# CITY OF PALM BEACH GARDENS, FLORIDA

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL POLICE IMPACT - CAPITAL PROJECTS FUND

YEAR ENDED SEPTEMBER 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Impact fees	\$ 306,708	\$ 306,708	\$ 350,074	\$ 43,366
Investment income	<u>1,000</u>	<u>1,000</u>	<u>374</u>	<u>(626)</u>
<b>Total Revenues</b>	<u>307,708</u>	<u>307,708</u>	<u>350,448</u>	<u>42,740</u>
<b>Expenditures</b>				
Capital outlay	<u>50,000</u>	<u>700,614</u>	<u>597,432</u>	<u>103,182</u>
<b>Total Expenditures</b>	<u>50,000</u>	<u>700,614</u>	<u>597,432</u>	<u>103,182</u>
<b>Change in Fund Balance</b>	257,708	(392,906)	(246,984)	(60,442)
<b>Fund Balance - Beginning</b>	<u>99,242</u>	<u>801,172</u>	<u>801,173</u>	<u>(739,874)</u>
<b>Fund Balance - Ending</b>	<u><u>\$ 356,950</u></u>	<u><u>\$ 408,266</u></u>	<u><u>\$ 554,189</u></u>	<u><u>\$ (800,316)</u></u>

# CITY OF PALM BEACH GARDENS, FLORIDA

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FIRE IMPACT - CAPITAL PROJECTS FUND

YEAR ENDED SEPTEMBER 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Impact fees	\$ 282,962	\$ 282,962	\$ 388,044	\$ 105,082
Investment income	<u>400</u>	<u>400</u>	<u>448</u>	<u>48</u>
<b>Total Revenues</b>	<u>283,362</u>	<u>283,362</u>	<u>388,492</u>	<u>105,130</u>
<b>Expenditures</b>				
Current:				
Public safety	--	--	--	--
Capital outlay	<u>439,850</u>	<u>892,510</u>	<u>116,782</u>	<u>775,728</u>
<b>Total Expenditures</b>	<u>439,850</u>	<u>892,510</u>	<u>116,782</u>	<u>775,728</u>
<b>Change in Fund Balance</b>	(156,488)	(609,148)	271,710	880,858
<b>Fund Balance - Beginning</b>	<u>327,903</u>	<u>766,786</u>	<u>766,786</u>	<u>--</u>
<b>Fund Balance - Ending</b>	<u>\$ 171,415</u>	<u>\$ 157,638</u>	<u>\$ 1,038,496</u>	<u>\$ 880,858</u>

# CITY OF PALM BEACH GARDENS, FLORIDA

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL ART IMPACT - CAPITAL PROJECTS FUND

YEAR ENDED SEPTEMBER 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Impact fees	\$ --	\$ --	\$ 121,180	\$ 121,180
Investment income	--	--	223	223
<b>Total Revenues</b>	--	--	121,403	121,403
<b>Expenditures</b>				
Current:				
Culture and recreation	--	--	--	--
Capital outlay	--	158,650	58,487	100,163
<b>Total Expenditures</b>	--	158,650	58,487	100,163
<b>Change in Fund Balance</b>	--	(158,650)	62,916	221,566
<b>Fund Balance - Beginning</b>	274,248	416,302	416,302	--
<b>Fund Balance - Ending</b>	<u>\$ 274,248</u>	<u>\$ 257,652</u>	<u>\$ 479,218</u>	<u>\$ 221,566</u>

# CITY OF PALM BEACH GARDENS, FLORIDA

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL CAPITAL IMPROVEMENT & REPLACEMENT - CAPITAL PROJECTS FUND

YEAR ENDED SEPTEMBER 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Impact fees	\$ --	\$ --	\$ --	\$ --
Investment income	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Total Revenues</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Expenditures</b>				
Current:				
Physical environment	--	--	--	--
Capital outlay	<u>--</u>	<u>161,801</u>	<u>516</u>	<u>161,285</u>
<b>Total Expenditures</b>	<u>--</u>	<u>161,801</u>	<u>516</u>	<u>161,285</u>
<b>Change in Fund Balance</b>	--	(161,801)	(516)	161,285
<b>Fund Balance - Beginning</b>	<u>--</u>	<u>211,791</u>	<u>211,791</u>	<u>--</u>
<b>Fund Balance - Ending</b>	<u>\$ --</u>	<u>\$ 49,990</u>	<u>\$ 211,275</u>	<u>\$ 161,285</u>

# CITY OF PALM BEACH GARDENS, FLORIDA

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL ONE-CENT SALES SURTAX CAPITAL IMPROVEMENTS - CAPITAL PROJECTS FUND

**YEAR ENDED SEPTEMBER 30, 2017**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$ --	\$ 2,340,000	\$ 2,211,391	\$ (128,609)
Investment income	--	--	147,094	147,094
<b>Total Revenues</b>	--	2,340,000	2,358,485	18,485
<b>Expenditures</b>				
Capital outlay	--	29,935,000	265,558	29,669,442
Debt Service:				
Principal	--	--	2,725,000	(2,725,000)
Interest	--	--	390,500	(390,500)
Bond issuance costs	--	65,000	62,720	2,280
Total debt service	--	65,000	3,178,220	(3,113,220)
<b>Total Expenditures</b>	--	30,000,000	3,443,778	26,556,222
<b>Excess/(Deficiency) of Revenues Over/(Under) Expenditures</b>	--	(27,660,000)	(1,085,293)	26,574,707
<b>Other Financing Sources</b>				
Issuance of debt	--	30,000,000	30,000,000	--
<b>Change in Fund Balance</b>	--	2,340,000	28,914,707	26,574,707
<b>Fund Balance - Beginning</b>	--	--	--	--
<b>Fund Balance - Ending</b>	\$ --	\$ 2,340,000	\$ 28,914,707	\$ 26,574,707

# CITY OF PALM BEACH GARDENS, FLORIDA

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL PUBLIC FACILITIES IMPACT - CAPITAL PROJECTS FUND

**YEAR ENDED SEPTEMBER 30, 2017**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Impact fees	\$ --	\$ --	\$ 108,069	\$ 108,069
Investment income	--	--	24	24
<b>Total Revenues</b>	--	--	108,093	108,093
<b>Expenditures</b>				
Current:				
Physical environment	--	--	--	--
Capital outlay	--	--	--	--
<b>Total Expenditures</b>	--	--	--	--
<b>Change in Fund Balance</b>	--	--	108,093	108,093
<b>Fund Balance - Beginning</b>	--	--	--	--
<b>Fund Balance - Ending</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 108,093</u>	<u>\$ 108,093</u>

# CITY OF PALM BEACH GARDENS, FLORIDA

## INTERNAL SERVICES FUNDS COMBINING STATEMENT OF NET POSITION

**SEPTEMBER 30, 2017**

	Fleet Management	Self Insurance	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 724,132	\$ 7,659,538	\$ 8,383,670
Accounts receivable	740	--	740
Inventory	84,002	--	84,002
Prepaid items	6,375	50,500	56,875
Total current assets	<u>815,249</u>	<u>7,710,038</u>	<u>8,525,287</u>
Noncurrent assets:			
Capital assets being depreciated, net	1,875,552	26,788	1,902,340
Total noncurrent assets	<u>1,875,552</u>	<u>26,788</u>	<u>1,902,340</u>
<b>Total Assets</b>	<u>2,690,801</u>	<u>7,736,826</u>	<u>10,427,627</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows relating to pensions	378,693	--	378,693
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	74,861	163,522	238,383
Claims payable	--	503,797	503,797
Capital lease payable, current portion	143,639	--	143,639
Total current liabilities	<u>218,500</u>	<u>667,319</u>	<u>885,819</u>
Noncurrent liabilities:			
Claims payable	--	392,874	392,874
Net pension liability	796,936	--	796,936
Compensated absences payable	45,780	--	45,780
Capital lease payable, net of current portion	452,825	--	452,825
Total noncurrent liabilities	<u>1,295,541</u>	<u>392,874</u>	<u>1,688,415</u>
<b>Total Liabilities</b>	<u>1,514,041</u>	<u>1,060,193</u>	<u>2,574,234</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows relating to pensions	39,045	--	39,045
<b>Net Position</b>			
Net investment in capital assets	1,279,088	26,788	1,305,876
Unrestricted	237,320	6,649,845	6,887,165
<b>Total Net Position</b>	<u>\$ 1,516,408</u>	<u>\$ 6,676,633</u>	<u>\$ 8,193,041</u>

# CITY OF PALM BEACH GARDENS, FLORIDA

## INTERNAL SERVICE FUNDS

### COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

**YEAR ENDED SEPTEMBER 30, 2017**

	Fleet Management	Self Insurance	Total
<b>Operating Revenues</b>			
Charges for services	\$ 2,544,638	\$ --	\$ 2,544,638
Employer contributions	--	6,248,557	6,248,557
Employee contributions	--	1,194,255	1,194,255
Miscellaneous	84,035	160,130	244,165
<b>Total Operating Revenues</b>	<u>2,628,673</u>	<u>7,602,942</u>	<u>10,231,615</u>
<b>Operating expenses</b>			
Personnel expenses	1,090,873	--	1,090,873
Claims expense	--	6,768,717	6,768,717
Insurance premiums	--	508,392	508,392
Repair and maintenance	456,162	--	456,162
Fuel and chemicals	475,161	--	475,161
Operating supplies	111,460	80,857	192,317
Other professional and contractual	40,377	842,196	882,573
Other expenses	58,012	--	58,012
Depreciation	513,704	3,121	516,825
<b>Total Operating Expenses</b>	<u>2,745,749</u>	<u>8,203,283</u>	<u>10,949,032</u>
<b>Operating Loss</b>	<u>(117,076)</u>	<u>(600,341)</u>	<u>(717,417)</u>
<b>Nonoperating Revenues</b>			
Investment income	850	5,333	6,183
Gain on disposal of capital assets	133,561	--	133,561
<b>Total Nonoperating Revenues</b>	<u>134,411</u>	<u>5,333</u>	<u>139,744</u>
<b>Change in Net Position</b>	17,335	(595,008)	(577,673)
<b>Net Position - Beginning</b>	<u>1,499,073</u>	<u>7,271,641</u>	<u>8,770,714</u>
<b>Net Position - Ending</b>	<u>\$ 1,516,408</u>	<u>\$ 6,676,633</u>	<u>\$ 8,193,041</u>



# CITY OF PALM BEACH GARDENS, FLORIDA

## INTERNAL SERVICES FUNDS COMBINING STATEMENT OF CASH FLOWS

**YEAR ENDED SEPTEMBER 30, 2017**

	Fleet Management	Self Insurance	Total
<b>Cash Flows from Operating Activities</b>			
Receipts for interfund services provided	\$ 2,544,638	\$ 7,442,812	\$ 9,987,450
Payments to suppliers for goods and services	(1,109,623)	(1,364,835)	(2,474,458)
Payments to employees for services	(1,033,238)	--	(1,033,238)
Payments for claims	--	(6,688,337)	(6,688,337)
Other operating revenues	84,035	160,129	244,164
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>485,812</u>	<u>(450,231)</u>	<u>35,581</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchases of capital assets	(483,211)	--	(483,211)
Proceeds from sale of capital assets	133,561	--	133,561
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>(349,650)</u>	<u>--</u>	<u>(349,650)</u>
<b>Cash Flows from Investing Activities</b>			
Interest earned	850	5,333	6,183
<b>Net Cash Provided by Investing Activities</b>	<u>850</u>	<u>5,333</u>	<u>6,183</u>
Net increase (decrease) in cash and cash equivalents	137,012	(444,898)	(307,886)
Cash and cash equivalents - beginning of year	587,120	8,104,436	8,691,556
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 724,132</u>	<u>\$ 7,659,538</u>	<u>\$ 8,383,670</u>
<b>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities</b>			
Operating loss	\$ (117,076)	\$ (600,341)	\$ (717,417)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	513,704	3,121	516,825
Changes in operating assets, deferred outflows, liabilities, and deferred inflows:			
Accounts receivable	220	--	220
Deferred outflows relating to pensions	(126,017)	--	(126,017)
Inventory	(5,142)	--	(5,142)
Prepaid items	(6,375)	--	(6,375)
Accounts payable	43,066	66,610	109,676
Claims payable	--	80,379	80,379
Net pension liability	160,015	--	160,015
Compensated absences	(5,732)	--	(5,732)
Deferred inflows relating to pensions	29,149	--	29,149
<b>Total Adjustments</b>	<u>602,888</u>	<u>150,110</u>	<u>752,998</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 485,812</u>	<u>\$ (450,231)</u>	<u>\$ 35,581</u>
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>			
Acquisition of capital assets through capital leases	<u>\$ 596,464</u>	<u>\$ --</u>	<u>\$ 596,464</u>

**CITY OF PALM BEACH GARDENS, FLORIDA**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**

**SEPTEMBER 30, 2017**

	Pension Trust Funds			
	General Employees	Police	Fire	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 10,095	\$ 1,783,197	\$ 328,003	\$ 2,121,295
Investments:				
Money market funds	--	1,992,143	1,886,127	3,878,270
U.S. Government obligations	--	3,472,564	5,388,889	8,861,453
Mortgage backed securities	--	1,272,575	3,475,694	4,748,269
Municipal obligations	--	922,611	--	922,611
Fixed income funds	979,253	--	7,006,672	7,985,925
Collateralized mortgage obligations	--	1,595,194	270,199	1,865,393
Corporate obligations	--	9,549,524	6,396,379	15,945,903
Equity securities	--	8,970,848	53,413,581	62,384,429
Equity funds	1,264,447	50,428,386	5,485,372	57,178,205
Foreign bonds	--	--	675,425	675,425
International funds	270,052	--	--	270,052
International bond funds	--	3,495,094	--	3,495,094
Real estate funds	--	7,056,734	9,533,459	16,590,193
Total investments	<u>2,513,752</u>	<u>88,755,673</u>	<u>93,531,797</u>	<u>184,801,222</u>
Receivables:				
Interest and dividends	--	124,074	123,491	247,565
Employer	--	--	165,810	165,810
State of Florida	--	624,188	483,485	1,107,673
Employees	337	--	16,346	16,683
Other	--	85,752	--	85,752
Total receivables	<u>337</u>	<u>834,014</u>	<u>789,132</u>	<u>1,623,483</u>
Prepaid items	<u>--</u>	<u>277,775</u>	<u>--</u>	<u>277,775</u>
<b>Total Assets</b>	<u>2,524,184</u>	<u>91,650,659</u>	<u>94,648,932</u>	<u>188,823,775</u>
<b>Liabilities</b>				
Accounts payable	1,262	53,107	142,055	196,424
Pending trades payable	--	3,403	47,433	50,836
Prepaid Employer Contributions	--	1,417,465	--	1,417,465
<b>Total Liabilities</b>	<u>1,262</u>	<u>1,473,975</u>	<u>189,488</u>	<u>1,664,725</u>
<b>Net Position</b>				
<b>Net Position Restricted for Pension Benefits</b>	<u>\$ 2,522,922</u>	<u>\$ 90,176,684</u>	<u>\$ 94,459,444</u>	<u>\$ 187,159,050</u>

# CITY OF PALM BEACH GARDENS, FLORIDA

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS

YEAR ENDED SEPTEMBER 30, 2017

	Pension Trust Funds			
	General Employees	Police	Fire	Total
<b>Additions</b>				
Contributions:				
Employer	\$ 162,435	\$ 2,843,423	\$ 3,048,414	\$ 6,054,272
State of Florida	--	624,188	483,485	1,107,673
Employees	10,163	515,513	451,715	977,391
<b>Total contributions</b>	<u>172,598</u>	<u>3,983,124</u>	<u>3,983,614</u>	<u>8,139,336</u>
<b>Investment Earnings</b>				
Net appreciation in fair value of investments	315,026	10,016,711	9,698,081	20,029,818
Interest and dividends	--	990,504	2,369,142	3,359,646
Other	--	1,849	73	1,922
Total investment earnings	315,026	11,009,064	12,067,296	23,391,386
Less investment expenses	<u>(4,972)</u>	<u>(261,584)</u>	<u>(472,805)</u>	<u>(739,361)</u>
<b>Net Investment Earnings</b>	<u>310,054</u>	<u>10,747,480</u>	<u>11,594,491</u>	<u>22,652,025</u>
<b>Total Additions</b>	<u>482,652</u>	<u>14,730,604</u>	<u>15,578,105</u>	<u>30,791,361</u>
<b>Deductions</b>				
Pension benefits	237,655	6,532,546	2,353,059	9,123,260
Refund of participant contributions	--	13,857	--	13,857
Administrative expenses	6,943	121,211	110,389	238,543
<b>Total Deductions</b>	<u>244,598</u>	<u>6,667,614</u>	<u>2,463,448</u>	<u>9,375,660</u>
<b>Change in Net Position</b>	238,054	8,062,990	13,114,657	21,415,701
<b>Net Position - Beginning</b>	<u>2,284,868</u>	<u>82,113,694</u>	<u>81,344,787</u>	<u>165,743,349</u>
<b>Net Position - Ending</b>	<u><u>\$ 2,522,922</u></u>	<u><u>\$ 90,176,684</u></u>	<u><u>\$ 94,459,444</u></u>	<u><u>\$ 187,159,050</u></u>

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## **STATISTICAL SECTION**

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## **STATISTICAL SECTION**

This part of the City of Palm Beach Garden'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

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### **Page**

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. These schedules include:

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#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

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#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

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These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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

# CITY OF PALM BEACH GARDENS, FLORIDA

## NET POSITION BY COMPONENT

### LAST TEN FISCAL YEARS (Accrual Basis of Accounting)

	2008	2009	2010	2011
<b>Governmental Activities</b>				
Net Investment in capital assets	\$ 63,743,178	\$ 67,009,120	\$ 67,825,780	\$ 70,503,248
Restricted	12,679,885	13,449,860	12,950,242	9,383,210
Unrestricted	<u>25,149,412</u>	<u>25,731,157</u>	<u>26,836,009</u>	<u>26,203,130</u>
<b>Total Governmental Activities Net Position</b>	<u>101,572,475</u>	<u>106,190,137</u>	<u>107,612,031</u>	<u>106,089,588</u>
<b>Primary Government</b>				
Net Investment in capital assets	63,743,178	67,009,120	67,825,780	70,503,248
Restricted	12,679,885	13,449,860	12,950,242	9,383,210
Unrestricted	<u>25,149,412</u>	<u>25,731,157</u>	<u>26,836,009</u>	<u>26,203,130</u>
<b>Total Primary Government Net Position</b>	<u>\$ 101,572,475</u>	<u>\$ 106,190,137</u>	<u>\$ 107,612,031</u>	<u>\$ 106,089,588</u>

**Table 1**

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 69,245,447	\$ 70,034,049	\$ 69,151,586	\$ 72,259,435	\$ 78,370,940	\$ 87,952,986
7,934,680	11,487,326	10,927,847	16,288,640	12,549,249	9,051,076
<u>28,494,191</u>	<u>28,797,278</u>	<u>37,132,301</u>	<u>(4,045,911)</u>	<u>4,088,222</u>	<u>6,420,075</u>
<u>105,674,318</u>	<u>110,318,653</u>	<u>117,211,734</u>	<u>84,502,164</u>	<u>95,008,411</u>	<u>103,424,137</u>
69,245,447	70,034,049	69,151,586	72,259,435	78,370,940	87,952,986
7,934,680	11,487,326	10,927,847	16,288,640	12,549,249	9,051,076
<u>28,494,191</u>	<u>28,797,278</u>	<u>37,132,301</u>	<u>(4,045,911)</u>	<u>4,088,222</u>	<u>6,420,075</u>
<u>\$ 105,674,318</u>	<u>\$ 110,318,653</u>	<u>\$ 117,211,734</u>	<u>\$ 84,502,164</u>	<u>\$ 95,008,411</u>	<u>\$ 103,424,137</u>

# CITY OF PALM BEACH GARDENS, FLORIDA

## CHANGES IN NET POSITION

### LAST TEN FISCAL YEARS (Accrual Basis of Accounting)

	2008	2009	2010
<b>Expenses</b>			
<b>Governmental activities:</b>			
General Government	\$ 14,954,447	\$ 15,136,680	\$ 14,021,839
Public Safety	39,223,990	41,112,818	43,008,415
Culture/Recreation	8,784,481	9,151,914	10,140,073
Physical Environment	6,067,686	5,771,316	3,962,941
Transportation	3,860,350	3,954,595	2,613,051
Interest on long-term debt	1,662,578	1,492,723	1,396,709
Other debt service costs	--	--	--
<b>Total Governmental Activities Expenses</b>	<u>74,553,532</u>	<u>76,620,046</u>	<u>75,143,028</u>
<b>Program Revenues</b>			
<b>Governmental activities:</b>			
Charges for services:			
General Government	8,518,696	8,594,096	8,409,479
Public Safety	2,438,907	2,423,564	2,587,741
Culture/Recreation	4,650,101	4,168,677	4,459,166
Physical Environment	--	--	--
Transportation	580,406	237,674	446,235
Operating grants and contributions	1,483,394	1,296,236	2,576,479
Capital grants and contributions	557,820	3,551,406	744,438
<b>Total Governmental Activities Program Revenues</b>	<u>18,229,324</u>	<u>20,271,653</u>	<u>19,223,538</u>
<b>Total Primary Government Program Revenues</b>	<u>\$ 18,229,324</u>	<u>\$ 20,271,653</u>	<u>\$ 19,223,538</u>



Table 2

Fiscal Year						
2011	2012	2013	2014	2015	2016	2017
\$ 13,637,124	\$ 13,772,084	\$ 14,577,754	\$ 14,130,877	\$ 14,978,857	\$ 17,541,387	\$ 20,064,766
43,117,470	43,586,151	41,943,456	40,628,867	42,414,598	43,962,040	48,503,388
7,586,300	7,470,717	7,435,778	7,753,450	7,988,072	8,301,284	8,904,360
6,688,611	6,876,606	7,031,948	7,822,307	8,986,513	9,700,482	10,991,757
2,558,809	1,927,567	2,214,405	2,329,335	2,529,685	2,050,549	2,742,420
1,148,800	945,926	935,201	916,909	818,570	725,961	1,095,700
--	91,923	36,500	--	--	--	62,720
<u>74,737,114</u>	<u>74,670,974</u>	<u>74,175,042</u>	<u>73,581,745</u>	<u>77,716,295</u>	<u>82,308,703</u>	<u>92,365,111</u>
8,006,806	8,749,869	9,710,901	12,320,246	11,781,970	11,868,769	13,300,392
3,267,903	4,321,215	4,883,193	2,709,767	5,860,916	6,075,497	7,094,400
4,717,578	5,030,609	5,879,675	5,528,028	6,962,118	6,150,055	6,627,415
--	--	--	--	--	1,660,821	185,809
120,663	109,553	627,407	338,718	350,647	546,678	1,093,669
1,458,831	1,650,949	1,470,016	1,794,424	1,616,429	1,679,128	1,529,434
<u>579,543</u>	<u>167,897</u>	<u>123,665</u>	<u>63,000</u>	<u>135,307</u>	<u>596,851</u>	<u>415,926</u>
<u>18,151,324</u>	<u>20,030,092</u>	<u>22,694,857</u>	<u>22,754,183</u>	<u>26,707,387</u>	<u>28,577,799</u>	<u>30,247,045</u>
<u>\$ 18,151,324</u>	<u>\$ 20,030,092</u>	<u>\$ 22,694,857</u>	<u>\$ 22,754,183</u>	<u>\$ 26,707,387</u>	<u>\$ 28,577,799</u>	<u>\$ 30,247,045</u>

(Continued)

# CITY OF PALM BEACH GARDENS, FLORIDA

## CHANGES IN NET POSITION (CONTINUED)

### LAST TEN FISCAL YEARS (Accrual Basis of Accounting)

	2008	2009	2010	2011
<b>Net (Expense) Revenue</b>				
Governmental activities	<u>\$ (56,324,208)</u>	<u>\$ (56,348,393)</u>	<u>\$ (55,919,490)</u>	<u>\$ (56,585,790)</u>
<b>Total Primary Government Net Expense</b>	<u>\$ (56,324,208)</u>	<u>\$ (56,348,393)</u>	<u>\$ (55,919,490)</u>	<u>\$ (56,585,790)</u>
<b>General Revenues and Other Changes in Net Position</b>				
<b>Governmental activities:</b>				
Taxes:				
Property taxes	\$ 50,362,460	\$ 50,314,207	\$ 46,762,961	\$ 45,755,279
Local business tax	1,531,977	1,540,700	1,464,400	1,421,834
Public service taxes	956,919	1,278,766	1,087,582	1,005,079
Unrestricted intergovernmental:				
Sales tax and local option gas tax	4,039,597	3,726,391	3,754,372	3,864,850
State shared revenue	1,193,969	1,076,977	1,802,019	1,195,559
Local shared revenue	--	--	121,564	188,040
Unrestricted investment earnings	1,741,515	1,415,326	764,799	348,553
Gain/(loss) on disposal of capital assets	242,496	17,141	43,748	32,867
Miscellaneous	1,273,400	1,596,547	1,539,939	1,251,286
Cumulative effect of change in accounting principle	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Total Governmental Activities</b>	<u>61,342,333</u>	<u>60,966,055</u>	<u>57,341,384</u>	<u>55,063,347</u>
<b>Total Primary Government</b>	<u>61,342,333</u>	<u>60,966,055</u>	<u>57,341,384</u>	<u>55,063,347</u>
<b>Change in Net Position</b>				
Governmental activities	<u>\$ 5,018,125</u>	<u>\$ 4,617,662</u>	<u>\$ 1,421,894</u>	<u>\$ (1,522,443)</u>
<b>Total Primary Government</b>	<u>\$ 5,018,125</u>	<u>\$ 4,617,662</u>	<u>\$ 1,421,894</u>	<u>\$ (1,522,443)</u>

Fiscal Year					
2012	2013	2014	2015	2016	2017
<u>\$ (54,640,882)</u>	<u>\$ (51,480,185)</u>	<u>\$ (50,827,562)</u>	<u>\$ (51,008,908)</u>	<u>\$ (53,560,795)</u>	<u>\$ (62,118,066)</u>
<u>\$ (54,640,882)</u>	<u>\$ (51,480,185)</u>	<u>\$ (50,827,562)</u>	<u>\$ (51,008,908)</u>	<u>\$ (53,560,795)</u>	<u>\$ (62,118,066)</u>
\$ 44,232,540	\$ 44,946,393	\$ 46,310,990	\$ 49,094,541	\$ 51,974,181	\$ 55,324,350
1,370,720	1,424,382	1,480,360	1,642,308	1,600,232	1,608,214
1,829,028	2,220,036	2,162,550	2,094,656	2,015,310	2,028,360
3,850,419	4,013,779	4,280,034	4,558,257	4,736,527	7,010,462
1,236,054	1,304,870	1,405,807	1,513,243	1,601,965	1,694,011
119,452	74,589	65,982	60,735	38,788	68,618
299,589	165,741	223,316	423,980	442,722	497,772
(7,165)	290,676	146,150	60,378	293,043	397,739
1,294,975	1,837,258	1,645,457	1,985,539	1,534,383	1,904,266
--	--	--	(43,134,299)	--	--
<u>54,225,612</u>	<u>56,277,724</u>	<u>57,720,646</u>	<u>18,299,338</u>	<u>64,237,151</u>	<u>70,533,792</u>
<u>54,225,612</u>	<u>56,277,724</u>	<u>57,720,646</u>	<u>18,299,338</u>	<u>64,237,151</u>	<u>70,533,792</u>
<u>\$ (415,270)</u>	<u>\$ 4,797,539</u>	<u>\$ 6,893,084</u>	<u>\$ (32,709,570)</u>	<u>\$ 10,676,356</u>	<u>\$ 8,415,726</u>
<u>\$ (415,270)</u>	<u>\$ 4,797,539</u>	<u>\$ 6,893,084</u>	<u>\$ (32,709,570)</u>	<u>\$ 10,676,356</u>	<u>\$ 8,415,726</u>

## FUND BALANCES OF GOVERNMENTAL FUNDS

## LAST SEVEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

	Fiscal Year						
	2011	2012	2013	2014	2015	2016	2017
<b>General Fund</b>							
Nonspendable	\$ 47,033	\$ 114,228	\$ 77,819	\$ 14,857	\$ 7,018	\$ 10,289	\$ 3,409,759
Restricted	3,050,763	626,283	3,518,253	3,374,314	1,844,608	486,302	852,620
Committed	1,253,889	1,253,889	2,632,575	2,632,575	2,367,875	2,350,475	2,324,225
Assigned	2,836,036	786,693	1,411,359	5,062,949	6,241,970	5,591,893	13,540,429
Unassigned	<u>20,964,535</u>	<u>26,058,560</u>	<u>27,109,724</u>	<u>27,529,515</u>	<u>26,200,218</u>	<u>29,931,355</u>	<u>24,300,582</u>
<b>Total General Fund</b>	<u>28,152,256</u>	<u>28,839,653</u>	<u>34,749,730</u>	<u>38,614,210</u>	<u>36,661,689</u>	<u>38,370,314</u>	<u>44,427,615</u>
<b>All Other Governmental Funds</b>							
Nonspendable	25,662	36,357	31,270	36,743	21,473	26,151	3,158,655
Restricted	7,650,881	7,308,397	7,969,073	7,553,533	14,444,032	12,062,947	37,870,178
Committed	--	--	--	--	--	--	--
Assigned	<u>1,034,597</u>	<u>1,004,043</u>	<u>772,850</u>	<u>2,288,839</u>	<u>955,757</u>	<u>1,068,221</u>	<u>814,682</u>
<b>Total All Other Governmental Funds</b>	<u>8,711,140</u>	<u>8,348,797</u>	<u>8,773,193</u>	<u>9,879,115</u>	<u>15,421,262</u>	<u>13,157,319</u>	<u>41,843,515</u>
<b>Total Governmental Funds</b>	<u>\$36,863,396</u>	<u>\$37,188,450</u>	<u>\$43,522,923</u>	<u>\$48,493,325</u>	<u>\$52,082,951</u>	<u>\$51,527,633</u>	<u>\$86,271,130</u>

Note: Data not available prior to fiscal year 2011 implementation of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definition*.

# CITY OF PALM BEACH GARDENS, FLORIDA

## CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

### LAST TEN FISCAL YEARS (Accrual Basis of Accounting)

	2008	2009	2010	2011
<b>Revenues</b>				
Ad valorem taxes	\$ 50,362,460	\$ 50,314,207	\$ 46,762,961	\$ 45,755,279
Local business tax	--	1,540,700	1,464,400	1,421,834
Utility taxes	956,919	1,278,766	1,087,582	1,005,079
Special assessment	--	--	--	--
Franchise fees	5,516,091	5,702,964	5,040,183	4,946,864
Licenses and permits	4,364,095	2,020,336	2,363,552	2,066,521
Intergovernmental	6,906,638	6,454,771	8,693,914	7,250,927
Impact fees	1,467,356	567,498	1,024,537	535,700
Charges for services	5,641,891	5,865,175	6,263,022	7,306,291
Fines and forfeitures	320,944	436,227	301,780	184,221
Investment income	1,740,605	1,414,745	763,632	348,002
Miscellaneous	2,028,842	2,070,220	1,738,946	1,537,789
<b>Total Revenues</b>	<u>79,305,841</u>	<u>77,665,609</u>	<u>75,504,509</u>	<u>72,358,507</u>
<b>Expenditures</b>				
Current:				
General Government	14,613,265	14,592,013	13,579,416	12,820,887
Public Safety	37,695,130	39,078,675	41,375,382	40,678,920
Culture and Recreation	7,354,317	7,363,738	8,360,697	5,688,357
Physical Environment	5,848,500	5,375,753	3,602,222	6,081,652
Transportation	818,837	809,220	685,673	827,068
Capital outlay	6,305,054	5,239,712	3,940,814	5,974,920
Debt service:				
Principal	2,848,158	2,929,195	2,948,742	3,113,455
Interest	1,488,484	1,398,206	1,304,010	1,066,464
Bond issuance costs	--	--	--	28,000
Other debt service costs	--	--	--	--
<b>Total Expenditures</b>	<u>76,971,745</u>	<u>76,786,512</u>	<u>75,796,956</u>	<u>76,279,723</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>2,334,096</u>	<u>879,097</u>	<u>(292,447)</u>	<u>(3,921,216)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,373,777	4,291,078	1,454,187	2,338,257
Transfers out	(1,321,015)	(4,238,316)	(1,454,187)	(2,338,257)
Capital leases	712,418	--	--	--
Sale of capital assets	206,000	7,278	--	--
Bonds and notes issued	--	--	--	--
Refunding bonds issued	--	--	--	4,440,997
Premium on bond issuance	--	--	--	--
Refunded bonds redeemed	--	--	--	(4,412,997)
Payment to refunded bond escrow agent	--	--	--	--
<b>Total Other Financing Sources (Uses)</b>	<u>971,180</u>	<u>60,040</u>	<u>--</u>	<u>28,000</u>
<b>Special Items</b>				
Proceeds from defined contribution plan	3,642,218	--	--	--
Payment to defined benefit plan	(3,310,127)	--	--	--
<b>Total Special Items</b>	<u>332,091</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Net Change in Fund Balances</b>	<u>\$ 3,637,367</u>	<u>\$ 939,137</u>	<u>\$ (292,447)</u>	<u>\$ (3,893,216)</u>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<u>6.10%</u>	<u>5.88%</u>	<u>5.87%</u>	<u>5.96%</u>

Table 4

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 44,232,540	\$ 44,946,393	\$ 46,310,990	\$ 49,094,541	\$ 51,974,181	\$ 55,324,350
1,370,720	1,424,382	1,480,360	1,642,308	1,600,232	1,608,214
1,829,028	2,220,036	2,162,550	2,094,656	2,015,310	2,028,360
--	--	--	--	--	114,377
5,327,897	5,101,610	5,493,667	5,559,815	5,425,438	5,564,984
2,414,586	3,537,512	3,537,090	4,546,357	4,905,124	5,832,223
6,894,564	7,159,350	7,531,569	7,824,817	8,078,313	10,256,074
754,853	2,563,745	1,259,848	2,625,215	1,730,260	2,934,014
8,427,574	8,356,187	9,155,442	10,557,716	10,709,338	11,993,327
163,076	308,095	253,207	271,264	321,570	172,986
299,204	162,847	219,231	418,442	436,783	491,590
1,621,486	1,874,051	1,917,229	2,366,415	2,051,152	2,463,251
73,335,528	77,654,208	79,321,183	87,001,546	89,247,701	98,783,750
13,101,603	13,891,617	13,670,394	14,757,766	15,762,838	16,736,979
41,616,208	39,690,034	39,918,404	42,140,959	43,328,804	44,110,412
5,505,915	5,461,517	5,749,601	5,956,101	6,214,376	6,853,710
6,151,650	6,496,310	7,311,775	8,031,030	8,203,345	9,606,325
591,089	882,857	802,773	849,961	965,058	616,681
2,081,097	6,045,352	3,431,802	7,095,189	12,108,700	13,585,815
3,328,573	3,623,063	3,857,772	3,954,800	4,038,352	6,642,493
850,124	713,851	720,871	626,114	562,576	906,256
117,944	36,500	--	--	--	62,720
91,923	--	--	--	--	--
73,436,126	76,841,101	75,463,392	83,411,921	91,184,049	99,121,391
(100,598)	813,107	3,857,791	3,589,626	(1,936,348)	(337,641)
803,596	630,786	2,434,043	8,005,816	3,191,233	1,801,320
(743,460)	(647,494)	(2,434,043)	(8,005,816)	(3,191,233)	(1,801,320)
136,451	1,208,074	1,022,611	--	1,152,030	1,965,638
--	30,000	90,000	--	229,000	--
--	4,300,000	--	--	--	30,000,000
16,190,000	--	--	--	--	--
101,429	--	--	--	--	--
--	--	--	--	--	--
(16,062,364)	--	--	--	--	--
425,652	5,521,366	1,112,611	--	1,381,030	31,965,638
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
\$ 325,054	\$ 6,334,473	\$ 4,970,402	\$ 3,589,626	\$ (555,318)	\$ 31,627,997
5.84%	6.09%	6.32%	5.90%	5.71%	8.63%

## CITY OF PALM BEACH GARDENS, FLORIDA

### NET ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

#### LAST TEN FISCAL YEARS

Year Ended September 30,	Real Property				Total
	Residential Property	Commercial Property	Industrial Property	Other Property	
2008	\$ 7,633,899,238	\$ 1,760,317,064	\$ 76,620,371	\$ 65,923,845	\$ 9,536,760,518
2009	7,229,265,998	1,871,391,912	81,429,357	57,716,346	9,239,803,613
2010	6,420,991,961	1,669,597,264	187,362,285	54,338,191	8,332,289,701
2011	5,848,513,461	1,449,291,192	159,894,950	46,154,142	7,503,853,745
2012	5,845,989,740	1,356,197,434	158,956,614	46,668,841	7,407,812,629
2013	5,971,391,486	1,362,505,644	137,804,685	54,067,590	7,525,769,405
2014	6,179,351,874	1,399,487,396	138,859,513	53,618,149	7,771,316,932
2015	6,655,059,315	1,519,351,040	70,050,865	138,572,340	8,383,033,560
2016	7,120,899,821	1,733,042,304	75,316,429	100,964,163	9,030,222,717
2017	7,578,568,351	1,949,533,937	82,092,236	108,638,650	9,718,833,174

Note: Assessed values are established by the Palm Beach County Property Appraiser's Office as of January 1, each year. Assessments were increased to 100% of market value as of 1980.

Property in the City is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$1,000 of assessed value.

Source: Palm Beach County Property Appraiser's Office

N/A - Information not available

Table 5

Personal Property	Centrally Assessed	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
\$ 431,242,245	\$ 1,287,840	\$ 9,969,290,603	5.2540	\$ 12,266,508,331	81.27%
445,097,893	2,302,570	9,687,204,076	5.3990	11,905,455,511	81.37%
435,423,487	1,525,288	8,769,238,476	5.5390	10,584,957,812	82.85%
419,393,252	1,530,479	7,924,777,476	5.9258	9,478,563,840	83.61%
355,387,197	1,580,454	7,764,780,280	5.9225	9,524,962,077	81.52%
357,685,952	1,261,843	7,884,717,200	5.9194	9,634,287,354	81.84%
357,264,904	1,567,443	8,130,149,279	5.9137	10,015,793,537	81.17%
374,540,771	1,842,341	8,759,416,672	5.8315	11,106,390,736	78.87%
400,381,117	2,111,042	9,432,714,876	5.6871	12,267,715,478	76.89%
376,051,655	2,332,101	10,097,216,930	5.6781	13,251,477,046	76.20%



## CITY OF PALM BEACH GARDENS, FLORIDA

### PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

#### LAST TEN FISCAL YEARS

City of Palm Beach Gardens					
Fiscal Year	Operating Millage	Debt Service Millage	Total City Millage	Palm Beach County School District	Palm Beach County
2008	5.1050	0.1490	5.2540	7.3560	3.9813
2009	5.2500	0.1490	5.3990	7.2510	3.9656
2010	5.3900	0.1490	5.5390	7.9830	4.5614
2011	5.7404	0.1854	5.9258	8.1540	4.9960
2012	5.7404	0.1821	5.9225	8.1800	4.9925
2013	5.7404	0.1790	5.9194	7.7780	4.9902
2014	5.7404	0.1733	5.9137	7.5860	4.9852
2015	5.6700	0.1615	5.8315	7.5940	4.9729
2016	5.5500	0.1371	5.6871	7.5120	4.9277
2017	5.5500	0.1281	5.6781	7.0700	4.9142

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

Source: City of Palm Beach Gardens Finance Department and Palm Beach County Property Appraiser's Office

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

**Table 6**


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Overlapping Rates <sup>(1)</sup>					
Palm Beach County Health Care District	Palm Beach County Library System	South Florida Water Management District	Children's Services Council	Florida Inland Navigation District	Total Direct and Overlapping Rates
0.8900	0.5441	0.6240	0.5823	0.0345	19.2662
0.9975	0.5427	0.6240	0.6009	0.0345	19.4152
1.1451	0.5518	0.6240	0.6898	0.0345	21.1286
1.1451	0.5491	0.6240	0.7513	0.0345	22.1798
1.1250	0.6081	0.4363	0.7475	0.0345	22.0464
1.1220	0.6066	0.4289	0.7300	0.0345	21.6096
1.0800	0.6065	0.4110	0.7025	0.0345	21.3194
1.0800	0.6024	0.3842	0.6745	0.0345	21.1740
1.0426	0.5985	0.1459	0.6677	0.0320	20.6135
0.8993	0.5933	0.3307	0.6833	0.0320	20.2009

## PRINCIPAL PROPERTY TAXPAYERS

## CURRENT YEAR AND NINE YEARS PRIOR

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value <sup>(1)</sup>	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value <sup>(1)</sup>
The Gardens Venture LLC	\$ 292,828,825	1	2.90%	\$ 210,000,000	1	2.11%
Excel Gardens LLC	109,053,852	2	1.08%	82,619,502	3	0.83%
GLL US Retail LP	86,515,000	3	0.86%	113,054,061	2	1.13%
BREIT MF San Merano LLC	83,661,307	4	0.83%	58,491,281	6	0.59%
Northlake Blvd LLC	73,280,751	5	0.73%	60,082,106	4	0.60%
GK 3801 PGA Blvd LLC	59,249,101	6	0.59%	59,000,000	5	0.59%
Landmark at Gardens Square LLC	59,908,648	7	0.59%			
WFGR Resort Core V LLC	57,075,312	8	0.57%	50,000,000	7	0.50%
Devonshire at PGA National LLC	56,328,313	9	0.56%	38,310,637	9	0.38%
11900 Valencia Gardens AV Apts	51,726,950	10	0.51%			
Terra Funding GB Inc				48,808,231	8	0.49%
Communities Finance Co LLC				36,599,732	10	0.37%
	<u>\$ 929,628,059</u>		<u>9.22%</u>	<u>\$ 756,965,550</u>		<u>7.59%</u>

Source: Tax roll provided by Palm Beach County Property Appraisers Office.

(1) See the Schedule of Net Assessed Value on page 120 for Estimated Actual Value of Taxable Property.

## PROPERTY TAX LEVIES AND COLLECTIONS

## LAST TEN FISCAL YEARS

Year Ended September 30,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percentage of Levy
2008	\$ 52,378,653	\$ 50,382,769	96.19%	\$ 631,057	\$ 51,013,826	97.39%
2009	52,198,753	49,743,531	95.30%	266,335	50,009,866	95.81%
2010	48,572,811	46,500,965	95.73%	555,890	47,056,855	96.88%
2011	46,934,495	45,094,498	96.08%	95,204	45,189,702	96.28%
2012	45,986,911	44,142,070	95.99%	129,642	44,271,712	96.27%
2013	46,672,795	44,866,669	96.13%	103,485	44,970,154	96.35%
2014	48,079,264	46,260,814	96.22%	77,724	46,338,538	96.38%
2015	51,080,538	49,137,584	96.20%	26,623	49,164,207	96.25%
2016	53,644,793	51,655,014	96.29%	86,038	51,741,052	96.45%
2017	57,333,007	55,238,312	96.35%	--	55,238,312	96.35%

Source: City of Palm Beach Gardens Finance Department and Palm Beach County Tax Collector's Office.

# CITY OF PALM BEACH GARDENS, FLORIDA

## RATIOS OF OUTSTANDING DEBT BY TYPE

### LAST TEN FISCAL YEARS

Year Ended September 30,	Governmental Activities			
	General			Notes
	Revenue Bonds	Obligation Bonds	Capital Leases	
2008	\$ 21,784,903	\$ 11,527,046	\$ 996,465	\$ 72,881
2009	20,056,285	10,567,106	922,247	--
2010	18,279,922	9,566,340	844,172	--
2011	16,366,001	8,579,140	762,039	--
2012	14,445,715	7,489,697	801,213	--
2013	18,188,016	6,365,138	1,608,643	--
2014	15,805,833	5,204,098	2,304,750	--
2015	13,376,878	4,004,775	1,966,269	--
2016	10,889,118	2,884,475	2,676,052	--
2017	36,065,480	1,730,056	4,378,159	--

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

(1) See the Schedule of Demographic and Economic Statistics on page 132 for population data.

**Table 9**


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Total Primary Government	Percentage of Personal Income <sup>(1)</sup>	Per Capita <sup>(1)</sup>
\$ 34,381,295	0.0464%	\$ 684
31,545,638	0.0429%	632
28,690,434	0.0413%	573
25,707,180	0.0360%	531
22,736,625	0.0301%	469
26,161,797	0.0329%	529
23,314,681	0.0249%	466
19,347,922	0.0198%	383
16,449,645	N/A	319
42,173,695	N/A	802

## RATIOS OF GENERAL BONDED DEBT OUTSTANDING

## LAST TEN FISCAL YEARS

Year Ended September 30,	General Obligation Bonds	Percentage of Estimated Actual Taxable Value <sup>(1)</sup>	Per Capita <sup>(2)</sup>
2008	\$ 11,527,046	0.12%	\$ 229
2009	10,567,106	0.11%	212
2010	9,566,340	0.11%	191
2011	8,579,140	0.11%	177
2012	7,489,697	0.10%	155
2013	6,365,138	0.08%	129
2014	5,204,098	0.06%	104
2015	4,004,775	0.05%	79
2016	2,884,475	0.03%	56
2017	1,730,056	0.01%	33

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statement.

(1) See the Schedule of Net Assessed Value on page 120 for Estimated Actual Value of Taxable Property.

(2) See the Schedule of Demographic and Economic Statistics on page 132 for population data.

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2017

Government Unit	Net Debt Outstanding	Percentage Applicable to the City of Palm Beach Gardens <sup>(1)</sup>	Amount Applicable to the City of Palm Beach Gardens
<b>Debt Repaid with Property Taxes</b>			
Palm Beach County	\$ 103,305,000	5.22%	\$ 5,392,521
<b>Other Debt</b>			
Palm Beach County	982,414,690	5.22%	51,282,047
Palm Beach County School Board	1,583,227,000	5.21%	<u>82,486,127</u>
Subtotal, Overlapping Debt			139,160,695
City of Palm Beach Gardens Direct Debt			<u>42,173,695</u>
<b>Total Direct and Overlapping Debt</b>			<u><u>\$ 181,334,390</u></u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and business.

Source: Data provided by the Palm Beach County Finance Department and the Palm Beach County School Board.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's and School Board's taxable assessed value that is within the City's boundaries.



# CITY OF PALM BEACH GARDENS, FLORIDA

## PLEDGED REVENUE COVERAGE

### LAST TEN FISCAL YEARS

2011 Public Improvement and Refunding Bonds					
Year Ended September 30,	Local Business Tax	Utility Taxes	Special Assessment	Franchise Fees	Licenses and Permits
2008	\$ --	\$ 956,919	\$ --	\$ 5,516,091	\$ 4,364,095
2009	1,540,700	1,278,766	--	5,702,964	2,020,336
2010	1,464,400	1,087,582	--	5,040,183	2,363,552
2011	1,421,834	1,005,079	--	4,946,864	2,066,521
2012	1,370,720	1,829,028	--	5,327,897	2,414,586
2013	1,424,382	2,220,036	--	5,101,610	3,537,512
2014	1,480,360	2,162,550	--	5,493,667	3,537,089
2015	1,642,308	2,094,656	--	5,559,815	4,546,357
2016	1,600,232	2,015,310	--	5,425,438	4,905,124
2017	1,608,214	2,028,360	114,377	5,564,984	5,832,223

	Non Ad Valorem Revenue Available for Debt Coverage	Debt Service		Coverage
		Principal	Interest	
2008	\$ 27,476,025	\$ 1,923,309	\$ 992,714	9.42
2009	26,783,904	1,969,256	943,136	9.20
2010	27,717,011	1,947,976	887,781	9.77
2011	26,067,528	2,005,259	828,446	9.20
2012	28,348,135	2,005,259	828,446	10.00
2013	30,144,070	2,498,505	492,496	10.08
2014	31,750,341	2,696,732	536,167	9.82
2015	35,281,790	2,755,476	479,293	10.91
2016	35,543,260	2,918,051	453,439	10.54
2017	40,525,386	2,763,075	440,911	12.65

Note: The City's 2011 Public Improvement Revenue Bonds are obligations of the City payable solely from and secured solely by non ad valorem revenue. The original bonds were issued in November 2003 to refund certain prior obligations of the City. Additional bonds were issued in 2013 and 2017 to finance the cost of improvements to the City's golf course, parks, and facilities.

Source: City of Palm Beach Gardens Finance Department

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Inter- governmental	Charges for Services	Fines and Forfeitures	Investment Income	Miscellaneous	Non Ad Valorem Revenue Available for Debt Coverage
\$ 6,906,638	\$ 5,641,891	\$ 320,944	\$ 1,740,605	\$ 2,028,842	\$ 27,476,025
6,454,771	5,865,175	436,227	1,414,745	2,070,220	26,783,904
8,693,914	6,263,022	301,780	763,632	1,738,946	27,717,011
7,250,927	7,306,291	184,221	348,002	1,537,789	26,067,528
6,894,564	8,427,574	163,076	299,204	1,621,486	28,348,135
7,159,350	8,356,187	308,095	162,847	1,874,051	30,144,070
7,531,570	9,155,443	253,206	219,233	1,917,223	31,750,341
7,824,817	10,557,716	271,264	418,442	2,366,415	35,281,790
8,078,313	10,709,338	321,570	436,783	2,051,152	35,543,260
10,256,074	11,993,327	172,986	491,590	2,463,251	40,525,386

## DEMOGRAPHIC AND ECONOMIC STATISTICS

## LAST TEN FISCAL YEARS

Year	Population <sup>(1)</sup>	Palm Beach County Personal Income <sup>(2)</sup> (In Thousands)	Palm Beach County Per Capita Income <sup>(2)</sup>	School Enrollment <sup>(3)</sup>	Unemployment Rate <sup>(4)</sup>
2008	50,282	\$ 74,099,427	\$58,358	9,933	4.3%
2009	49,941	73,546,909	57,461	10,338	7.2%
2010	50,075	69,488,201	52,526	10,549	7.8%
2011	48,452	71,432,467	53,500	11,234	6.9%
2012	48,452	75,461,490	52,191	10,937	5.7%
2013	49,434	79,564,774	57,985	10,909	5.1%
2014	50,067	93,526,272	66,914	11,175	4.1%
2015	50,521	97,806,900	68,743	10,935	4.0%
2016	51,532	N/A	N/A	10,024	4.1%
2017	52,591	N/A	N/A	10,563	3.4%

## Sources:

- (1) University of Florida Bureau of Business and Economic Research
- (2) U.S. Department of Commerce, Bureau of Economic Analysis
- (3) Palm Beach County School Board Budget Office
- (4) U.S. Bureau of Labor Statistics

N/A: Information not available

## PRINCIPAL EMPLOYERS

## CURRENT YEAR AND NINE YEARS PRIOR

Employer	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Palm Beach County School Board (estimated)	1,193	1	3.88%	903	3	3.13%
Tenet Healthcare Corp (estimated)	855	2	2.78%	1,100	1	3.81%
TBC Corporation (Headquarters)	750	3	2.44%			
PGA National Resort & Spa	700	4	2.28%	800	4	2.77%
City of Palm Beach Gardens	496	5	1.61%	484	7	1.68%
BIOMET 3i, Inc.	471	6	1.53%	560	6	1.94%
Belcan Engineering Group	458	7	1.49%	467	8	1.62%
LRP Publications (Headquarters)	292	8	0.95%			
Synthes Anspach Companies	282	9	0.92%			
Cross Match Technologies	300	10	0.98%			
G4S (Headquarters)				990	2	3.43%
Virtual Bank				800	5	2.77%
Catafumo Construction Inc.				350	9	1.21%
Palm Beach Gardens Marriott				277	10	0.96%
	<u>5,797</u>		<u>18.84%</u>	<u>6,731</u>		<u>23.31%</u>

Source: 2016 Business Development Board of Palm Beach County

## FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

## LAST TEN FISCAL YEARS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Number of Employees</b>										
General Government	97	95	80	66	71	71	73	75	81	84
Public Safety	282	272	272	280	278	281	278	280	283	298
Culture and Recreation	65	64	72	38	38	39	36	38	41	43
Physical Environment	57	53	40	66	65	64	67	67	67	71
<b>Total Number of Employees</b>	<b>501</b>	<b>484</b>	<b>464</b>	<b>450</b>	<b>452</b>	<b>455</b>	<b>454</b>	<b>460</b>	<b>472</b>	<b>496</b>

Source: City of Palm Beach Gardens Finance Department

# CITY OF PALM BEACH GARDENS, FLORIDA

## OPERATING INDICATORS BY FUNCTION/PROGRAM

### LAST TEN FISCAL YEARS

Function/Program	Fiscal Year			
	2008	2009	2010	2011
<b>General Government</b>				
Information Technology:				
Number of online inspections scheduled	7,808	6,188	6,495	12,150
City Clerk:				
Public records request	486	553	140	110
Finance:				
A/P checks issued	6,366	6,829	5,849	4,914
<b>Public Safety</b>				
Police personnel and officers	157	150	150	162
Fire personnel	125	122	122	118
Number of police foot patrols	11,497	16,400	13,473	10,874
Number of police service calls	41,181	39,882	39,233	38,220
Number of fire rescue calls	7,155	7,410	8,000	7,836
<b>Culture and Recreation</b>				
Special event attendees	71,600	75,000	104,100	110,000
General program participants	126,000	9,220	16,710	17,000
Youth camp registrations	3,636	3,805	3,750	3,775
Tennis members	566	356	360	367
Rounds of golf played	43,657	43,000	38,835	41,954
General pool admissions	36,401	32,144	32,910	37,826
<b>Physical Environment</b>				
Curb miles swept	3,095	800	2,560	2,779
Linear feet of storm drains cleaned/repared	13,200	800	4,400	--
Permits issued	8,929	5,272	6,013	6,315
Value of permits	\$ 343,341,142	\$ 189,340,190	\$ 178,555,009	\$ 188,625,476
Inspections performed	23,442	19,250	18,170	18,100

Sources: Various City Departments

Table 16

Fiscal Year					
2012	2013	2014	2015	2016	2017
7,720	4,051	3,569	3,647	9,000	9,985
95	127	207	148	316	340
3,863	3,183	3,391	3,174	2,969	2,697
163	158	160	160	163	168
118	113	118	120	120	130
9,028	8,619	8,771	9,516	9,631	14,861
36,866	30,515	30,540	33,827	34,833	41,577
7,582	9,492	9,594	9,899	10,876	10,800
144,000	167,000	170,000	170,000	186,461	191,125
16,500	17,000	16,000	16,000	16,010	17,706
3,988	4,072	3,591	3,495	5,287	5,502
455	409	453	453	413	547
39,107	28,904	32,742	32,742	39,781	42,000
31,723	30,530	34,130	34,130	26,128	9,924
2,335	1,551	2,605	2,364	2,000	1,400
--	140	58	462	814	2,000
6,822	7,560	7,712	7,565	8,248	8,883
\$ 208,997,432	\$ 293,661,857	\$ 232,474,244	\$ 406,243,050	\$ 294,899,950	\$ 560,765,434
18,605	24,105	22,882	20,814	23,399	24,000

## CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

## LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Government</b>										
Number of general government buildings	1	1	1	1	1	1	1	1	1	1
<b>Public Safety</b>										
Fire stations	5	5	5	5	5	5	5	5	5	5
<b>Transportation</b>										
Miles of streets	53	54	54	54	54	54	57	57	59	59
<b>Culture and Recreation</b>										
Parks acreage	168	168	168	172	172	172	172	201	222	222
Parks	11	11	11	11	11	11	11	14	16	16
Golf courses	1	1	1	1	1	1	1	1	1	1
Golf course acreage	140	140	140	140	140	140	140	140	140	140
Multipurpose fields	10	10	10	11	11	11	11	15	15	15
Multipurpose rinks	2	2	2	2	2	2	2	2	1	1
Baseball/softball fields	17	17	17	17	17	17	17	17	17	17
Tennis courts	19	19	19	19	19	19	19	24	24	26
Pickleball courts	0	0	0	0	0	0	0	0	6	12
Playgrounds	9	9	9	9	9	9	9	10	17	17
Basketball courts	12	12	13	13	13	13	13	15	18	18
Racquetball courts	6	6	6	6	6	6	6	6	6	6
Skatepark	1	1	1	1	1	1	1	1	1	1
Swimming pools	3	3	3	3	3	3	3	3	3	3

Sources: Various City Departments



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## **REPORTING SECTION**

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**INDEPENDENT AUDITORS' 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***

To the Honorable Mayor, City Council and City Manager  
**City of Palm Beach Gardens, Florida**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Palm Beach Gardens, Florida (the City), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 8, 2018. Our report includes a reference to other auditors who audited the financial statements of the City's Police Officers' Pension Fund and the City's Firefighters' Pension Fund, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing on internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

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

*Marcum LLP*

West Palm Beach, FL  
May 8, 2018

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

To the Honorable Mayor, City Council and City Manager  
**City of Palm Beach Gardens, Florida**

**Report on the Financial Statements**

We have audited the financial statements of the City of Palm Beach Gardens, Florida, as of and for the year ended September 30, 2017, and have issued our report thereon dated May 8, 2018. We did not audit the financial statements of the City's Police Officers' Pension Fund and the City's Firefighters' Pension Fund, which represent 88 percent, 90 percent, and 59 percent, respectively, of the assets, net position/fund balance, and revenues/additions of the aggregate remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City's Police Officers' Pension Fund and the City's Firefighters' Pension Fund, is based solely on the reports of the other auditors.

**Auditors' Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. This report does not include the results of the other auditors' testing of internal controls over financial reporting or compliance and other matters that are reported by those auditors.

**Other Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 8, 2018, should be considered in conjunction with this management letter.

## **Prior Audit Findings**

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

## **Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements. There are no component units.

## **Financial Condition and Management**

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same. This assessment was done as of fiscal year end.

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

## **Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

## **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the City Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Marcum LLP". The script is cursive and fluid, with the letters "M", "L", and "P" being particularly prominent.

Marcum LLP  
May 8, 2018

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE PURSUANT TO  
SECTION 218.415 FLORIDA STATUTES**

To the Honorable Mayor, City Council and City Manager  
**City of Palm Beach Gardens, Florida**

We have examined the City of Palm Beach Gardens, Florida (the City) compliance with Section 218.415 Florida Statutes for the year ended September 30, 2017. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with the specified requirements.

In our opinion, the City complied, in all material respects, with Section 218.415 Florida Statutes for the year ended September 30, 2017.

This report is intended to describe our testing of compliance with Section 218.415 Florida Statutes and it is not suitable for any other purpose.

*Marcum LLP*

West Palm Beach, FL  
May 8, 2018