

Town of Palm Beach, Florida
Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2017



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



Prepared by the Finance Department

Jane Le Clainche, CPA
Finance Director

TOWN OF PALM BEACH, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2017

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TOWN OF PALM BEACH

Finance Department

March 30, 2018

The Honorable Mayor and Town Council
Town of Palm Beach
Palm Beach, Florida

The Comprehensive Annual Financial Report for the Town of Palm Beach's fiscal year ended September 30, 2017, is hereby submitted pursuant to Florida Statute 11.45. This document is the official comprehensive publication of the Town's financial position at September 30, 2017. This report was prepared by the Town's Finance Department. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. To the best of our knowledge and belief, the enclosed data are accurate in all material respects. They are reported in a manner designed to present fairly the financial position and results of operations on a government-wide and fund level. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

Nowlen, Holt and Miner, P.A., independent auditors, have issued an unmodified opinion on the Town of Palm Beach's financial statements for the fiscal year ended September 30, 2017. The independent auditors' report is located at the front of the financial section of this report.

The Town's financial statements have been prepared using the reporting model in accordance with Governmental Accounting Standard Board (GASB) Statement no. 34, Basic Financial Statements – and Management's Discussion and Analysis (MD&A). The MD&A immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

THE TOWN OF PALM BEACH

The Town of Palm Beach, Florida, incorporated in 1911, is located on a barrier island in the eastern part of Palm Beach County. Palm Beach is a unique, internationally famous residential community known for its distinctive architecture and landscaping, gracious homes and apartments, golf courses and clubs, and world famous stores and restaurants. The taxable value of properties within the Town provides appropriate support for the Town's authorized indebtedness.

The Town of Palm Beach services a full-time resident population of 8,291 plus an estimated 15,000 additional seasonal residents (November to May), as well as numerous visitors and other individuals who are employed on the island.

The Town is governed by an elected Mayor and a five-member Council. The Mayor's term is for two years. The five members of the Town Council are elected at large and serve overlapping two-year terms. The Town operates under the Council-Manager form of government. The Town Council appoints the

Town Manager who serves as the Town's Chief Administrative Officer and is responsible for implementing the policies established by the Town Council. The Town has 363 employees, including 69 sworn police officers and 64 full-time firefighters.

The Town provides a full range of services. These services include police and fire protection, emergency medical services, sanitation services, recreational activities, the construction and maintenance of streets, storm water collection systems, sanitary sewer collection system and other infrastructure.

Internal Controls: In developing and evaluating the Town's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of an internal control system should not exceed the benefits likely to be derived, and that the evaluation of cost and benefits requires estimates and judgments by management.

Budgeting Controls: In addition, the Town maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions implied in the annual budget approved by the Town Council. Activities of the General Fund, Special Revenue Fund, Debt Service Funds, Capital Projects Funds, Internal Service Funds, and Enterprise Fund are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the Fund level. The Town also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Unencumbered amounts lapse at year-end. Open encumbrances for outstanding purchase orders are re-appropriated as part of the following year's budget.

THE REPORTING ENTITY

The financial reporting entity includes all of the funds of the Town of Palm Beach. It includes all governmental organizations and activities for which the Town is considered to be financially accountable in accordance with generally accepted accounting principles.

ECONOMIC CONDITIONS AND OUTLOOK

The Town of Palm Beach is primarily a residential community. Commercial activities are restricted primarily to Town-serving establishments including banks, retail shops, hotels and restaurants for the Town's permanent population and seasonal residents. There is no industrial development within the Town. Stringent zoning and land use regulations have limited development and over the long term, will preserve the Town's high quality residential character.

An upturn in taxable values began in FY13 when the Town's taxable values began to increase and continued to increase through FY17 with a single year increase of 8.84% for a taxable value total of \$15,890,986,028. The Town reduced the millage rate to 3.2706 resulting in an increase in tax revenue of \$2,363,500. In FY18, taxable value increased by 6.42% to \$16,911,518,815.

Per capita personal income for the Town of Palm Beach is \$101,750, which is well above the state and national average. In preparation for bonds issued in September 2016, Moody's and Standard and Poor's affirmed the Town's "AAA" general obligation ratings and the AAA ratings for the Revenue Bonds. The

Town's conservative financial policies and strong management of its financial resources were recognized. Recently Standard and Poor's changed the Revenue Bond rating to AAA.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

For the Year

During fiscal year 2017 the following accomplishments occurred:

- Completed projects in the Accelerated Capital Improvement Program consisting of the Australian Avenue Sanitary Sewer modifications and Bradley Place mast arm replacements.
- The Town made an additional contribution of \$2,800,000 to the pension plan to lower the unfunded liability.
- Adopted the initial assessments for the Town-wide Utility Undergrounding project.
- Started construction of Phase 1 North and Phase 1 South of the Townwide utility underground project.
- Completed the Nightingale/La Puerta Way utility underground project and the Lake Towers underground project. In addition, completed a drainage project on La Puerta Way.

For the Future

The Palm Beach County economy continued to improve and property values in Palm Beach increased by 6.42% for FY18. The Town increased property tax revenue by \$1,976,000 and decreased the millage rate decreased 2.05% to 3.2037.

The FY18 budget reflected an increase of 4.73% from the FY17 budget. A portion of the increase was due to an increase in annual pension plan contributions and an additional \$4,759,016 transfer to the Retirement Fund to reduce the actuarial accrued liability. The Town Council adopted a policy to fund an additional \$5,420,000 per year to improve the funded ratio for the Retirement Fund.

The Town will continue the Town-wide utility undergrounding project. Phase 2 construction is expected to begin during the summer of 2018 and Phase 3 and Phase 4 design in underway.

Financial Policies

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions in FY11. In addition, the Town has formally adopted other financial policies including reserve policies, contingency policies, budgetary control, debt management, and a revenue shortfall plan. The establishment of specific reserve policies is an important part of prudent financial management. Reserve policies reduce ambiguity and guide the creation, maintenance and use of resources for financial stabilization purposes. The Town maintains a minimum level of unassigned fund balance of 25% of general fund operating expenditures. This provides the Town with 90 days of working capital in the event of an emergency. The ending unassigned fund balance of \$17,716,419 as of September 30, 2017, represents 26.76% of FY18 general fund operating expenditures.

Long Term Financial Planning

Since FY2004, Town staff has prepared a Long Term Financial Plan. The Town prepares annual updates of the long term financial plan that encompass a 10 year time horizon. The FY18 update will be presented in April 2018. Copies of the Long Term Financial Plan can be found on the Town's website.

Other Information

Independent Audit: State Statutes require an annual audit by independent certified public accountants. The accounting firm of Nowlen, Holt & Miner, P.A., performed this audit for fiscal year 2017. The auditor's report is included in the financial section of this report.

Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Palm Beach for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2016. This was the 29th consecutive year the Town has received this prestigious award.


In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. The contents must conform to program standards. Such reports must satisfy both U.S. generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The Town believes the current report continues to conform to the Certificate of Achievement Program requirements, and we are therefore submitting this year's report to the GFOA.

The Town also received the GFOA Award for Distinguished Budget Presentation for the Town's budget for the fiscal year ended September 30, 2017.

Acknowledgements: The preparation of the Comprehensive Annual Financial Report was made possible by the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our genuine appreciation for the contributions made in the preparation of this report. In addition, we acknowledge the efforts of our independent auditors, Nowlen, Holt & Miner, P.A. for their professional work and assistance in producing this report.

We also are grateful to the Mayor and Town Council for their leadership and to the Citizens of Palm Beach for their support in ensuring the financial operations of the Town are conducted in a sound and conservative manner, thus assuring the Town a high level of financial security.

Respectfully submitted,



Kirk Blouin
Town Manager



Jane Le Clairche, CPA
Finance Director



Government Finance Officers Association

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

Presented to

**Town of Palm Beach
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morill

Executive Director/CEO



TOWN OF PALM BEACH ORGANIZATIONAL STRUCTURE

CITIZENS OF PALM BEACH

ELECT



MAYOR
Gail L. Coniglio

TOWN COUNCIL



PRESIDENT
Danielle H. Moore



PRESIDENT PRO-TEM
Margaret A. Zeidman



Julie Araskog



Lew Crampton



Bobbie Lindsay

APPOINTS



TOWN ATTORNEY
John C. Randolph



TOWN MANAGER
Kirk W. Blouin

**ADVISORY BOARDS
AND COMMISSIONS**



**DEPUTY TOWN
MANAGER**
Jay Boodheshwar



**DIRECTOR OF
RECREATION**
Beth Zickar



**ACTING CHIEF OF
POLICE**
Anne-Marie Taylor



**ACTING FIRE RESCUE
CHIEF**
Darrell Donato



**DIRECTOR OF
HUMAN RESOURCES**
Danielle Olson



**DIRECTOR OF PUBLIC
WORKS**
H. Paul Brazil



**DIRECTOR OF
FINANCE**
Jane Le Clainche



**ACTING DIRECTOR OF
PLANNING, ZONING
AND BUILDING**
Paul Castro



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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EDWARD T. HOLT, CPA
WILLIAM B. MINER, RETIRED
ROBERT W. HENDRIX, JR., CPA
JANET R. BARICEVICH, RETIRED, CPA
TERRY L. MORTON, JR., CPA
N. RONALD BENNETT, CVA, ABV, CFF, CPA
ALEXIA G. VARGA, CFE, CPA
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RYAN M. SHORE, CFP®, CPA
WEI PAN, CPA
WILLIAM C. KISKER, CPA
RICHARD E. BOTTS, CPA

INDEPENDENT AUDITOR'S REPORT

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

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333 S.E. 2nd STREET
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BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
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Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Palm Beach Retirement System, which represents 70 percent, 71 percent, and 53 percent, respectively, of the assets, fund balance/net position, and revenues/additions of the aggregate remaining fund information of the Town of Palm Beach, Florida. 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 Town of Palm Beach Retirement System, is based solely on the report of 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Palm Beach, Florida 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.

Change in Accounting Principle

As discussed in Note Q to the financial statements, the Town implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the fiscal year ended September 30, 2017. The net position of the governmental activities, the business-type activities, and the Recreation Enterprise Fund as of October 1, 2016 have been restated. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, the budgetary comparison data on pages 112 through 116, the pension schedules on pages 117 through 126, and the other postemployment benefits plan schedules on pages 127 through 130 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Palm Beach, Florida's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, debt service requirements, and statistical section 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, and debt service requirements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and debt service requirements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2018, on our consideration of the Town of Palm Beach, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Palm Beach, Florida's internal control over financial reporting and compliance.

Nowlen, Hest & Muner, P.A.

West Palm Beach, Florida
March 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Palm Beach, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town of Palm Beach for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report.

The information contained within this Management's Discussion and Analysis (MD&A) is only a component of the entire financial statement report. Readers should take time to read and evaluate all sections of the report, including the Notes to Financial Statements and the Required Supplementary Information that is provided in addition to this MD&A.

Financial Highlights

1. The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$108,542,274 (net position).
2. At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$67,794,126, a decrease of \$5,005,130 in comparison with the prior year. The decrease is due to the expenditure of bond proceeds in the 2013 Capital Fund and for the Townwide Underground Utility Project. In addition, the Town appropriated additional funds to the Retirement Fund to decrease the Unfunded Liability. Approximately 21% of the total amount is available for spending at the Town's discretion (unassigned fund balance).
3. At the end of the current fiscal year governmental unassigned fund balance is (\$12,774,443).
4. The Town's total government-wide revenue was \$86,727,488, while total expenses were \$95,022,341.
5. Governmental Activities generated \$81,092,944 in revenue (including transfers in) with \$90,132,809 in expenses.
6. Business-type Activities generated \$5,634,544 in revenue (net of transfers out) with \$4,889,532 in expenses.
7. The Town's long-term debt decreased by \$2,445,000 during the current fiscal year.

Overview of the Financial Statements

The Town's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also includes other supplementary information in addition to the basic financial statements.

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

The **statement of net position** presents information on all of the Town of Palm Beach's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, with the difference between them 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 Town is improving or deteriorating.

The **statement of activities** presents information showing how the Town'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, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (**governmental activities**) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (**business-type activities**). The governmental activities of the Town include general government, public safety, physical environment, transportation, economic environment, and culture and recreation. The business-type activities include the marina, golf course and recreation programs.

The Town's government-wide financial statements are presented on pages 14-16 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 Town of Palm Beach, 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 Town of Palm Beach 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 a government'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 Town's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and **governmental activities**.

The Town of Palm Beach maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General Fund, Special Assessment Fund, Townwide Undergrounding Assessment Fund, Beach Restoration Project Fund, and CIP 2013 Bond Fund, all of which are considered major funds. Data for the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is presented in the form of **combining statements** elsewhere in this report.

The governmental fund financial statements can be found on pages 17-20 of this report.

Proprietary funds. The Town of Palm Beach maintains two different types of proprietary funds. **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Palm Beach uses an enterprise fund to account for its recreation activities including; the Town Docks, the Par 3 Golf Course, Tennis, and Adult and Youth recreational activities. **Internal service funds** are an accounting device used to accumulate and allocate costs internally among the Town of Palm Beach's various functions. The Town of Palm Beach uses internal service funds to account for its self-insurance health fund, self-insurance risk fund, and equipment replacement fund.

Because these services predominately benefit governmental rather than business-type functions, they have been included with governmental activities in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Recreation Enterprise Fund (enterprise fund) and the internal service funds, which are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the combining financial statements elsewhere in this report.

The proprietary fund financial statements can be found on pages 21-25 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town of Palm Beach's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Fiduciary fund financial statements consist of a statement of fiduciary net position and a statement of changes in fiduciary net position.

The Town's fiduciary fund financial statements are presented on pages 26-27.

Notes to 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 financial statements can be found on pages 28-111 of this report.

Other information. In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information containing a comparison between the Town's adopted budget and actual financial results for the General Fund and Townwide Undergrounding Assessment Fund, schedules relating to the Town's retirement plan for the three employee groups, and schedules relating to the Town's other postemployment benefits plan. The required supplementary information can be found on pages 112-130 of this report.

Combining financial statements referred to earlier in connection with non-major governmental funds, internal service funds and fiduciary funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 131-145 of this report.

Debt service requirements are detailed on pages 146-151 of this report.

The statistical section contains information on financial trends, revenue capacity, debt capacity, demographic and economic information and operating information. These schedules can be found on pages 152-174 of this report.

Government-wide Financial Analysis

Net Position. On the following page, is a summary of the fiscal year 2017 Statement of Net Position found on page 14 and comparative information for fiscal year 2016.

Town of Palm Beach, Florida
Net Position
September 30, 2017 and 2016

	Governmental Activities		Business-type Activities		Total	
	2017	2016 (1)	2017	2016 (1)	2017	2016 (1)
Assets						
Current and other assets	\$ 133,397,075	\$ 122,736,440	\$ 10,427,258	\$ 8,508,966	\$ 143,824,333	\$ 131,245,406
Capital assets	186,147,319	185,238,677	15,898,227	16,498,309	202,045,546	201,736,986
Total Assets	319,544,394	307,975,117	26,325,485	25,007,275	345,869,879	332,982,392
 Deferred Outflows of Resources	 30,257,117	 34,758,568	 1,062,333	 1,338,505	 31,319,450	 36,097,073
 Liabilities						
Current Liabilities	22,644,492	10,025,917	1,051,567	967,740	23,696,059	10,993,657
Long-term liabilities	233,754,088	236,781,131	3,629,897	3,656,775	237,383,985	240,437,906
Total Liabilities	256,398,580	246,807,048	4,681,464	4,624,515	261,080,044	251,431,563
 Deferred Inflows of Resources	 7,321,911	 805,752	 245,100	 5,023	 7,567,011	 810,775
 Net Position						
Net investment in capital assets	79,461,477	84,762,756	15,898,227	16,498,309	95,359,704	101,261,065
Restricted	19,393,986	24,489,710	248,211	-	19,642,197	24,489,710
Unrestricted	(12,774,443)	(14,131,581)	6,314,816	5,217,933	(6,459,627)	(8,913,648)
Total Net Position	\$ 86,081,020	\$ 95,120,885	\$ 22,461,254	\$ 21,716,242	\$ 108,542,274	\$ 116,837,127

(1) Restated for implementation of GASB 75

Net position may serve over time as a useful indicator of a government's financial position. At September 30, 2017, the Town's assets plus deferred outflows exceeded liabilities plus deferred inflows by \$108,542,274. Total net position for the fiscal year decreased by \$8,294,853 as a result of a \$9,039,865 decrease in governmental activities and an increase of \$745,012 in business-type activities. Unrestricted net position, the portion of net position that can be used to finance the day-to-day operations of the Town, totaled (\$6,459,627), reflecting an increase in the government activities of \$1,357,138 and an increase in the business type activities of \$1,096,883.

Net position invested in capital assets (e.g., land, buildings, improvements other than buildings, equipment infrastructure and construction in progress) less any related debt used to acquire those assets that is still outstanding and any unspent bond proceeds total \$95,359,704. The Town of Palm Beach uses those capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Palm Beach's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Change in Net Position: The table on the following page is a summary of the changes in net position for the year ended September 30, 2017, as compared to September 30, 2016.

Town of Palm Beach, Florida
Change in Net Position
For the Fiscal Years Ended September 30, 2017 and 2016

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue						
Program revenue:						
Charges for services	\$ 12,864,553	\$ 16,103,572	\$ 6,332,330	\$ 6,110,187	\$ 19,196,883	\$ 22,213,759
Operating grants and contributions	851,758	2,850,719	-	-	851,758	2,850,719
Capital grants and contributions	3,138,992	2,215,327	132,530	-	3,271,522	2,215,327
General revenue:						
Property taxes	50,195,981	47,882,187	-	-	50,195,981	47,882,187
Infrastructure sales tax	350,847	-	-	-	350,847	-
Local option gas tax	352,281	338,120	-	-	352,281	338,120
Franchise fees	2,305,715	2,132,019	-	-	2,305,715	2,132,019
Utility service taxes	5,695,690	5,591,219	-	-	5,695,690	5,591,219
Business tax receipts	713,710	723,649	-	-	713,710	723,649
Intergovernmental	958,373	980,977	-	-	958,373	980,977
Investment earnings	2,062,752	1,952,317	40,651	65,492	2,103,403	2,017,809
Miscellaneous	376,602	191,090	-	-	376,602	191,090
Insurance recoveries	354,723	320,105	-	-	354,723	320,105
Total Revenue	80,221,977	81,281,301	6,505,511	6,175,679	86,727,488	87,456,980
Expenses						
General government	21,186,486	16,342,132	-	-	21,186,486	16,342,132
Public safety	33,354,806	35,197,465	-	-	33,354,806	35,197,465
Physical environment	27,174,801	23,361,401	-	-	27,174,801	23,361,401
Transportation	1,051,542	1,049,791	-	-	1,051,542	1,049,791
Economic environment	307,619	248,223	-	-	307,619	248,223
Culture and recreation	2,127,041	1,915,433	-	-	2,127,041	1,915,433
Interest on long-term debt	4,930,514	5,275,112	-	-	4,930,514	5,275,112
Debt issue cost	-	-	-	-	-	-
Recreation Enterprise	-	-	4,889,532	4,931,600	4,889,532	4,931,600
Total Expenses	90,132,809	83,389,557	4,889,532	4,931,600	95,022,341	88,321,157
Change in Net Position Before Transfers	(9,910,832)	(2,108,256)	1,615,979	1,244,079	(8,294,853)	(864,177)
Transfers	870,967	989,100	(870,967)	(989,100)	-	-
Change in Net Position	(9,039,865)	(1,119,156)	745,012	254,979	(8,294,853)	(864,177)
Net position at beginning of year, as restated	95,120,885	96,240,041	21,716,242	21,461,263	116,837,127	117,701,304
Net position at end of year	\$ 86,081,020	\$ 95,120,885	\$ 22,461,254	\$ 21,716,242	\$ 108,542,274	\$ 116,837,127

The Town's combined net position decreased by \$8,294,853 or 7.1% during 2017. This decrease can be attributed to governmental activities that decreased \$9,039,865 and an increase of \$745,012 for the business-type activities. The decrease in net position of the governmental activities is attributable to an increase in expenses related to special assessment projects.

Financial Analysis

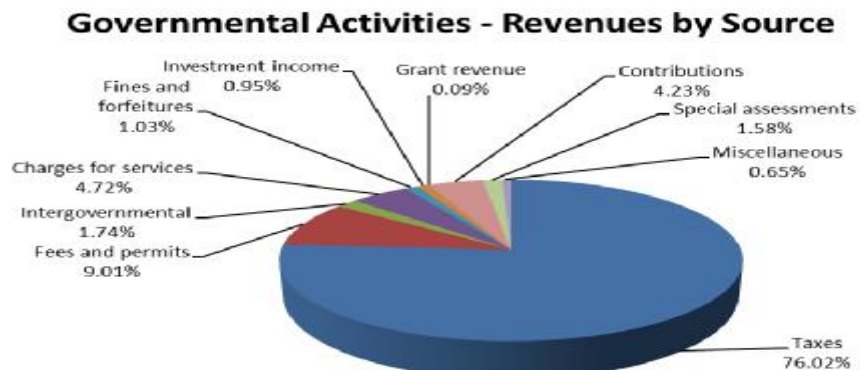
Governmental funds. The fund financial statements for the governmental funds are provided on pages 17-20. The focus of the Town of Palm Beach's **governmental funds** is to provide information on near-term inflows, outflows, and balances of **spendable** resources. Such information is useful in assessing the Town of Palm Beach's financing requirements. In particular, **unassigned fund balance** may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the Town of Palm Beach's governmental funds reported combined ending fund balances of \$67,794,126, which decreased by \$5,005,130 from September 30, 2016. This decrease was primarily due to expenditures from the accelerated capital improvement program Phase II, the Townwide Underground Project expenditures and an extraordinary contribution to the retirement fund to decrease the Unfunded Liability.

The following schedule presents a summary of all governmental fund revenue for the fiscal year ended September 30, 2017, and the amount and percentage of increases and decreases in relation to prior year revenues:

Revenue	2017	Percent of Total	Increase (Decrease) from 2016	Percent Increase (Decrease)
Taxes	\$ 59,263,377	76.02%	\$ 2,596,183.00	4.58%
Fees and permits	7,024,524	9.01%	(2,398,334)	-25.45%
Intergovernmental	1,352,991	1.74%	246,223	22.25%
Charges for services	3,681,925	4.72%	(449,829)	-10.89%
Fines and forfeitures	799,768	1.03%	(385,779)	-32.54%
Investment income	738,997	0.95%	(118,222)	-13.79%
Grant revenue	69,735	0.09%	(3,051,036)	-97.77%
Contributions	3,294,902	4.23%	1,348,244	69.26%
Special assessments	1,227,990	1.58%	(29,368)	-2.34%
Miscellaneous	506,948	0.65%	215,487	73.93%
Total Revenue	\$ 77,961,157	100.00%	\$ (2,026,431)	-2.53%

The most significant changes in revenue are described below:

- § Property tax revenue increased as a result of higher property values.
- § Fee and permit revenue decreased due to a reduction in building permit activity.
- § Intergovernmental revenue recorded a slight increase due to improved sales tax collections and revenues received from the new 1-cent sales tax to be used for capital projects.
- § Charges for services decreased primarily due to decreased police special detail revenue.
- § Fine and forfeiture income decreased due to reduced revenue from parking ticket fines from improved compliance.
- § Investment income decreased due to decreased reserve balances.
- § Grant revenue decreased due to grants received in 2016 from Palm Beach County for beach projects and grant revenue received for the Memorial Fountain project not received in 2017.
- § Contributions increased due to donations received for the Bradley Park Project and the Lake Worth Lagoon dredging project.
- § Special assessment revenue decreased due to reduced assessments for Worth Avenue debt service.
- § Miscellaneous revenue increased due to the receipt of defined contribution forfeiture funds.



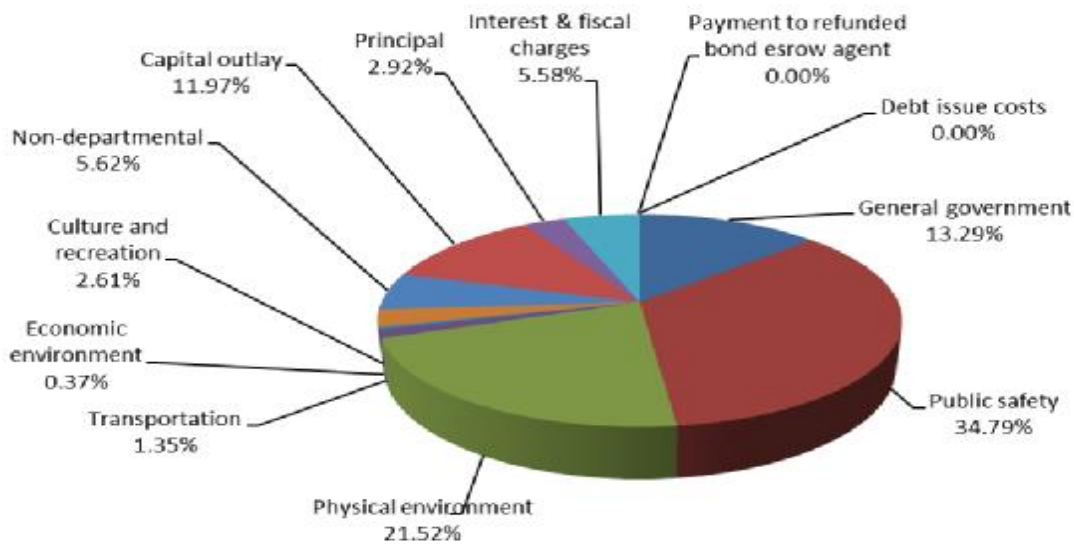
The following schedule presents a summary of all governmental funds expenditures for the fiscal year ended September 30, 2017, and the percentage of increases and decreases in relation to prior year amounts:

	2017	Percent of Total	Increase (Decrease) from 2016	Percent Increase (Decrease)
Expenditures				
Current				
General government	\$ 11,144,220	13.29%	\$ 471,985	4.42%
Public safety	29,168,148	34.79%	870,137	3.07%
Physical environment	18,042,161	21.52%	3,088,238	20.65%
Transportation	1,128,328	1.35%	46,653	4.31%
Economic environment	307,619	0.37%	59,396	23.93%
Culture and recreation	2,186,244	2.61%	247,583	12.77%
Non-departmental	4,708,491	5.62%	2,741,006	139.32%
Capital Outlay	10,032,899	11.97%	(25,081,733)	-71.43%
Debt Service				
Principal	2,445,000	2.92%	105,000	4.49%
Interest & fiscal charges	4,674,144	5.58%	(968,309)	-17.16%
Debt issue costs	-	0.00%	(403,895)	N/A
Payment to refunded bond esrow agent	-	0.00%	(622,861)	N/A
Total Expenditures	<u>\$ 83,837,254</u>	<u>100.00%</u>	<u>\$ (19,446,800)</u>	<u>-18.83%</u>

The reasons for the major increases and decreases in expenditures are as follows:

- § General government expenditures increased due to an increase in information technology contractual expenses and legal fees.
- § Physical environment costs increased due to the design and construction of the townwide undergrounding project.
- § Transportation expenditures increased due to increases in personnel costs.
- § Economic environment expenditures increased due to increased maintenance costs in the Worth Avenue Special Assessment District.
- § Culture and recreation expenditures increased due to increases in contractual and personnel costs.
- § Non-departmental expenditures increased due to the extraordinary contribution to the Retirement Fund to begin to lower the unfunded liability.
- § Capital outlay decreased due to a decrease in expenditures related to projects completed in FY16 in the accelerated capital improvement program and the completion of the Phipps Ocean Park Beach Renourishment Project.
- § Debt service payments overall decreased due to the refunding of the 2010 bond.
- § Debt issue costs are related to the issuance of the 2016A&B Revenue Refunding Bonds last fiscal year.

Governmental Activities - Expenditures by Function



General Fund. The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$17,716,419 while the total fund balance was \$27,849,399. The total fund balance of the General Fund decreased by \$2,794,704 due an appropriation from fund balance to contribute additional funds to the Retirement fund to begin to lower the unfunded liability. As a measure of the General Fund's liquidity, it is useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 23% of total General Fund expenditures including transfers out.

The restricted fund balance of the CIP 2013 Bond Fund was \$12,095,772. This fund was established as a result of the 2013 Revenue Bond issue. The fund balance decreased in the CIP Bond Fund due to the expenditure of funds for capital projects.

The assigned fund balance of the Beach Restoration Fund is \$19,661,966. These funds have been accumulated for coastal protection projects and also include bond proceeds from the 2013 bond relating to coastal projects.

Other governmental funds which include debt service, special revenue and capital projects funds had restricted fund balances totaling \$5,440,004 and assigned fund balances of \$6,325,066.

Proprietary Funds. The Town of Palm Beach's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The enterprise fund of the Town consists of the Recreation Enterprise Fund.

Unrestricted net position of the Recreation Enterprise Fund was \$6,167,708 at September 30, 2017. Net position for this fund increased \$730,595. Revenues from the marina and golf operations improved over the prior year.

General Fund Budgetary Highlights

The annual General Fund budget is adopted after two public hearings and approval of the Town Council. Any amendments that would exceed the original budget at the fund level would require a formal budget amendment requiring an ordinance and two readings by the Town Council. The General Fund appropriation was amended by ordinance during the year. The FY2017 budget was also increased by the

amount of commitments (unpaid purchase orders) from the prior year. Funds were transferred from an appropriated General Fund contingency account to program accounts in the budget to provide for unanticipated expenditures in accordance with specific Town Council authorizations.

Actual revenues, excluding transfers, were \$338,605 more than the final budget due to higher than anticipated revenues for ad valorem, building permits, utility taxes, franchise fees, and parking meters. Actual expenditures were \$2,690,832 less than the final budget due to personnel vacancies and other cost containment measures.

Capital Assets and Debt Administration

Capital Assets

Capital assets are those assets (capital assets and infrastructure) that are used in the performance of the Town's functions. As of September 30, 2017, net capital assets of governmental activities totaled \$186,147,319 and the net capital assets of the business-type activities totaled \$15,898,227 (both net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure and construction in progress.

A summary of the Town of Palm Beach's capital assets (net of depreciation) can be found below. Additional information on the Town's capital assets can be found in Note D to the financial statements.

Town of Palm Beach, Florida Capital Assets September 30, 2017 and 2016

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Net Capital Assets						
Land	\$ 9,946,951	\$ 9,946,951	\$ 5,623,777	\$ 5,623,777	\$ 15,570,728	\$ 15,570,728
Construction in Progress	14,093,905	12,106,394	-	-	14,093,905	12,106,394
Buildings	50,153,061	44,687,288	4,277,500	4,486,505	54,430,561	49,173,793
Improvements Other Than Buildings	2,350,597	2,783,303	5,590,404	5,991,955	7,941,001	8,775,258
Equipment	10,696,312	9,540,859	406,546	396,072	11,102,858	9,936,931
Infrastructure	98,884,237	106,121,961	-	-	98,884,237	106,121,961
Intangible Assets	22,256	51,921	-	-	22,256	51,921
Total Net Capital Assets	<u>\$ 186,147,319</u>	<u>\$ 185,238,677</u>	<u>\$ 15,898,227</u>	<u>\$ 16,498,309</u>	<u>\$ 202,045,546</u>	<u>\$ 201,736,986</u>

Major capital projects completed during the fiscal year included the following:

- The Bradley Place mast arm replacements and the Australian Avenue Sanitary Sewer modifications.
- The Nightingale/La Puerta Way and Lake Towers utility underground project.
- Bradley Park beautification project.

Debt Administration

As of September 30, 2017, the Town had \$111,635,000 par value in revenue bonds outstanding representing a decrease of 2,445,000 due to principal payments during FY17. The debt outstanding as of the end of the fiscal year was secured by various revenue sources.

The debt position of the Town is summarized on the next page and more fully explained in Note G to the financial statements found on page 64.

**Town of Palm Beach, Florida
Outstanding Debt
September 30, 2017 and 2016**

	2017	2016
Debt		
Revenue Bonds Payable - Par Value	\$ 111,635,000	\$ 114,080,000
Total Debt	\$ 111,635,000	\$ 114,080,000

The Town of Palm Beach maintains an AAA issuer's rating by both Moody's and Standard & Poor's and the Revenue Bonds were recently upgraded from AA+ to AAA.

On September 28, 2016, the Town issued Public Improvement Revenue Refunding Bonds, Series 2016A for \$39,320,000 to refund a portion of Series 2010A and Series 2016B for \$10,255,000 to refund all of Series 2010B.

Economic Factors and Next Year's Budgets and Rates

For FY2018, the Town Council adopted a General Fund budget, including transfers out, of \$80,489,229 representing a 4.73% increase from FY2017. The FY2018 budget includes an increase in property tax revenue of \$1,976,000, utility tax and franchise fee revenue increase of \$247,000 due to improved revenue collections, and an anticipated increase in building permit revenue of \$444,475 due to improved building activity. The Town Council approved new policy to reduce the unfunded liability and an extraordinary transfer of \$4,759,016 to the Retirement Fund. Personnel costs increased in the FY18 budget by \$1,264,283 due to the addition of 7.5 new positions, six of which were in the fire rescue department. Pension costs increased by \$753,293 due to the lower returns in FY2015 and the increase due to the changes in the mortality tables and reduction in the investment and wage assumptions. The taxable value increased by 6.42% for FY2018 and the Town's millage rate was reduced to 3.2037.

General economic conditions both nationally and in the State of Florida have improved. The Town has annually prepared a Long Term Financial Plan. Copies are available on the Town's website.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability. Questions concerning information provided in this report or requests for additional financial information should be directed to:

**Finance Department
Town of Palm Beach
360 South County Road
Palm Beach, FL 33480
561-838-5444
www.townofpalmbeach.com**

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF NET POSITION

September 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 52,065	\$ 2,650	\$ 54,715
Investments	32,074,511		32,074,511
Equity in pooled cash and investments	78,974,708	9,665,880	88,640,588
Accounts receivable, net	1,105,311	52,536	1,157,847
Interest receivable	75,294	2,608	77,902
Due from other governments	1,120,818		1,120,818
Internal balances	(147,108)	147,108	
Due from pension trust fund	2,046,476		2,046,476
Inventory	372,798		372,798
Prepays	1,249,981	18,865	1,268,846
Net OPEB asset	3,140,577	171,569	3,312,146
Investment in joint venture	9,578,138		9,578,138
Equity in pooled cash and investments - restricted	3,753,506	366,042	4,119,548
Capital assets			
Land	9,946,951	5,623,777	15,570,728
Construction in progress	14,093,905		14,093,905
Capital assets being depreciated and amortized, net	162,106,463	10,274,450	172,380,913
Total assets	<u>319,544,394</u>	<u>26,325,485</u>	<u>345,869,879</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding	5,042,115		5,042,115
Pension related items	25,215,002	1,062,333	26,277,335
Total deferred outflows of resources	<u>30,257,117</u>	<u>1,062,333</u>	<u>31,319,450</u>
LIABILITIES			
Accounts and contracts payable	5,469,927	257,701	5,727,628
Accrued liabilities	2,863,042	20,034	2,883,076
Payable from restricted assets			
Accounts and contracts payable	1,753,039	289,400	2,042,439
Accrued interest payable	1,282,367		1,282,367
Unearned revenue	11,276,117	484,432	11,760,549
Long-term liabilities			
Due within one year	3,226,923	25,478	3,252,401
Due in more than one year	230,527,165	3,604,419	234,131,584
Total liabilities	<u>256,398,580</u>	<u>4,681,464</u>	<u>261,080,044</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	499,259		499,259
Pension related items	6,788,297	243,223	7,031,520
OPEB related items	34,355	1,877	36,232
Total deferred inflows of resources	<u>7,321,911</u>	<u>245,100</u>	<u>7,567,011</u>
NET POSITION			
Net investment in capital assets	79,461,477	15,898,227	95,359,704
Restricted for:			
Debt service	406,579		406,579
Public safety	64,838		64,838
Capital projects	12,449,358		12,449,358
Infrastructure	313,937		313,937
Recreation Center		76,642	76,642
Net OPEB asset	3,140,577	171,569	3,312,146
Special projects	3,018,697		3,018,697
Unrestricted	(12,774,443)	6,314,816	(6,459,627)
Total net position	<u>\$ 86,081,020</u>	<u>\$ 22,461,254</u>	<u>\$ 108,542,274</u>

See notes to the financial statements

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF ACTIVITIES

Year Ended September 30, 2017

Functions / Programs	Expenses	Program Revenue		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Government activities				
General government	\$ 21,186,486	\$ 7,098,034	\$ 102,302	\$
Public safety	33,354,806	2,123,886	684,874	9,467
Physical environment	27,174,801	2,273,362	5,040	1,107,657
Transportation	1,051,542	1,369,271		
Economic environment	307,619			
Culture and recreation	2,127,041		59,542	2,021,868
Interest on long-term debt	4,930,514			
Total governmental activities	90,132,809	12,864,553	851,758	3,138,992
Business-type activities				
Leisure services	4,889,532	6,332,330		132,530
Total	\$ 95,022,341	\$ 19,196,883	\$ 851,758	\$ 3,271,522

General Revenue

Property taxes
Infrastructure sales tax
Local option gas tax
Franchise taxes based on gross receipts
Utility service taxes
Business tax receipts
Intergovernmental not restricted to specific programs
Investment earnings
Miscellaneous
Insurance recoveries

Transfers

Total general revenue and transfers

Change in net position

Net position - beginning of year, as restated

Net position - end of year

Net Revenue (Expense) and Changes in Net Position		
Governmental Activities	Business-type Activity	Total
\$ (13,986,150)	\$	\$ (13,986,150)
(30,536,579)		(30,536,579)
(23,788,742)		(23,788,742)
317,729		317,729
(307,619)		(307,619)
(45,631)		(45,631)
(4,930,514)		(4,930,514)
(73,277,506)		(73,277,506)
	1,575,328	1,575,328
(73,277,506)	1,575,328	(71,702,178)
50,195,981		50,195,981
350,847		350,847
352,281		352,281
2,305,715		2,305,715
5,695,690		5,695,690
713,710		713,710
958,373		958,373
2,062,752	40,651	2,103,403
376,602		376,602
354,723		354,723
870,967	(870,967)	
64,237,641	(830,316)	63,407,325
(9,039,865)	745,012	(8,294,853)
95,120,885	21,716,242	116,837,127
\$ 86,081,020	\$ 22,461,254	\$ 108,542,274

See notes to the financial statements

TOWN OF PALM BEACH, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2017

	Major Governmental Funds						Total Governmental Funds
	General Fund	Special Assessment Fund	Townwide Undergrounding Assessment Fund	Beach Restoration Project Fund	CIP 2013 Bond Fund	Nonmajor Governmental Funds	
ASSETS							
Cash and cash equivalents	\$ 4,464	\$	\$	\$	\$	\$	\$ 4,464
Investments	24,063,979			4,005,683	4,004,849		32,074,511
Equity in pooled cash and investments	3,308,587		9,915,943	15,728,103	8,441,269	12,167,639	49,561,541
Accounts receivable, net	992,903			106,555		5,853	1,105,311
Interest receivable	22,694			35,363		3,051	61,108
Due from other governments	572,411			511,497		36,910	1,120,818
Due from other funds	7,025						7,025
Due from pension trust fund	2,046,476						2,046,476
Inventory	372,798						372,798
Prepaid items	12,988				1,089,591	2,416	1,104,995
Equity in pooled cash and investments - restricted	870,795				89,429	1,106,752	2,066,976
TOTAL ASSETS	\$ 32,275,120	\$	\$ 9,915,943	\$ 20,387,201	\$ 13,625,138	\$ 13,322,621	\$ 89,526,023
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
LIABILITIES							
Accounts and contracts payable	\$ 1,127,365	\$ 153,814	\$ 847,464	\$ 105,229	\$ 1,432,912	\$ 777,511	\$ 4,444,295
Accrued liabilities	543,549			1,954			545,503
Due to other governments							
Due to other funds					7,025		7,025
Advance from other funds		2,133,713				105,161	2,238,874
Payable from restricted assets	870,795				89,429	792,815	1,753,039
Unearned revenue	1,035,020		10,241,097				11,276,117
TOTAL LIABILITIES	3,576,729	2,287,527	11,088,561	107,183	1,529,366	1,675,487	20,264,853
DEFERRED INFLOWS OF RESOURCES							
Unearned revenue	499,259						499,259
Unavailable revenue	349,733			618,052			967,785
TOTAL DEFERRED INFLOWS OF RESOURCES	848,992			618,052			1,467,044
FUND BALANCES							
Non-spendable:							
Inventory	372,798						372,798
Prepays	12,988						12,988
Restricted for:							
Capital projects					12,095,772		12,095,772
Crime prevention						64,838	64,838
Special projects						3,018,697	3,018,697
Debt service						1,688,946	1,688,946
Worth avenue						353,586	353,586
Infrastructure						313,937	313,937
Committed to:							
Compensated absences	3,210,518						3,210,518
Assigned to:							
Subsequent year's expenditures	6,536,676						6,536,676
Capital projects						6,325,066	6,325,066
Beach restoration				19,661,966			19,661,966
Unassigned	17,716,419	(2,287,527)	(1,172,618)			(117,936)	14,138,338
TOTAL FUND BALANCES	27,849,399	(2,287,527)	(1,172,618)	19,661,966	12,095,772	11,647,134	67,794,126
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 32,275,120	\$	\$ 9,915,943	\$ 20,387,201	\$ 13,625,138	\$ 13,322,621	\$ 89,526,023

See notes to the financial statements

TOWN OF PALM BEACH, FLORIDA

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE NET POSITION OF GOVERNMENTAL ACTIVITIES

September 30, 2017

Total Governmental Fund Balances	\$ 67,794,126
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	175,451,007
Revenue is recognized when earned in the government-wide statements regardless of when it is collected. Governmental funds recognize revenue when both measurable and available.	
Unavailable revenue	967,785
Net OPEB asset created through funding of the employer contribution to the defined benefit OPEB plan is not recognized in the funds.	3,140,577
Deferred inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.	
OPEB related deferred inflows	(34,355)
Investment in joint venture is not a financial resource and, therefore is not reported in the funds.	9,578,138
Internal service funds are used by management to charge costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	40,291,492
The internal service funds have operated with cumulative positive income results over the years, primarily due to excess service charges to governmental funds. The excess charges have reduced the total governmental fund balances reported above. Since internal service funds should operate at a breakeven basis, the cumulative excess charges are added back to the above fund balances.	(147,108)
Long-term liabilities, including accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Revenue bonds payable	(111,635,000)
Bond premiums	(11,103,979)
Bond discounts	17,816
Deferred loss on refunding	5,042,115
Accrued interest payable	(1,282,367)
Compensated absences	(3,210,618)
Net pension liability	(104,439,417)
Accrued landfill closure and postclosure care costs	(2,666,026)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.	
Pension related deferred outflows	25,072,507
Pension related deferred inflows	<u>(6,755,673)</u>
Net Position of Governmental Activities	<u><u>\$ 86,081,020</u></u>

See notes to the financial statements

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2017

	Major Governmental Funds					Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Special Assessment Fund	Townwide Undergrounding Assessment Fund	Beach Restoration Project Fund	CIP 2013 Bond Fund		
REVENUES							
Taxes	\$ 59,263,377	\$	\$	\$	\$	\$	\$ 59,263,377
Fees and permits	7,024,524						7,024,524
Intergovernmental	1,002,144					350,847	1,352,991
Charges for services	3,681,925						3,681,925
Fines and forfeitures	799,768						799,768
Investment earnings	421,514		16,531	72,496	204,623	23,833	738,997
Grant revenue	26,350			43,385			69,735
Contributions			49,250			3,245,652	3,294,902
Special assessments		243,680				984,310	1,227,990
Miscellaneous	470,150	9,783				27,015	506,948
Total revenues	<u>72,689,752</u>	<u>253,463</u>	<u>65,781</u>	<u>115,881</u>	<u>204,623</u>	<u>4,631,657</u>	<u>77,961,157</u>
EXPENDITURES							
Current							
General government	11,108,070				4,695	31,455	11,144,220
Public safety	28,763,472					404,676	29,168,148
Physical environment	11,908,295	850,764	4,102,551	762,047	135,885	282,619	18,042,161
Transportation	1,078,213					50,115	1,128,328
Economic environment						307,619	307,619
Culture and recreation	2,134,987					51,257	2,186,244
Non-departmental	4,708,491						4,708,491
Capital outlay	474,809			36,103	8,164,335	1,357,652	10,032,899
Debt service							
Principal						2,445,000	2,445,000
Interest and fiscal charges						4,674,144	4,674,144
Total expenditures	<u>60,176,337</u>	<u>850,764</u>	<u>4,102,551</u>	<u>798,150</u>	<u>8,304,915</u>	<u>9,604,537</u>	<u>83,837,254</u>
Revenue over (under) expenditures	12,513,415	(597,301)	(4,036,770)	(682,269)	(8,100,292)	(4,972,880)	(5,876,097)
OTHER FINANCING SOURCES (USES)							
Transfers in	685,000	102,830	1,027,241	7,265,000		9,404,633	18,484,704
Transfers out	(15,993,119)			(731,413)		(889,205)	(17,613,737)
Total other financing sources (uses)	<u>(15,308,119)</u>	<u>102,830</u>	<u>1,027,241</u>	<u>6,533,587</u>		<u>8,515,428</u>	<u>870,967</u>
Net change in fund balances	(2,794,704)	(494,471)	(3,009,529)	5,851,318	(8,100,292)	3,542,548	(5,005,130)
Fund balances - beginning of year	30,644,103	(1,793,056)	1,836,911	13,810,648	20,196,064	8,104,586	72,799,256
Fund balances - end of year	<u>\$ 27,849,399</u>	<u>\$ (2,287,527)</u>	<u>\$ (1,172,618)</u>	<u>\$ 19,661,966</u>	<u>\$ 12,095,772</u>	<u>\$ 11,647,134</u>	<u>\$ 67,794,126</u>

See notes to the financial statements

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2017

Net change in fund balances - total governmental funds	\$ (5,005,130)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives	
Expenditure for capital assets	9,458,319
Less current year depreciation and amortization	(9,538,534)
Net book value of asset disposals	(166,596)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds	
Change in investment in joint venture	1,190,431
Governmental funds report revenue when earned and available. However, the government-wide statements recognize revenue when earned, regardless of availability	
Grant revenues	475,787
Intergovernmental revenues	106,555
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets of governmental activities.	
Repayment of debt principal	2,445,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Amortization of loss on refunding	(278,867)
Amortization of bond premiums	645,825
Amortization of bond discounts	(13,110)
Change in accrued interest payable	(610,218)
Change in compensated absences	(149,438)
Change in net pension liability and related deferred amounts	(9,945,443)
Change in net OPEB asset and related deferred amounts	1,548,218
Change in accrued landfill closure and postclosure care costs	(79,209)
Internal service funds are used to charge the costs of certain activities certain activities to individual governmental and enterprise funds. The net income of certain activities of internal service funds are reported with governmental activities in the Statement of Activities.	
Capital contribution	475,996
Consolidation of operating income (loss) related to governmental funds	(42,124)
Nonoperating revenue	442,673
Change in net position of governmental activities	\$ (9,039,865)

See notes to the financial statements

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

September 30, 2017

	Business-type Activities - Recreation Enterprise Fund	Governmental Activities - Internal Service Funds
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,650	\$ 47,601
Equity in pooled cash and investments	9,665,880	31,099,697
Account receivable	52,536	
Interest receivable	2,608	14,186
Prepaid expenses	18,865	144,986
Equity in pooled cash and investments - restricted	366,042	
Total current assets	10,108,581	31,306,470
Noncurrent assets		
Capital assets		
Land	5,623,777	
Buildings	6,221,038	
Improvements other than buildings	11,255,958	
Equipment	971,404	22,269,210
	24,072,177	22,269,210
Less accumulated depreciation	(8,173,950)	(11,572,898)
Total capital assets, net of accumulated depreciation	15,898,227	10,696,312
Advance to other funds		2,238,874
Net OPEB asset	171,569	
Total noncurrent assets	16,069,796	12,935,186
Total assets	26,178,377	44,241,656
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	1,062,333	142,495
LIABILITIES		
Current liabilities		
Accounts payable	257,701	1,025,632
Accrued liabilities	20,034	2,317,539
Capital lease		43,545
Compensated absences payable	25,478	1,820
Payable from restricted - Customer deposits	289,400	
Unearned revenue	484,432	
Total current liabilities	1,077,045	3,388,536
Noncurrent liabilities		
Capital lease		184,492
Compensated absences payable	151,744	23,886
Net pension liability	3,452,675	463,121
Total noncurrent liabilities	3,604,419	671,499
Total liabilities	4,681,464	4,060,035
DEFERRED INFLOWS OF RESOURCES		
Pension related items	243,223	32,624
OPEB related items	1,877	
Total deferred inflows of resources	245,100	32,624
NET POSITION		
Net investment in capital assets	15,898,227	9,946,224
Restricted for:		
Recreation center	76,642	
Net OPEB asset	171,569	
Unrestricted	6,167,708	30,345,268
Total net position	\$ 22,314,146	\$ 40,291,492

See notes to the financial statements

TOWN OF PALM BEACH, FLORIDA

RECONCILIATION OF ENTERPRISE FUND NET POSITION
TO BUSINESS-TYPE ACTIVITIES NET POSITION

September 30, 2017

Amounts reported for the Recreation Enterprise Fund	\$ 22,314,146
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The Town uses internal service funds to charge the costs of risk management, group health insurance, and equipment replacement to individual governmental and enterprise funds. The operating income or loss of certain activities of internal service funds related to the enterprise fund are included with business-type activities in the government-wide statements.

The following reflects the consolidation of internal service fund activities related to the enterprise fund.

Current year adjustment	14,417
Cumulative prior year adjustments	<u>132,691</u>

Amounts reported for the Business-Type Activities	<u><u>\$ 22,461,254</u></u>
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TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2017

	Business-type Activities - Recreation Enterprise Fund	Governmental Activities - Internal Service Funds
OPERATING REVENUES		
Golf fees and related revenue	\$ 2,002,015	\$
Marina fees and related revenue	3,648,726	
Charges for services	675,558	9,200,525
Other operating revenue	6,031	11
Total operating revenues	<u>6,332,330</u>	<u>9,200,536</u>
OPERATING EXPENSES		
Personal services	2,261,333	598,622
Contractual services	808,124	63,782
Repairs and maintenance	78,484	
Equipment rental	7,455	
Materials and supplies	319,156	
Utilities	596,330	
Insurance		1,818,962
Claims		4,466,190
Claims adjustment		556,183
Depreciation	675,770	1,686,771
Other	117,297	37,733
Total operating expenses	<u>4,863,949</u>	<u>9,228,243</u>
Operating income (loss)	1,468,381	(27,707)
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	40,651	133,324
Insurance recoveries		354,723
Gain/(Loss) on disposal of assets	(40,000)	(45,374)
Total nonoperating revenues (expenses)	<u>651</u>	<u>442,673</u>
Income (loss) before capital contributions and transfers	1,469,032	414,966
Capital contributions	132,530	475,996
Transfers out	<u>(870,967)</u>	
Change in net position	730,595	890,962
Net position - beginning of year, as restated	<u>21,583,551</u>	<u>39,400,530</u>
Net position - end of year	<u>\$ 22,314,146</u>	<u>\$ 40,291,492</u>

See notes to the financial statements

TOWN OF PALM BEACH, FLORIDA

RECONCILIATION OF ENTERPRISE FUND CHANGES IN NET POSITION
TO BUSINESS-TYPE ACTIVITIES CHANGES IN NET POSITION

Year Ended September 30, 2017

Amounts reported for the Recreation Enterprise Fund	\$	730,595
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The Town uses internal service funds to charge the costs of risk management, group health insurance, and equipment replacement to individual governmental and enterprise funds. The operating income or loss of certain activities of internal service funds related to the enterprise fund are included with business-type activities in the government-wide statements.

The following reflects the consolidation of internal service fund activities related to the enterprise fund.

Current year adjustment		<u>14,417</u>
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Amounts reported for the Business-Type Activities	\$	<u><u>745,012</u></u>
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See notes to the financial statements

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended September 30, 2017

	Business-type Activities - Recreation Enterprise Fund	Governmental Activities - Internal Service Fund
OPERATING ACTIVITIES		
Receipts from customers and users	\$ 6,324,265	\$ 8,833,640
Receipts from interfund services provided		(232,127)
Payments to employees	(1,859,624)	(6,072,562)
Payments to suppliers	(1,828,592)	(13,129)
Payments to other funds		11
Other receipts	6,031	
Net cash provided by operating activities	2,642,080	2,515,833
NONCAPITAL FINANCING ACTIVITIES		
Insurance recoveries		354,723
Grant receipt		150,000
Grant reimbursement		(26,275)
Transfers to other funds	(870,967)	
Net cash provided (used) by noncapital financing activities	(870,967)	478,448
CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment	(115,689)	(1,719,574)
Proceeds from sale of assets		48,618
Capital contributions	132,530	
Net cash provided (used) by capital and related financing activities	16,841	(1,670,956)
INVESTING ACTIVITIES		
Investment earnings received	40,604	130,628
Net cash provided (used) by investing activities	40,604	130,628
Net increase in cash and cash equivalents	1,828,558	1,453,953
Cash and cash equivalents - beginning of year	8,206,014	29,693,345
Cash and cash equivalents - end of year	\$ 10,034,572	\$ 31,147,298
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 1,468,381	\$ (27,707)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	675,770	1,686,771
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(43,776)	
(Increase) decrease in advance to other funds		(366,885)
(Increase) decrease in due from other governments	58,202	
(Increase) decrease in prepaid expenses	(3,586)	274,852
(Increase) decrease in net OPEB asset	(86,109)	
(Increase) decrease in deferred outflows - pension	276,172	(142,495)
Increase (decrease) in accounts payable	101,840	39,253
Increase (decrease) in accrued liabilities	(1,553)	555,839
Increase (decrease) in due to other governments	(35,160)	
Increase (decrease) in customer deposits	2,100	
Increase (decrease) in unearned revenue	16,600	
Increase (decrease) in net pension liability	(65,518)	463,121
Increase (decrease) in compensated absences payable	38,640	460
Increase (decrease) in deferred inflows - pension	238,200	32,624
Increase (decrease) in deferred inflows - OPEB	1,877	
Net cash provided by operating activities	\$ 2,642,080	\$ 2,515,833
NONCASH ACTIVITIES		
Donated capital assets	\$	\$ 475,996
Insurance claims adjustment	\$	\$ 556,183

See notes to the financial statements

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

September 30, 2017

	<u>Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ 2,157,701
Equity in pooled cash and investments	2,095,362
Interest and dividends receivable	46,850
Due from broker for securities sold	515,099
Prepaid expenses and other assets	20,848
Investments, at fair value	
Short term investment fund	9,533,812
Fixed income securities	29,610,568
Common stock	20,282,997
Domestic equity funds	60,056,316
International equity funds	60,151,342
Inflation hedging funds	2,239,071
Hedge funds	12,858,855
Private equity funds	17,895,688
Real estate funds	23,959,422
Alternative investments	2,250,670
Total assets	<u>243,674,601</u>
LIABILITIES	
Accounts payable and other	
accrued liabilities	334,315
Due to Town of Palm Beach	2,046,476
Due to broker for securities purchased	195,363
Total liabilities	<u>2,576,154</u>
NET POSITION	
Restricted for pension and retiree health benefits	<u><u>\$ 241,098,447</u></u>

See notes to the financial statements

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

Year Ended September 30, 2017

	Trust Funds
ADDITIONS	
Contributions	
Employer	\$ 12,226,085
Employee	2,224,117
Other	14,291
Total contributions	<u>14,464,493</u>
Investment income (loss)	
Net appreciation in fair value of investments	23,772,945
Interest and dividends	1,559,042
Other	3,309
Total investment income	<u>25,335,296</u>
Less investment expense	<u>(572,627)</u>
Net investment income	24,762,669
Total additions	<u>39,227,162</u>
DEDUCTIONS	
Benefit payments	18,578,928
DROP distributions	1,355,787
Refunds of participants' contributions	69,245
Administrative expense	534,825
Other	1,793
Total deductions	<u>20,540,578</u>
Net increase	18,686,584
Net position held in trust for pension and retiree health benefits - beginning of year	<u>222,411,863</u>
Net position held in trust for pension and retiree health benefits - end of year	<u>\$ 241,098,447</u>

See notes to the financial statements

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity: The Town of Palm Beach, Florida, (the "Town") was incorporated as a municipality in 1911. The Town Charter was enacted by the Legislature of the State of Florida by Special Acts 1917, Chapter 7683. Pursuant to authority granted by the Florida Constitution and Florida Statutes Chapter 165, the Town enacted its current charter by Town Ordinance No. 15-78 adopted on December 12, 1978, and approved by referendum held February 6, 1979. The Town is governed by an elected Mayor and Town Council, which appoints a Town Manager. The Town provides the following services: public safety, recreation, sanitation, streets and roads, planning and zoning, and general administrative services.

The basic financial statements of the Town have been prepared in conformity with United States generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board (the "GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Town's significant accounting policies.

As required by generally accepted accounting principles, these financial statements include the Town (the primary government) and its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. The Town is financially accountable for an organization if:

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

Based upon the application of these criteria, management has determined that there is one component unit that is required to be included in the Town's financial reporting entity.

Town of Palm Beach Retirement System

The Town of Palm Beach Retirement System (the "Plan") was established May 1, 2012 and is governed by a nine member board of trustees. The trustees consist of (a) one employee who is a member of the benefit group general or benefit group lifeguard elected by the members of those benefit groups (b) one employee who is a member of the benefit group firefighter elected by the members of that benefit group (c) one employee who is a member of the benefit group police officers elected by the members of that benefit group (d) five residents of the Town who are not officers or employees of the Town, retirees or beneficiaries of the retirement system, appointed by the Town Council and (e) the Town Manager or, in the Town Manager's absence, the Acting Town Manager, who shall serve as a voting ex-officio member.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Financial Reporting Entity (Continued)

All employees working in excess of 1040 hours per year are covered by the Plan. The Town Council is authorized to establish benefit levels and to approve the actuarial assumptions used in the determination of contribution levels. The contributions and benefits are segregated between general employees and lifeguards, police officers, and firefighters.

The Plan is included in the Town's financial reporting entity because the Town appoints a voting majority of the Plan's governing board, the Town is able to impose its will on the organization, and there is the potential for the Plan to provide specific financial benefits to the Town or impose specific financial burdens on the Town. The Plan is presented as three pension trust funds in the Town's fiduciary fund financial statements.

The Town has entered into a joint interlocal agreement for the management and operation of the **East Central Regional Wastewater Treatment Facilities (the "ECR")**. The ECR is reported as a joint venture accounted for using the equity method as discussed in Note E.

Government-wide Financial Statements: The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities and report information on all non-fiduciary activities of the Town. These statements include separate columns for the governmental activities, which are normally supported by taxes and intergovernmental revenue, and business-type activities, which rely primarily on fees and charges for support. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and business-type activities, which are presented as internal balances and eliminated in the Total Column. In the Statement of Activities, interfund services provided and used are not eliminated in the process of consolidation, because elimination of such charges would distort the direct costs and program revenues reported for the various functions concerned.

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

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements: The underlying accounting system of the Town is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The funds used by the Town are classified into three categories: governmental, proprietary and fiduciary. Separate financial statements are provided for **governmental funds**, **proprietary funds** and **fiduciary funds**, even though the latter are excluded from the government-wide financial statements. The Town's major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements.

Governmental Fund Financial Statements - Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenue, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds in the aggregate. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements, to the net position and changes in net position presented in the government-wide financial statements. The Town reports the following major governmental funds:

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds:

The **Special Assessment Fund** accounts for the proceeds of assessments that are restricted to expenditures for the Neighborhood Underground Utility Projects and other infrastructure projects.

The **Townwide Undergrounding Assessment Fund** accounts for the proceeds of assessments that are restricted to expenditures for the Townwide Underground Utility Project.

Capital Projects Funds:

The **Beach Restoration Project Fund** accounts for beach improvements, restoration and renourishment through the placement of sand and possible groin fields and environmental mitigation for beach stabilization in all or a portion of the beaches located within the Town.

The **CIP 2013 Bond Fund** accounts for capital projects financed with the proceeds of the Series 2013 Bonds. The projects are part of a 20 year comprehensive capital improvement program.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Proprietary Fund Financial Statements - Proprietary Fund Financial Statements include a Balance Sheet and a Statement of Revenue, Expenses and Changes in Net Position, and a Statement of Cash Flows for the Town's major proprietary fund and internal service funds as follows:

The ***Recreation Enterprise Fund*** is used to account for the Town's enterprise fund which includes the operations of the Town's Par 3 Golf Course, its 88 slip marina, and all recreation programs and facilities.

The ***Property, Liability and Workers' Compensation Insurance Fund*** and the ***Group Health Insurance Fund*** are used to account for the Town's internal service funds which provide risk management services to other departments of the Town. In addition, the ***Equipment Replacement Fund*** is used to account for the Town's internal service fund which provides for the accumulation of resources for the procurement and maintenance of major equipment and vehicles.

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

The ***Town of Palm Beach Retirement Fund*** accounts for the General Employees' Pension Trust, the Police Officers' Pension Trust, and the Firefighters' Pension Trust assets held in a trustee capacity for Town employees participating in the Town of Palm Beach Retirement System. The ***OPEB Trust Fund*** is used to account for assets held in a trustee capacity for retiree healthcare benefits.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements. Revenue is recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All franchise fees are based on gross receipts.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized in the period in which it becomes both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenue to be available if it is collected within 60 days of the end of the current fiscal year. Unearned revenue consists primarily of fees for building permits and other fees collected in advance of the year to which they relate. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt, which is recognized when due. Property taxes, intergovernmental revenue, franchise fees (all of which are based on a percentage of gross receipts), charges for services and investment income are all considered susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be measurable and available only when received in cash by the Town.

Proprietary fund and internal service fund financial statements distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Recreation Enterprise Fund are charges to customers for greens fees, dockage and recreation programs. Operating expenses for the enterprise fund includes the cost of operating and maintaining the golf course and marina, the cost of providing recreation programs, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Property Tax Calendar: Ad valorem taxes are levied each November 1st based on the assessed property valuations at January 1st as established by the County Property Appraiser. These taxes are payable November 1st, with discounts of one to four percent allowed for payments prior to March 1st of the following calendar year. Ad valorem taxes are due March 31st, and become delinquent and subject to lien on April 1st. Ad valorem taxes are billed and collected by the Palm Beach County Tax Collector and remitted to the Town.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Reform: During 2007, the Florida Legislature passed property tax reform legislation limiting the property tax levies of local governments in the State of Florida. Local governments that adopt a property tax levy in excess of the limit under State law will lose their Half-Cent Sales Tax distribution from the State for the succeeding twelve months. For the fiscal year ending September 30, 2017, the maximum tax levy allowed by a majority vote of the governing body is generally based on a percentage reduction applied to the prior year (2015/2016) property tax revenue.

The State law allows local governments to adopt a higher millage rate based on the following approval of the governing body: 1) a majority vote to adopt a rate equal to the adjusted current year rolled-back millage rate plus an adjustment for growth in per capita Florida personal income; 2) a two-thirds vote to adopt a rate equal to the adjusted current year rolled-back millage rate plus 10%; or 3) any millage rate approved by unanimous vote or referendum. For the fiscal year ending September 30, 2017 the Town adopted a millage rate of 3.2706. This millage rate results in a total tax levy of \$49,494,500 for 2017, representing an increase of 5.01%, from the property tax levy of 2016. Beginning in 2009, property tax growth is limited to the annual growth rate of per capita personal income plus the value of new construction.

Cash and Cash Equivalents: Cash and cash equivalents are defined as deposits with financial institutions, money market accounts and mutual funds 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. 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.

Investments: Investments are stated at fair value. 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. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of fair value measurement in both cases is the same, that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. The Town categorizes investments reported at fair value in accordance with the fair value hierarchy established by GASB Statement No. 72, ***Fair Value Measurement and Application***.

Accounts Receivable: Accounts receivable consists primarily of amounts due from local businesses for franchise and utility taxes, amounts due from individuals for parking fines and ambulance fees, and amounts due from Town residents for solid waste disposal fees. The Town does not require collateral for accounts receivable. Accounts receivable are reported net of an allowance for doubtful accounts determined based on the age of the individual receivable, with age categories ranging from 30 days past due to several years past due. Generally, the allowance includes accounts over 90 days past due. Accounts receivable are written off on an individual basis in the year the Town deems them to be uncollectible.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory: Inventory, consisting primarily of expendable materials and supplies, is valued at cost, which approximates fair value, using the first-in, first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

Prepaid Items: Payments for insurance premiums and other administrative expenditures/expenses extending over more than one accounting period are accounted for as prepaid expenditures/expenses and allocated between accounting periods. In the governmental funds, prepaid items are recorded using the consumption method and are offset by the nonspendable fund balance component which indicates they do not constitute available spendable resources, even though they are a component of current assets.

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

Capital Assets: The Town has reported all capital assets, including infrastructure assets (roads, sidewalks and similar items), in the government-wide statement of net position. Capital assets are defined by the Town as assets with an estimated useful life in excess of one year and the capitalization thresholds presented below. Purchased capital assets are recorded at cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. All infrastructure assets are reported in the accompanying government-wide financial statements. Expenses, which materially extend the useful life of existing assets, are capitalized. Certain costs for professional services and interest associated with the acquisition and construction of capital assets have been capitalized. The cost of capital assets sold or retired is removed from the appropriate accounts and any resulting gain or loss is included in the increase in net position. Depreciation is computed using the straight-line method over the assets' estimated useful lives for all reported capital assets, except land and construction in progress.

The capitalization thresholds and estimated useful lives of capital assets are as follows:

<u>Classification</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life In Years</u>
Buildings	\$50,000	40
Improvements other than buildings	50,000	25
Infrastructure	50,000	6-50
Computer software	25,000	10
Equipment, furniture and machinery	2,500	2-20
Computer equipment	1,500	3-10

Intangible assets consist of the right of use of the City of Lake Worth, Florida's wastewater facilities. These assets are amortized using the straight-line method over 40 years, the term of the underlying agreement.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue: Unearned revenue arises when resources are obtained prior to revenue recognition. In subsequent periods, when revenue recognition criteria are met the unearned revenue is removed and revenue is recognized. Unearned revenue consists of license fees and charges for services collected at the end of the fiscal year that relate to and will be earned in the subsequent fiscal year.

Unavailable Revenue: The government reports unavailable revenue on its governmental funds balance sheet for resource inflows that do not qualify for recognition as revenue in a governmental fund because they are not yet considered available.

Deferred Outflows of Resources: A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period.

Deferred Inflows of Resources: A deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Bond Discounts, Bond Premiums, and Issuance Costs: In the governmental funds, bond discounts and bond premiums are reported as "Other Financing Sources (Uses)" in the year of the issue. In the proprietary fund financial statements and the government-wide financial statements, the bond discounts and premiums are amortized over the term of the related debt using the interest method or the straight line-line method, which approximates the interest method. Issuance costs, except any portion related to prepaid insurance costs, are recognized as an expenditure/expense in the period incurred.

Deferred Losses on Refunding of Debt: In the proprietary fund financial statements and the government-wide financial statements the difference between the re-acquisition price of new debt and the net carrying value of old debt refunded is recorded as a deferred outflow of resources and recognized as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt using the interest method or the straight line method, which approximates the interest method.

Net Position: Net position is the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets plus deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position is displayed in following three components:

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

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

Restricted - This component of net position consists of constraints placed on the use of net position by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that does not meet the definition of ***Net investment in capital assets or Restricted***.

Fund Balance: Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balance is reported under the following classifications:

Nonspendable fund balance - This component indicates amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale. However, if the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned, then they should be included in the appropriate fund balance classification (restricted, committed, or assigned), rather than the nonspendable fund balance. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

Restricted fund balance - This component indicates amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. It is the Town's policy to have no restricted fund balance in the General Fund. Restricted amounts will be budgeted and reported in special revenue funds, capital projects funds, or debt service funds.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Committed fund balance – This component includes amounts that can be used only for specific purposes pursuant to constraints imposed by the Town Council by the adoption of an ordinance, the Town's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Commitment of fund balance may be made for such purposes including, but not limited to: a) major maintenance and repair projects; b) meeting future obligations resulting from a natural disaster; c) accumulating resources pursuant to stabilization arrangements; d) establishing reserves for disasters; and or e) setting aside amounts for specific projects or purposes.

Assigned fund balance – This component includes amounts intended to be used by the Town for specific purposes, but are neither restricted nor committed. Assignment of fund balance may be a) made for a specific purpose that is narrower than the general purposes of the government itself; and/or b) used to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues. In accordance with the Town's fund balance policy, assignments can be made by formal action of the Town Council. Assigned fund balance shall reflect management's intended use of resources as set forth in the annual budget (and any amendments thereto). Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it was assigned.

Unassigned fund balance – This component includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes. A negative unassigned fund balance may be reported only after any amount reported as assigned fund balance has been eliminated.

The Town will maintain a minimum level of unassigned fund balance of 25% of general fund operating expenditures. If after the annual audit, prior committed or assigned fund balance causes the unassigned fund balance to fall below 25% of general fund operating expenditures, the Town Manager will so advise the Town Council in order for necessary action to be taken to restore unassigned fund balance to 25% of General Fund operating expenditures.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

The Town Manager will prepare and submit a plan to the Town Council, that may include expenditure reductions, revenue increases, use of non-recurring revenues, budget surpluses and excess resources in other funds to restore fund balance to the minimum level. The Town shall take action necessary to restore the unassigned fund balance to acceptable levels within two years.

Unrestricted fund balance – The total of committed fund balance, assigned fund balance, and unassigned fund balance

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the Town's policy to reduce the restricted amounts first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the Town's policy to reduce committed amounts first, followed by assigned amounts, and then unassigned amounts.

Encumbrances: Budgets in governmental funds are encumbered upon issuance of purchase orders, contracts, or other forms of legal commitments. Appropriations expire at year end, even if encumbered, but it is the Town's policy to re-appropriate such amounts at the beginning of the next fiscal year.

Compensated Absences: The Town accrues accumulated vacation and sick leave time for all permanent, full-time employees, subject to certain limitations. The Town's policy provides that employees shall receive 100% of their accrued vacation and 50% of their accrued sick leave over 320 hours for full-time employees and 160 hours for part-time employees, upon termination of service. Upon retirement, an employee will be paid 50% of all accrued and unused sick leave not to exceed 800 hours for full-time employees and 400 hours for part-time employees. The liability for compensated absences attributable to the Town's governmental funds is recorded in the government-wide financial statements. The amount attributable to the business-type activities is charged to expense with a corresponding liability established in the government-wide financial statements as well as the Enterprise Fund. The Town includes all applicable payroll taxes and benefits in the accrual for compensated absences.

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

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of Governmental Accounting Standards Board Statements: The Town implemented the following Governmental Accounting Standards Board Statements during the fiscal year ended September 30, 2017:

In June 2015, the GASB issued Statement No. 73, ***Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68***. This Statement improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The adoption of this Statement did not affect the Town's financial statements.

In June 2015, the GASB issued Statement No. 74, ***Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans***. This Statement improves the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local government OPEB plans for making decisions and assessing accountability. The adoption of this Statement did not affect the Town's financial statements

In June 2015 the GASB issued Statement No. 75, ***Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions***. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The cumulative effect of applying this this Statement is required to be reported as a restatement of beginning net position. See Note Q.

In August 2015 the GASB issued Statement No. 77, ***Tax Abatement Disclosures***. This Statement improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The adoption of this Statement did not affect the Town's financial statements

In December 2015 the GASB issued Statement No. 78, ***Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans***. This Statement addresses a practice issue regarding the scope and applicability of Statement No. 68, ***Accounting and Financial Reporting for Pensions***. The adoption of this Statement did not affect the Town's financial statements

In January 2016 the GASB issued Statement No. 80, ***Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14***. This Statement improves financial reporting by clarifying the financial statement presentation for certain component units. The implementation of this Statement did not impact the Town's financial statements.

Recently Issued Accounting Pronouncements: A brief description of new accounting pronouncements that might have a significant impact on the Town's financial statements is presented below. Management is currently evaluating the impact of the adoption of these new standards on the Town's financial statements.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

In March 2016 the GASB issued Statement No. 81, ***Irrevocable Split-Interest Agreement***. This Statement will improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement is effective for the fiscal year ending September 30, 2018.

In November 2016 the GASB issued Statement No. 83, ***Certain Asset Retirement Obligations***. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for an asset retirement obligation. This Statement is effective for the fiscal year ending September 30, 2019.

In January 2017 the GASB issued Statement No. 84, ***Fiduciary Activities***. This Statement will improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for the fiscal year ending September 30, 2020.

In March 2017 the GASB issued Statement No. 85, ***Omnibus 2017***. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). This Statement is effective for the fiscal year ending September 30, 2018.

In May 2017 the GASB issued Statement No. 86, ***Certain Debt Extinguishment Issues***. This Statement will improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement is effective for the fiscal year ending September 30, 2018.

In May 2017 the GASB issued Statement No. 87, ***Leases***. This Statement will increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting that is based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for the fiscal year ending September 30, 2021.

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

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B – DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk: Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized. All 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. The Town's deposits are considered insured for custodial credit risk purposes. At September 30, 2017, the carrying amount of the Town's deposits with financial institutions was \$55,643,347 and the bank balance was \$56,405,415, excluding pension trust funds. Deposits include \$32,074,510 in certificates of deposit that are classified as investments in the financial statements. The Town also had \$5,050 in petty cash.

Equity in Pooled Cash and Investments: The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed as "Equity in pooled cash and investments." Investment earnings are allocated to the participating funds based on each fund's relative percentage of investments.

At September 30, 2017, the Town's pooled cash and investments consisted of the following:

Description	Weighted Average Maturity	Fair Value
Deposits with financial institutions		\$ 21,361,470
Florida Education Investment Trust Fund	44 days	12,427,334
Money market fund	49 days	179,804
Commercial paper	153 days	2,967,150
Federal Agencies	456 days	7,718,934
Municipal bonds	464 days	445,545
Corporate notes	1,062 days	5,514,175
Supra-National Agencies	1,127 days	1,281,154
U.S. Treasuries	1,212 days	6,080,630
Florida Municipal Investment Trust		
1-3 Year High Quality Bond Fund	1.50 years	25,182,105
Intermediate High Quality Bond Fund	3.80 years	11,697,197
Total pooled cash and investments		<u>\$94,855,498</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Investments

Investment Authorization: Florida Statutes and the Town Council adopted investment policies authorize the Town to invest surplus funds in the Florida Municipal Investment Trust; negotiable direct obligations of or obligations unconditionally guaranteed by the U.S. Government; interest-bearing time deposits, savings accounts, or certificates of deposits in financial institutions located in Florida and organized under federal or Florida laws (provided that any such deposits are secured by the Florida Security for Public Deposits Act); obligations of the Federal Farm Credit Banks, Freddie Mac, the Federal Home Loan Association; corporate notes rated A or higher; commercial paper; and any additional investments authorized by the investment policy. Pursuant to the Town Code and Town Council adopted investment policies, the Town Retirement Board has full power and authority to invest and reinvest funds subject to the general terms, conditions, limitations and restrictions imposed by Florida Statutes on the investments of public employee retirement systems.

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Town and its pension plans require all securities to be held by a third party custodian in the name of the Town. Securities transactions between a broker-dealer and the custodian involving the purchase or sale of securities must be made on a “delivery versus payment” basis to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. Investments in open-end mutual funds and external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Consequently, the Town’s investments in mutual funds, alternative investments, and the Florida Municipal Investment Trust are not exposed to custodial credit risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town’s investment policy addresses credit risk by limiting investments to the safest types of securities and diversifying the investment portfolio. Rating by a nationally recognized statistical rating organization (“NRSRO”) is an indication of credit risk. The Town requires that all investments in debt securities be rated A or higher by a NRSRO. The Town’s pension plans investment policies address credit risk by limiting investments to bonds or preferred stocks rated investment grade or above, unless specifically approved by the Board. Securities which are unrated may be purchased, if in the judgment of the investment manager, they would carry an investment grade rating. Short-term money market instruments are restricted to those with a rating not less than A-1 or P-1.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town does not have any specific policy for concentration of credit risk, although it does provide for diversification to limit the potential losses on individual securities. The Town's pension plans' investment policies provide that no investment manager may purchase equity or fixed income securities of any one issuer that would cause the holding of that one issuer to exceed 5% of the respective portfolio. In addition, not more than 2% of each investment manager's portfolio shall be invested in the commercial paper of a single issuer or in bank certificates of deposit of a single issuer. Investments in broadly-based index funds, mutual funds, alternative investments, and U.S. Government and Agency securities are excluded from this limitation.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the time to maturity, the greater the exposure to interest rate risks. The Town's investment policy minimizes interest rate risk by structuring its investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Operating funds are invested primarily in shorter-term securities, money market mutual funds, or similar investment pools. Generally, investments are limited to instruments maturing within five years of purchase.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. While there was no direct exposure to foreign currency risk in the Town's general operating investments at September 30, 2017, the Town's General Employees' Pension Trust Fund, the Police Officers' Retirement Trust Fund, the Firefighters' Retirement Trust Fund, and OPEB Trust Fund held investments in international equity mutual funds.

The Town's investments in international equity mutual funds as of September 30, 2017 are as follows:

<u>Fund</u>	<u>Fair Value</u>
General Employees' Pension Trust Fund	\$ 20,986,945
Police Officers' Pension Trust Fund	16,952,374
Firefighters' Pension Trust Fund	15,917,343
OPEB Trust Fund	<u>6,294,680</u>
Total international equity mutual funds	<u>\$ 60,151,342</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

General Operating Investments

As a means of limiting its exposure to interest rate risk, the Town diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities. Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Plan's investments by maturity at September 30, 2017:

Investment	Fair Value	Investment Maturities in Years	
		Less than 1	1 to 5
U.S. Treasuries	\$ 6,080,630	\$	\$ 6,080,630
Federal Agencies	7,718,934	3,800,050	3,918,884
Supra-national Agencies	1,281,154		1,281,154
Corporate notes	5,514,175		5,514,175
Municipal bonds	445,545		445,545
Commercial paper	2,967,150	2,967,150	
Florida Education Investment Trust Fund	12,427,334	12,427,334	
Money market fund	179,804	179,804	
Certificates of deposit	32,074,511	8,048,886	24,025,625
Florida Municipal Investment Trust			
1-3 Year High Quality Bond Fund	25,182,105		25,182,105
Intermediate High Quality Bond Fund	11,697,197		11,697,197
Total general operating investments	<u>\$ 105,568,539</u>	<u>\$ 27,423,224</u>	<u>\$ 78,145,315</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

General Operating Investments (Continued)

The Town's investment policy addresses credit risk by limiting investments to the safest types of securities and diversifying the investment portfolio. Credit rating is also an indication of credit risk. The ratings for the general operating investments at September 30, 2017 are summarized below:

Investment Type	S&P Rating	Moody's Rating	Fair Value
U.S. Treasuries	AA+	Aaa	\$ 6,080,630
Federal Agencies	AA+	Aaa	7,718,934
Supra-National Agencies	AAA	Aaa	1,281,154
Corporate notes	AAA	Aaa	249,335
Corporate notes	AA+	Aa1	219,635
Corporate notes	AA	Aa2	49,642
Corporate notes	AA-	Aa3	830,520
Corporate notes	AA-	A1	891,880
Corporate notes	A+	A1	828,304
Corporate notes	A+	A2	126,461
Corporate notes	A	A1	503,156
Corporate notes	A	A2	834,617
Corporate notes	A	A3	149,308
Corporate notes	A-	A2	199,476
Corporate notes	A-	A3	351,883
Corporate notes	BBB+	A3	279,958
Municipal bonds	AA	Aa2	445,545
Commercial paper	A-1	P-1	2,967,150
Florida Education Investment Trust Fund	AAAm	Not Rated	12,427,334
Money market fund	AAAm	Aaa-mf	179,804
Certificates of deposit	Not Rated	Not Rated	32,074,511
Florida Municipal Investment Trust			
1-3 Year High Quality Bond Fund	(1)	(1)	25,182,105
Intermediate High Quality Bond Fund	(2)	(2)	11,697,197
Total investments			<u>\$ 105,568,539</u>

(1) The FMIT 1-3 Year High Quality Bond Fund is not rated by S&P or Moody's, but it is rated AAAf/S2 by Fitch.

(2) The FMIT Intermediate High Quality Bond Fund is not rated by S&P or Moody's, but it is rated AAAf/S3 by Fitch.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

General Operating Investments (Continued)

The Florida Municipal Investment Trust (the “FMIT”) is an interlocal governmental entity created in 1993 under the laws of the State of Florida to provide eligible units of local governments with an investment vehicle to pool their surplus funds and to reinvest such funds in one or more investment portfolios under the direction and daily supervision of an investment advisor. The Florida League of Cities serves as the administrator, investment manager, and secretary-treasurer of the FMIT. The FMIT is an Authorized Investment under Section 218.415 Florida Statutes. The FMIT is exempt from registration under the Securities Act of 1933, the Investment Company Act of 1940 and the Florida Securities and Investors Protection Act. The FMIT is a Local Government Investment Pool and is considered an external investment pool for GASB reporting purposes. Purchases and redemptions of shares in the FMIT may only be made on or about the end of each month and the Town must maintain an account balance of at least \$50,000. The Town reports its investment in the FMIT at fair value in accordance with the GASB 72 fair value hierarchy.

The Florida Education Investment Trust Fund (the “FEITF”) is a common law trust organized under the laws of the State of Florida and is designed to meet the cash management and short-term investment needs of school districts, political subdivisions of the State or instrumentalities of political subdivisions of the State. The Florida School Boards Association and the Florida Association of District School Superintendents sponsor the FEITF. The FEITF’s investment objective is to provide investors with the highest possible investment yield, while maintaining liquidity and preserving capital. The FEITF provides daily liquidity and allows unlimited investments and redemptions. The minimum investment is \$10,000. The FEITF is an external investment pool and is not registered with the Securities and Exchange Commission (SEC). The investment in the FEITF is reported at amortized cost in accordance with GASB Statement No. 79, ***Accounting and Financial Reporting for Certain Investments and for External Investment Pools*** (GASB 79). The investment in the FEITF is not insured by the FDIC or any other governmental agency. As of September 30, 2017, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100% of their account value. However, the Trustee of the FEITF can suspend the right of withdrawal or postpone the date of payment if the Trustee determines that there is an emergency.

The Goldman Sachs Financial Square Treasury Solutions Trust is a Delaware statutory trust registered under the Investment Company Act of 1940 as an open-end management investment company. The investment valuation policy of the Trust is to use the amortized cost method permitted by Rules 2a-7 under the Act, which approximates market value, for valuing portfolio securities.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

General Operating Investments (Continued)

Fair Value Hierarchy

GASB 72 establishes a three-tier fair value hierarchy. The hierarchy is based on valuation inputs used to measure the fair value as follows:

- Level 1: Inputs are directly observable, quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs are other than quoted prices included within Level 1 that are for the asset or liability, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means.
- Level 3: Inputs are unobservable inputs used only when relevant Level 1 and Level 2 inputs are unavailable.

The level in which an asset is assigned is not indicative of its quality but an indication of the source of valuation inputs.

The following table presents a summary of the fair value hierarchy for the Town's operating investments as of September 30, 2017:

Investments by Level	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
U.S. Treasuries	\$ 6,080,630	\$	\$ 6,080,630	\$
Federal Agencies	7,718,934		7,718,934	
Supra-National Agencies	1,281,154		1,281,154	
Corporate notes	5,514,175		5,514,175	
Municipal bonds	445,545		445,545	
FMIT 1-3 Year High Quality Bond Fund	25,182,105		25,182,105	
FMIT Intermediate High Quality Bond Fund	11,697,197		11,697,197	
	<u>\$ 57,919,740</u>	<u>\$</u>	<u>\$ 57,919,740</u>	<u>\$</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

General Operating Investments (Continued)

Investments Reported at Cost or Amortized Cost

Certain investments are exempt from reporting under the fair value hierarchy. Depending on the nature of the investment, these investments are reported at cost, amortized cost, or net asset value. As of September 30, 2017, the Town held the following investments that are reported at amortized cost:

Investment	Amortized Cost
Florida Education Investment Trust Fund	\$ 12,427,334
Goldman Sachs Financial Square Treasury Solutions Fund	179,804
Commercial paper	<u>2,967,150</u>
	<u><u>\$ 15,574,288</u></u>

As of September 30, 2017, the Town held certificates of deposit in the amount of \$32,074,511 that are reported at cost.

OPEB Trust Fund Investments

Investment Authorization: In addition to the Town’s investment policy, the OPEB Trust Fund is authorized to invest in domestic and international equity securities, corporate bonds, mutual funds, and investment partnerships and other alternative investments within certain limitations established by the Town Code.

Fair Value Hierarchy: The following table presents a summary of the fair value hierarchy for the Town’s OPEB Trust Fund investments as of September 30, 2017:

Investments by Level	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Mutual funds				
Domestic equity funds	\$ 10,241,657	\$ 10,241,657	\$	\$
International equity funds	6,294,680	6,294,680		
Domestic fixed income funds	5,402,800	5,402,800		
Inflation hedging funds	<u>2,239,071</u>	<u>2,239,071</u>		
	<u><u>\$ 24,178,208</u></u>	<u><u>\$ 24,178,208</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

OPEB Trust Fund Investments (Continued)

Investments Reported at Net Asset Value: The following table presents a summary of the Town’s OPEB Trust Fund investments reported at net asset value as of September 30, 2017:

<u>Investments Measured at Net Asset Value</u>	Net Asset Value
State Street U.S. Government Short Term Investment Fund	\$ 2,967,652
Alternative investments - hedge funds	
Forester Offshore Limited Partnership	2,250,670
Total Investments Measured at Net Asset Value	<u>\$ 5,218,322</u>

The State Street Global Advisors U.S. Government Short Term Investment Fund (GSTIF) seeks to provide safety of principal, daily liquidity, and a competitive yield over the long term. The GSTIF is not a “money market fund” registered with the Securities and Exchange Commission, and is not subject to the various rules and limitations that apply to such funds. There can be no assurance that the GSTIF will maintain a stable net asset value. The GSTIF invests in securities issued by the U.S. Government or its agencies or instrumentalities, and in repurchase agreements with respect to such securities. Obligations of certain agencies or instrumentalities of the U.S. Government, such as Ginnie Mae, are backed by the full faith and credit of the U.S. Government; obligations of other agencies or instrumentalities of the U.S. Government may not be. The GSTIF is actively managed, does not use futures or other derivatives, and may invest in other investment funds. The GSTIF is valued at net asset value per share.

At September 30, 2017, approximately 7% of the OPEB Trust Fund investments were invested in alternative investments. These alternative investment funds invest primarily in domestic and foreign private equity partnerships and other alternative investment equity funds. The investments in the underlying funds are generally valued at fair value as determined by the management of the fund by reference to the value of the underlying fund’s net assets, if available, or by the valuations of a fund’s underlying net assets as provided by the general partner or investment manager, if the assets are not publicly traded. The funds may also hold certain investments which may be valued by a single market maker. While the fund managers use their best judgment in estimating the fair values of underlying funds, there are inherent limitations in any estimation technique. Accordingly, the fair values of alternative investment funds have been estimated by the Town’s management and investment advisors in the absence of readily ascertainable market values. Therefore, the values of such funds are not necessarily indicative of the amount that could be realized in a current transaction. The fair values may differ significantly from the values that would have been used had a ready market for the underlying funds existed, and the differences could be material. Future confirming events will also affect the estimates of fair value, and the effect of such events on the estimates of fair value could be material.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

OPEB Trust Fund Investments (Continued)

Forester Offshore Ltd. (Forester) is an exempted company incorporated under the laws of the Cayman Islands. Forester commenced operations January 1, 2004. An investment in Forester may be deemed speculative and is not intended as a complete investment program. It is designed only for experienced and sophisticated persons who are able to bear the risk of the substantial impairment or loss of their investment. Forester seeks to provide investors with the maximum appreciation of capital while incurring reasonable risk by investing primarily in a diversified group of fund managers. Over the medium to long term Forester aims to achieve risk-adjusted returns that are superior to the broad market averages such as the S&P 500 Index. Forester generally invests with fund managers that employ a classic hedge fund approach by taking short positions as well as long positions typically in equity securities and may use leverage to magnify the effects of stock selection. Forester is valued at net asset value per share. Shares may be redeemed annually. Redemptions must be requested by written notice 95 days prior to the redemption date.

In addition to interest rate risk, credit risk, custodial credit risk, and concentration of credit risk, the alternative investment funds expose the fiduciary funds to certain other risks, including liquidity risks, counterparty risks, foreign political, economic, and governmental risks, and market risk. In addition, these investments may have restrictions for liquidating positions in these funds. 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.

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.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

OPEB Trust Fund Investments (Continued)

As a means of limiting its exposure to interest rate risk, the OPEB Trust Fund diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities. Information about the sensitivity of the fair values of the Trust Fund's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the investments by maturity at September 30, 2017:

	Investment Maturities in Years			
	Fair Value	Less Than 1	1 to 5	6 to 10
Domestic fixed income funds	\$ 5,402,800	\$	\$ 3,037,328	\$ 2,365,472
State Street U.S. Government STIF	2,967,652	2,967,652		
Total fixed income investments	<u>\$ 8,370,452</u>	<u>\$ 2,967,652</u>	<u>\$ 3,037,328</u>	<u>\$ 2,365,472</u>

As of September 30, 2017, the OPEB Trust Fund investments have not been rated by a nationally recognized statistical rating organization.

Town of Palm Beach Retirement System Investments

Type of Investments: Florida statutes and the Plan investment policy authorize the Trustees to invest funds in various investments. The current target allocation of these investments at market as of September 30, 2017 is as follows:

<u>Authorized Investments</u>	
Domestic equity funds	35.0%
Developed equity funds	15.0%
Emerging markets equity funds	5.0%
Fixed income securities	17.0%
Alternative assets	10.0%
Real estate funds	10.0%
Private equity funds	8.0%

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in the market interest rates. As a means to limiting its exposure to interest rate risk, the Plan diversifies its investments by security type and institution, and limits holding in any one type of investment with any one issuer with various durations of maturities.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Town of Palm Beach Retirement Investments (Continued)

Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following tables that show the distribution of the Plan's investments by maturity at September 30, 2017:

Investment Type	Fair Value	Investment Maturities in Years		
		Less than 1	1 to 5	6 to 10
Fixed income securities	\$ 24,207,768	\$	\$ 20,500,670	\$ 3,707,098

Credit Risk: Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Plan's investment policy utilizes portfolio diversification in order to control this risk.

The following table discloses credit ratings by investment type, at September 30 2017, as applicable:

Credit Rating by Standard & Poor's	Fair Value
AAA	\$ 4,607,965
AA+	9,840,322
AA	558,297
A	854,865
A-	615,020
BBB+	2,050,067
BBB	1,786,105
BBB-	1,435,047
Not rated	2,460,080
Total fixed income securities	\$ 24,207,768

Concentration of Credit Risk: The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of plan net asset at September 30, 2017.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Town of Palm Beach Retirement Investments (Continued)

Custodial Credit Risk: Deposits are exposed to custodial risk if they are uninsured and uncollateralized. Custodial risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Plan will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. All 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. The Plan's deposits are considered insured for custodial credit risk purposes.

Custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the Plan, and are held either by the counterparty or the counterparty's trust department or agent but not in the Plan's name.

Consistent with the Plan's investment policy, the investments are held by Plan's custodial banks and registered in the Plan's name. All of the Plan's deposits are insured and or collateralized by a financial institution separate from the Plan's depository financial institution.

Risk and Uncertainties: The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of fiduciary net position. The Plan, through its investment advisor, monitors the Plan's investment and the risks associated therewith on a regular basis, which the Plan believes minimizes these risks.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Town of Palm Beach Retirement Investments (Continued)

Rate of Return: For the year ended September 30, 2017, the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expenses was 11.20%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Inputs to the dollar-weighted rate of return valuation are determined on a monthly basis.

Fair Value Hierarchy: The Plan categorizes its investments in accordance with the fair value hierarchy established by generally accepted accounting principles. The following is a description of the fair value techniques for the for the Plan's investments:

Level 1 and Level 2 prices are obtained from various pricing sources by the Plan's custodian bank. Short term investments, which consist of money market funds, 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.

The Plan has investments in alternative asset classes including funds of hedge funds, private equity funds, and real estate funds which hold a variety of investment vehicles that do not have readily available market quotations. These 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.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Town of Palm Beach Retirement Investments (Continued)

Fair Value Hierarchy (Continued)

A summary of the Plan's investments as of September 30, 2017 is as follows:

Investments by Level	Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities				
Common stock	\$ 20,282,997	\$ 20,282,997	\$	\$
Total equity securities	20,282,997	<u><u>\$ 20,282,997</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>
Mutual funds				
International	19,462,816	19,462,816		
Fixed income	3,707,098	3,707,098		
Total mutual funds	<u>23,169,914</u>	<u><u>\$ 23,169,914</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>
Investments Measured at Net Asset Value				
Commingled domestic equity fund	49,814,659			
Commingled funds - emerging markets	12,610,235			
Commingled funds - real estate	10,477,936			
Fixed income collective trust	20,500,670			
Private equity - international equity	21,783,611			
Private equity - secondary markets	4,570,727			
Private equity - real estate	15,548,551			
Hedge funds				
Multi-strategy	12,858,855			
Venture capital	3,862,082			
Hybrid	<u>7,395,814</u>			
Total Investments Measured at Net Asset Value	<u>159,423,140</u>			
Money market funds (exempt)	<u>6,566,160</u>			
Total investments	<u><u>\$ 209,442,211</u></u>			

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Town of Palm Beach Retirement 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 Net Asset Value	Fair Value	Unfunded Commitments	Redemption Frequency If Currently Eligible	Redemption Notice Period in Days
Commingled domestic equity fund	\$ 49,814,659	\$	Daily	1-30
Commingled funds - emerging markets	12,610,235		N/A	N/A
Commingled funds - real estate	10,477,936		Quarterly	45
Fixed income collective trust	20,500,670		N/A	N/A
Private equity - international equity	21,783,611		Monthly	30
Private equity - secondary markets	4,570,727	5,361,633	N/A	N/A
Private equity - real estate	15,548,551	6,011,718	N/A	N/A
Hedge funds				
Inflation				
Multi-strategy funds	12,858,855		Quarterly	65
Venture capital	3,862,082	1,572,167	N/A	N/A
Hybrid	7,395,814	2,921,250	N/A	N/A
Total investments measured at NAV	<u>\$ 159,423,140</u>			

Commingled funds - Consists of a domestic equity fund established to approximate performance of the S&P 500 Index over the long term, an emerging market fund, and a strategic property fund which are considered commingled in nature. The funds are valued at net asset value of the units held at the end of the period based on the fair value of the underlying investments.

Fixed income collective trust - This fund is invested in a core plus fixed income collective trust strategy. The fund is valued at the net asset value.

Private equity – international equity - The objective of this fund is to provide investors with long-term capital appreciation by selecting and investing primarily in equity securities of non-U.S. issuers. The investment is valued at net asset value, redeemable on a monthly basis with 30 days prior notice required for all redemptions.

Private equity – secondary markets - This group consists of three funds invested in private equity investments through secondary markets. One of these funds focuses on acquiring high quality, mature assets with near term liquidity. These investments are valued at net asset value.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Town of Palm Beach Retirement Investments (Continued)

Fair Value Hierarchy (Continued)

Private equity – real estate – This category consists of four funds. Two of the funds are closed end funds targeting high growth markets in urban, modern, green properties by acquiring undercapitalized properties and adding value through enhancements. These funds have very limited redemption rights. Another fund pursues distressed and opportunistic real estate investment opportunities. The final real estate fund focuses on acquiring assets well located but with operationally impaired assets with distressed capital structures. These funds are valued at net asset value.

Multi-strategy funds – The fund in this group aims to diversify risk and reduce volatility by combining other strategies. These strategies include hedged equity, event driven, and relative value. The fund is valued at net asset value per share and is eligible for redemptions quarterly with 65 days’ notice.

Venture capital – This category consists of one fund which focuses primarily on early stage investments in start-up companies and later stage investments. A majority of the companies in the fund focus on information technology, software, media, and life sciences. Redemptions in this fund are not permitted.

Hybrid – This category consists of three closed end investment vehicles. One fund focuses on partnership investments in U.S. based buyout, recapitalization, and turnaround; one fund consists of global partnership investments in mezzanine debt, distressed debt, and venture debt; and the third fund consists predominantly of partnership investments in U.S. based venture capital and growth equity.

NOTE C – RECEIVABLES

Accounts receivable at September 30, 2017, are comprised of the following:

	General Fund	Beach Restoration Project Fund	Nonmajor Governmental Funds	Recreation Enterprise Fund
Accounts receivable	\$ 843,960	\$ 106,555	\$ 5,853	\$ 52,536
Taxes receivable	770,852			
Total	1,614,812	106,555	5,853	52,536
Less Allowance for doubtful accounts	(621,909)	-	-	-
Net receivables	<u>\$ 992,903</u>	<u>\$ 106,555</u>	<u>\$ 5,853</u>	<u>\$ 52,536</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE D - CAPITAL ASSETS

The capital assets activity for the Governmental Activities for the year ended September 30, 2017 was as follows:

	Balance at Beginning of Year	Increases	Decreases	Balance at End of Year
Capital assets not being depreciated				
Land	\$ 9,946,951	\$	\$	\$ 9,946,951
Construction in progress	12,106,394	9,458,319	(7,470,808)	14,093,905
Total capital assets not being depreciated	22,053,345	9,458,319	(7,470,808)	24,040,856
Capital assets being depreciated				
Buildings	57,461,040	7,062,201		64,523,241
Improvements other than buildings	4,914,981			4,914,981
Equipment	20,367,770	2,936,216	(1,034,776)	22,269,210
Infrastructure	149,107,632	242,011		149,349,643
Intangible assets – facilities rights of use	1,186,607			1,186,607
Total capital assets being depreciated	233,038,030	10,240,428	(1,034,776)	242,243,682
Less accumulated depreciation and				
Buildings	(12,773,752)	(1,596,428)		(14,370,180)
Improvements other than buildings	(2,131,678)	(432,706)		(2,564,384)
Equipment	(10,826,911)	(1,686,771)	940,784	(11,572,898)
Infrastructure	(42,985,671)	(7,479,735)		(50,465,406)
Intangible assets – facilities rights of use	(1,134,686)	(29,665)		(1,164,351)
Total accumulated depreciation	(69,852,698)	(11,225,305)	940,784	(80,137,219)
Total capital assets being depreciated, net	163,185,332	(984,877)	(93,992)	162,106,463
Governmental activities capital assets, net	<u>\$185,238,677</u>	<u>\$8,473,442</u>	<u>\$(7,564,800)</u>	<u>\$186,147,319</u>

For the fiscal year ended September 30, 2017, depreciation and amortization expense was charged to functions of the Governmental Activities as follows:

<u>Governmental Activities</u>	
General government	\$ 399,391
Public safety	878,345
Physical environment	9,573,369
Transportation	<u>374,200</u>
Total depreciation and amortization	
Expense – governmental activities	<u>\$11,225,305</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE D - CAPITAL ASSETS (Continued)

The capital assets activity for the Business-type Activities for the year ended September 30, 2017 was as follows:

	Balance at Beginning of Year	Increases	Decreases	Balance at End of Year
Capital assets not being depreciated				
Land	\$ 5,623,777	\$	\$	\$ 5,623,777
Total capital assets not being depreciated	5,623,777			5,623,777
Capital assets being depreciated				
Buildings	6,221,038			6,221,038
Improvements other than buildings	11,255,958			11,255,958
Equipment	950,363	115,689	(94,648)	971,404
Total capital assets being depreciated	18,427,359	115,689	(94,648)	18,448,400
Less accumulated depreciation				
Buildings	(1,734,533)	(209,005)		(1,943,538)
Improvements other than buildings	(5,264,003)	(401,551)		(5,665,554)
Equipment	(554,291)	(65,214)	54,647	(564,858)
Total accumulated depreciation	(7,552,827)	(675,770)	54,647	(8,173,950)
Total capital assets being depreciated, net	10,874,532	(560,081)	(40,001)	10,274,450
Business-type activities capital assets, net	<u>\$ 16,498,309</u>	<u>\$ (560,081)</u>	<u>\$ (40,001)</u>	<u>\$ 15,898,227</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE E - INVESTMENT IN JOINT VENTURE

In September 1992, the Town entered into a joint interlocal agreement (the "Agreement") with Palm Beach County and three municipalities (West Palm Beach, Riviera Beach and Lake Worth) whereby prior separate agreements were consolidated into a single unified agreement to establish rules and procedures for the operation and management of the existing East Central Regional Wastewater Treatment Facilities (the "ECR") in which each participating entity had a financial interest. The ECR was created to receive, treat, and dispose of sewage generated within each municipality and the County. The initial term of the Agreement is for thirty years with a renewable term of thirty years. In the event the ECR is sold or disposed of, proceeds of the sale or disposition shall be prorated among the entities, based on their reserve capacity as of the date of disposition. As of September 30, 2016, the Town had an 8.57140% interest in the ECR. Under generally accepted accounting principles, the Town is required to account for this joint venture using the equity method. Accordingly, the Town recorded its initial investment at cost and is required to record its proportionate share of the ECR's income or loss as well as additional contributions made or distributions received. At September 30, 2017, the Town's 8.57140% equity interest in the ECR totaled \$9,578,138. This investment is reported in the Governmental Activities Statement of Net Position as Investment in Joint Venture. The Town's investment in ECR was estimated using audited ECR financial information for the fiscal year ended September 30, 2016. The Town's management believes the investment in ECR, as reported, is fairly stated.

The Agreement provides for the establishment of a Governing Board (the "Board"), comprised of one representative from each entity participating in the Agreement, to administer ECR. Under the Agreement, the Board has the power to enter into contracts, employ personnel and enter into debt in accordance with Section 163.01(7) of Florida Statutes. In accordance with the Agreement, the City of West Palm Beach operates and manages ECR on behalf of the Board.

All costs of operating the ECR, excluding depreciation, are shared by each of the entities based on actual flows of wastewater. Costs associated with capital projects, renewal and replacement, and debt service are shared among the participating governments based on their pro-rata share of reserve capacity. The ECR Board is updating an engineering report on processing and disposal of biosolids at the facility, including the possibility of generating electricity on site. The initial study was prompted by changes in regulations regarding biosolids disposal. A substantial capital investment will be necessary to update the facilities. However, anticipated savings in the operation and maintenance costs as a result of the improvements should significantly reduce the impact of the increased debt service.

Based on a "Participatory Agreement" signed by all participants in April 1993, the ECR constructed improvements amounting to approximately \$22,377,000, which was financed by the State of Florida, Department of Environmental Protection Revolving Loan Fund. Pledged revenue consisting of all fees and payments received by ECR will be used to repay the debt. As of September 30, 2011, the outstanding balance due to the State Loan Fund was \$6,507,923 and the Town's share of this debt was \$540,924 which was reflected as a liability in the Governmental Activities Statement of Net Position. On September 14, 2012, the ECR, utilizing part of the proceeds of a \$14,000,000 bank loan, advance refunded the outstanding balance of the State Revolving Loan thereby extinguishing the Town's portion of the related debt.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE E - INVESTMENT IN JOINT VENTURE (Continued)

The above referenced bank loan is a debt of the ECR and its debt service will be included in ECR operations and maintenance costs (and billed to the Town as such).

The ECR issues separate financial statements which are audited by other accountants. The latest available audited financial statements for the ECR are for the fiscal year ending September 30, 2016. Other accountants issued an unqualified opinion on those financial statements, which may be obtained from the City of West Palm Beach, Finance Department, 401 Clematis Street, West Palm Beach, Florida 33401.

Summarized financial information relating to the ECR as of and for the year ended September 30, 2016 is as follows:

Net Position

September 30, 2016

Current and other assets	\$ 119,317,264
Capital assets, net	148,199,374
Total assets	<u>267,516,638</u>
Current liabilities	13,668,493
Non-current liabilities	135,768,876
Total liabilities	<u>149,437,369</u>
Net position	<u><u>\$ 118,079,269</u></u>

**Change in Net Position
Year Ended September 30, 2016**

Charges for services	\$ 20,717,535
Other operating revenue	2,320,371
Total operating revenue	<u>20,037,906</u>
Operating expenses	19,617,323
Operating income	<u>3,420,583</u>
Non-operating revenue, net	7,574
Income before capital contributions	<u>3,428,157</u>
Capital contributions	8,166,438
Change in net position	<u>11,594,595</u>
Net position - beginning of year	<u>106,484,674</u>
Net position - end of year	<u><u>\$ 118,079,269</u></u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE E - INVESTMENT IN JOINT VENTURE (Continued)

At September 30, 2016, the ECR participants and their respective interest in the ECR were as follows:

<u>Participant</u>	<u>Reserve Capacity Percentages</u>
City of West Palm Beach	29.28570%
Palm Beach County	34.28570%
City of Lake Worth	16.42860%
City of Riviera Beach	11.42860%
Town of Palm Beach	<u>8.57140%</u>
Total	<u>100.00000%</u>

NOTE F - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Transactions between funds during the year consisted of loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination in the government-wide financial statements and are referred to as either Due from Other Funds and Due to Other Funds (i.e., the current portion of interfund loans) or Advances to Other Funds and Advances from Other Funds. Services, deemed to be reasonably equivalent in value, are treated as revenue and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are presented as transfers. Transfers primarily consist of moving money from one fund to another to be used for a specific purpose within the receiving fund. Transfers from the General Fund to the Beach Restoration Project Fund were used to fund various capital projects. Transfers from the General Fund, Beach Restoration Project Fund, and the Recreation Enterprise Fund to the nonmajor funds were used to fund debt service. Transfers from the Recreation Enterprise Fund to the General Fund were used to pay for services supporting various culture and recreation projects. Transfers within the governmental and business-type activities are eliminated in the government-wide financial statements.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE F - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Interfund receivables and payables and interfund transfers at September 30, 2017 are summarized as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	CIP 2013 Bond Fund	\$ 7,025
		<u>\$ 7,025</u>

Advance to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Equipment Replacement Fund	Special Assessment Fund	\$ 2,133,713
	Special Assessment Maintenance Fund	105,161
		<u>\$ 2,238,874</u>

Interfund Transfers:

Transfers Out Reported In	Transfers In - Reported In					Total
	General Fund	Special Assessment Fund	Townwide Undergrounding Assessment Fund	Beach Restoration Project Fund	Nonmajor Funds	
General Fund	\$	\$ 82,150	\$ 267,041	\$ 7,265,000	\$ 8,378,928	\$ 15,993,119
Beach Restoration Project Fund					731,413	731,413
Recreation Enterprise Fund	685,000				185,967	870,967
Nonmajor Funds		20,680	760,200		108,325	889,205
	<u>\$ 685,000</u>	<u>\$ 102,830</u>	<u>\$ 1,027,241</u>	<u>\$ 7,265,000</u>	<u>\$ 9,404,633</u>	<u>\$ 18,484,704</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE G - LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities for the year ended September 30, 2017 are summarized as follows:

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year	Amounts Due Within One Year
<u>Governmental Activities</u>					
Revenue bonds payable	\$ 114,080,000	\$	\$ (2,445,000)	\$ 111,635,000	\$ 2,550,000
Unamortized bond premiums	11,749,804		(645,825)	11,103,979	
Unamortized bond discounts	(30,926)		13,110	(17,816)	
Total bonds payable	125,798,878		(3,077,715)	122,721,163	2,550,000
Compensated absences	3,086,426	647,778	(497,880)	3,236,324	633,378
Net pension liability	105,309,010		(406,472)	104,902,538	
Landfill closure and postclosure	2,586,817	79,209		2,666,026	
Capital lease		228,037		228,037	43,545
Total long-term liabilities	<u>\$ 236,781,131</u>	<u>\$ 955,024</u>	<u>\$ (3,972,067)</u>	<u>\$ 233,754,088</u>	<u>\$ 3,226,923</u>
<u>Business-type Activities</u>					
Net pension liability	\$ 3,518,193	\$	\$ (65,518)	\$ 3,452,675	\$
Compensated absences	138,582	63,358	(24,718)	177,222	25,478
Total long-term liabilities	<u>\$ 3,656,775</u>	<u>\$ 63,358</u>	<u>\$ (90,236)</u>	<u>\$ 3,629,897</u>	<u>\$ 25,478</u>

The compensated absences, net pension liability, and landfill closure and postclosure liabilities of the governmental activities are liquidated primarily by the Town's General Fund.

Interest Expense: Total interest costs incurred and paid on all Town debt for the year ended September 30, 2017 totaled \$4,921,230 and \$4,664,859, respectively. No interest was capitalized in the enterprise fund for the year ended September 30, 2017.

Defeased Debt: The Town has defeased the Revenue Bonds, Series 2003B, a portion of the Public Improvement Revenue and Refunding Bonds, Series 2010A, and a portion of the Public Improvement Revenue Bonds, Series 2010B by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the Town's financial statements. At September 30, 2017, the following amounts of bonds are outstanding and considered defeased:

Revenue Bonds, Series 2003B	\$4,215,000
Public Improvement Revenue and Refunding Bonds, Series 2010A	\$41,350,000
Public Improvement Revenue Bonds, Series 2010B	\$10,290,000

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE G - LONG-TERM LIABILITIES (Continued)

Pledged Revenues: The Town has pledged future non-ad valorem revenues to pay principal and interest on the Series 2010A, Series 2010B, Series 2013, Series 2016A, and Series 2016B Bonds. A summary of the pledged non-ad valorem revenues is presented on page 149 in the Statistical Section. A discussion of the general purpose for each series of bonds secured by the pledged revenues is presented below. At September 30, 2017, principal and interest to maturity on March 30, 2043 to be paid from pledged future revenues totaled \$185,632,006. Principal and interest paid for the current fiscal year on these Bonds totaled \$7,109,860 and pledged non-ad valorem revenue totaled \$22,090,458 for the year. It is estimated that based on the total fiscal year 2017 pledged non-ad valorem revenue, that annual principal and interest payments will require approximately 32% of pledged revenues.

Town of Palm Beach, Florida, Public Improvement Revenue and Refunding Bonds, Series 2010A

On February 25, 2010, the Town issued \$57,035,000 of the Public Improvement Revenue and Refunding Bonds, Series 2010A (Capital Improvement Program) to (i) finance or refinance (a) replacements and improvements to portions of the Town's sanitary sewer, storm water, street lighting and traffic signal infrastructure (the "Town Infrastructure Project"); (b) renovation of the Town's par 3 golf course (the "Golf Course Project"); (ii) refund the Town's Revenue Refunding Bonds, Series 2003B (Capital Improvement Project) and prepay the Town's Public Improvement Revenue Note, Series 2008; (iv) pay capitalized interest on the Bonds through July 2010; and (v) pay the costs of issuing the Bonds. The Series 2010A Bonds were issued at a net original issue premium of \$2,990,255 and bear interest at rates ranging from 2.0% to 5.0%. Principal payments are due on January 1, and interest payments are due on January 1 and July 1 until maturity on January 1, 2040. The Series 2010A bonds are payable solely from and secured by a pledge of non-ad valorem revenue. On September 28, 2016, \$43,350,000 of the Series 2010A Bonds were refunded.

The debt service requirement for the Series 2010A Bonds are as follows:

Year Ending September 30	Principal	Interest	Total
2018	\$ 1,205,000	\$ 366,094	\$ 1,571,094
2019	1,255,000	316,894	1,571,894
2020	1,310,000	259,044	1,569,044
2021	140,000	222,794	362,794
2022	145,000	215,669	360,669
2023-2027	840,000	959,469	1,799,469
2028-2032	1,075,000	728,522	1,803,522
2033-2037	1,365,000	426,125	1,791,125
2038-2040	995,000	76,375	1,071,375
	\$ 8,330,000	\$ 3,570,986	\$ 11,900,986

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE G - LONG-TERM LIABILITIES (Continued)

Town of Palm Beach, Florida, Public Improvement Revenue Bonds, Series 2010B

On February 25, 2010, the Town issued \$14,770,000 of the Public Improvement Revenue Bonds, Series 2010B (Worth Avenue Commercial District Project) to (i) finance or refinance public capital improvement in the Worth Avenue Commercial District (the "Worth Avenue Project"); (ii) prepay amounts drawn on the Town's Public Improvement Revenue Note, Series 2009; (iii) pay capitalized interest on the Bonds through July 2010; and (iv) pay the costs of issuing the Bonds. The Series 2010B Bonds were issued at a net original issue discount of \$410,712 and bear interest at rates ranging from 2.0% to 4.25%. Principal payments are due on January 1, and interest payments are due on January 1 and July 1 until maturity on January 1, 2040. The Series 2010B bonds are payable from and secured by a pledge of non-ad valorem revenue and non-ad valorem capital special assessments that the Town levies on real property located in the Worth Avenue Commercial District.

The final cost of the Worth Avenue Project was \$1,485,944 less than anticipated. In accordance with the Bond Resolution and Bond Purchase Agreement, the Town used to excess funds for a pro rata extraordinary mandatory redemption of \$1,485,000 of the Bonds on January 1, 2012. On September 28, 2016, \$10,290,000 of the Series 2010B Bonds were refunded.

The debt service requirement for the Series 2010B Bonds are as follows:

Year Ending September 30	Principal	Interest	Total
2018	\$ 310,000	\$ 24,975	\$ 334,975
2019	320,000	15,525	335,525
2020	330,000	5,363	335,363
	\$ 960,000	\$ 45,863	\$ 1,005,863

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE G - LONG-TERM LIABILITIES (Continued)

Town of Palm Beach, Florida, Public Improvement Revenue Bonds, Series 2013

On December 19, 2013, the Town issued \$55,590,000 of the Public Improvement Revenue Bonds, Series 2013 (Capital Improvement and Coastal Management Program) to (i) finance all or a portion of the cost of acquiring, constructing, renovating and equipping components of the Town's capital improvement plan, including, but not limited to, drainage, sanitary sewer, water system, street lighting, street, traffic signal, curb, gutter sidewalk, park, Town Hall Square and Town Par 3 golf course improvements and related capital improvements, and the Town's coastal management program, including, but not limited to, sea wall replacements, groin rehabilitation and related capital improvements; and (ii) pay the costs of issuing the Bonds. The Series 2013 Bonds were issued at a net original issue premium of \$2,904,720 and bear interest at rates ranging from 4.125% to 5.0%. The principal of and interest on the Series 2013 Bonds are payable from and secured solely by a pledge of non-ad valorem revenues. Principal and interest payments are due on January 1, and interest payments are due on January 1 and July 1 until maturity on January 1, 2043.

The debt service requirements for the Series 2013 Bonds are as follows:

Year Ending September 30	Principal	Interest	Total
2018	\$ 1,035,000	\$ 2,546,288	\$ 3,581,288
2019	1,095,000	2,493,038	3,588,038
2020	1,145,000	2,437,038	3,582,038
2021	1,200,000	2,378,412	3,578,412
2022	1,265,000	2,316,788	3,581,788
2023-2027	7,380,000	10,540,063	17,920,063
2028-2032	9,325,000	8,590,581	17,915,581
2033-2037	11,750,000	6,171,250	17,921,250
2038-2042	15,080,000	2,834,500	17,914,500
2043	3,495,000	87,375	3,582,375
	<u>\$ 52,770,000</u>	<u>\$ 40,395,334</u>	<u>\$ 93,165,334</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE G - LONG-TERM LIABILITIES (Continued)

Town of Palm Beach, Florida, Public Improvement Revenue Refunding Bonds, Series 2016A

On September 28, 2016, the Town issued \$39,320,000 of the Public Improvement Revenue Refunding Bonds, Series 2016A (Capital Improvement Program) to (i) refund a portion of the Town's Public Improvement Revenue and Refunding Bonds, Series 2010A (Capital Improvement Program) maturing after January 1, 2020, and (ii) pay a portion of the costs of issuing the Bonds. The Series 2016A Bonds were issued at an original premium of \$7,639,128 and bear interest at rates ranging from 4.0% to 5.0%. Principal and interest payments are due on January 1, and interest payments are due on January 1 and July 1 until maturity on January 1, 2040. The Bonds are payable solely from and secured by a pledge of non-ad valorem revenue.

Debt service requirements for the Series 2016A Bonds are as follows:

Year Ending September 30	Principal	Interest	Total
2018	\$	\$ 1,764,250	\$ 1,764,250
2019		1,764,250	1,764,250
2020		1,764,250	1,764,250
2021	1,195,000	1,734,375	2,929,375
2022	1,255,000	1,673,125	2,928,125
2023-2027	7,310,000	7,331,500	14,641,500
2028-2032	9,385,000	5,255,875	14,640,875
2033-2037	11,830,000	2,890,200	14,720,200
2038-2040	8,345,000	509,700	8,854,700
	<u>\$ 39,320,000</u>	<u>\$ 24,687,525</u>	<u>\$ 64,007,525</u>

Town of Palm Beach, Florida, Public Improvement Revenue Refunding Bonds, Series 2016B

On September 28, 2016, the Town issued \$10,255,000 of the Public Improvement Revenue Refunding Bonds, Series 2016B (Worth Avenue Commercial District Project) to (i) refund all the Town's Public Improvement Revenue and Refunding Bonds, Series 2010B (Worth Avenue Commercial District Project) maturing after January 1, 2020, and (ii) pay a portion of the costs of issuing the Bonds. The Series 2016B Bonds were issued at an original premium of \$1,217,936 and bear interest at rates ranging from 2.625% to 5.0%. Principal and interest payments are due on January 1, and interest payments are due on January 1 and July 1 until maturity on January 1, 2040. The Bonds are payable solely from and secured by a pledge of non-ad valorem revenue.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE G - LONG-TERM LIABILITIES (Continued)

Town of Palm Beach, Florida, Public Improvement Revenue Refunding Bonds, Series 2016B (Continued)

Debt service requirements for the Series 2016B Bonds are as follows:

Year Ending September 30	Principal	Interest	Total
2018	\$	\$ 373,238	\$ 373,238
2019		373,238	373,238
2020		373,238	373,238
2021	355,000	367,913	722,913
2022	365,000	357,113	722,113
2023-2027	1,995,000	1,607,663	3,602,663
2028-2032	2,460,000	1,121,438	3,581,438
2033-2037	3,015,000	608,013	3,623,013
2038-2040	2,065,000	115,444	2,180,444
	<u>\$ 10,255,000</u>	<u>\$ 5,297,298</u>	<u>\$ 15,552,298</u>

Obligation Under Capital Lease

In August 2017, the Town entered into a capital lease agreement for certain parking kiosk equipment. Under the terms of the agreement the Town will become the owner of the related equipment at the completion of the lease term. Amortization of the leased equipment under the capital lease is included with depreciation expense. The equipment and related accumulated depreciation under the capital lease are as follows:

Equipment	\$ 228,037
Less: Accumulated depreciation	<u>(3,801)</u>
Net	<u>\$ 224,236</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE G - LONG-TERM LIABILITIES (Continued)

Capital Lease (Continued)

The future minimum lease payments as of September 30, 2017 are as follows:

<u>Year Ending September 30</u>	<u>Payment</u>
2018	\$ 48,312
2019	48,312
2020	48,312
2021	48,312
2022	<u>48,312</u>
Minimum lease payments	241,560
Less: Interest	<u>(13,523)</u>
Present value of minimum lease payments	<u>\$ 228,037</u>

NOTE H - SHORT-TERM DEBT

On July 12, 2017, the Town adopted Resolution No. 119-2017 authorizing the Town of Palm Beach, Florida Public Improvement Commercial Paper Revenue Notes, Series 2017 (the "Notes") in the principal amount not to exceed \$22,350,000, for the purpose of providing funds to (i) finance a portion of the cost of burying overhead utility lines located within the Town, including without limitation, electric, telephone and cable service, together with costs incidental thereto (the "Project"), including reimbursement to the Town for prior expenditures made with respect to the Project, (ii) reimburse the Bank for any drawing under the Letter of Credit (as defined below), and (iii) finance a portion of the costs of issuance of the Notes.

Pursuant to the terms of the Letter of Credit Reimbursement Agreement, dated as of August 1, 2017, by and between the Town and Citibank, N.A. (the "Bank"), the Bank will issue its irrevocable transferable direct pay letter of credit (the "Letter of Credit") to secure the payment of the Notes. U.S. Bank National Association, as issuing and paying agent, will make draws under the Letter of Credit to pay the principal and interest on the Notes at maturity. The Letter of Credit expires on July 31, 2020, unless extended or terminated sooner in accordance with its terms.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE H – SHORT-TERM DEBT (Continued)

The Notes will be issued in denominations of \$100,000 or integral multiples of \$1,000 in excess thereof, and will be payable on such dates as Citigroup Global Markets Inc. (the “Dealer”) determines at the time of sale of such Notes. The Notes will mature in not less than 7 days and not more than 270 days after their respective dates of issuance, but in no event later than 5 days prior to the expiration of the Letter of Credit. The Notes will be sold at a price of not less than 100% of the principal amount thereof and may bear interest at rates not in excess of 12% per annum, payable at maturity, calculated on the basis of a 365/366-day year and actual days elapsed. The Notes will bear interest from the date of their issuance. The Notes are not subject to redemption prior to maturity.

The Notes are special obligations of the Town payable solely from and secured by (i) draws under the Letter of Credit, (ii) proceeds of the Notes deposited by the Town, (iii) moneys budgeted and appropriated and set aside to pay the Notes by the Town from its non-ad valorem revenues pursuant to the Town’s covenant to budget and appropriate in its annual budget in each fiscal year, (iv) moneys held in the funds and accounts established under the Resolution and investment earnings thereon and (v) any other moneys received by the Issuing and Paying Agent in connection with repayment of the Notes (items (ii) through (v) collectively, the “Pledged Revenues”).

The Town did not issue or retire any of the Series 2017 Notes during the fiscal year ended September 30, 2017. In December 2017, the Town issued \$9,000,000 of the Series 2017 Notes, and in January 2018 the Town issued another \$3,511,000 of the Notes.

NOTE I – OBLIGATION UNDER UTILITY AGREEMENT AND INTANGIBLE ASSETS

On July 10, 1978, the Town entered into a utility agreement with the City of Lake Worth (the “City”). Under the terms of the agreement, the City will supply the Town certain wastewater facilities for a period of 40 years. At the option of the Town, the agreement may be extended for three additional periods of ten years after the otherwise normal termination of the agreement.

The City obtained Florida State Bond Loan, Series E for the purpose of constructing and improving existing water and sewer facilities. Town was obligated to pay the City a percentage of its pro rata share, based on sewer reserved capacity, of the debt service of this loan until October 1, 2006 when the loan was paid in full.

The Series E Loan was originally issued by the City on October 1, 1976, at a face value of \$7,585,000. The loan matured in varying amounts through June 30, 2006. The Town’s pro rata share of the loan was 11.7625%. The present value, discounted at the same rate as the Series E Loan, of the Town obligation to the City was \$1,186,607 at issuance. Intangible wastewater usage rights were recorded at the same amount and are being amortized over the 40-year contract period that the Town is entitled to use the City’s wastewater facilities. At September 30, 2017, the intangible assets had a net book value of \$22,256 and are recorded with the capital assets of the governmental activities.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I - OBLIGATION UNDER UTILITY AGREEMENT AND INTANGIBLE ASSETS (Continued)

Under the terms of the agreement, the Town makes annual payments to the City for flow charges, operations and maintenance costs based on the Town's actual usage, and a pro rata share of the renewal and replacement costs. For the year ended September 30, 2017, the Town made payments of \$534 to the City pursuant to the agreement.

NOTE J - TOWN OF PALM BEACH RETIREMENT SYSTEM

General Information

The Town of Palm Beach Retirement System (the Town) is the administrator of a single-employer Public Employee Retirement System hybrid defined benefit and defined contribution pension plan established to provide pension benefits for its employees. The Town's retirement system was established on July 1, 1947, by an ordinance of the Town of Palm Beach. The Plan is considered part of the Town's financial reporting entity and is included in the Town's financial statements as a pension trust fund. The plan was amended by ordinance 4-2012, effective April 1, 2012 which required that the retirement system be administered by a single board of trustees and ordinance No. 6-2012, effective May 1, 2012 which amended participant benefits.

Prior to April 1, 2012 separate pension plans were maintained for the general and lifeguard employees, police officers, and firefighters. Effective April 1, 2012, the general employees and lifeguard employees board of trustees, police officer board of trustees, and firefighter board of trustees were eliminated and a new consolidated board of trustees was created. The existing contracts, investment holdings, assets and liabilities of the general employees' and lifeguard employees', police officers', and firefighters' retirement plans were transferred and became contracts, investment holdings, assets and liabilities of the new board. In conjunction with the new board consolidation, effective May 1, 2012, a new consolidated plan was established, covering all employees of the Town. The new plan is known as the Town of Palm Beach Retirement System (the "Plan"). A portion of the assets of the Plan are legally restricted for the payment of benefits of one of the three membership classes.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

General Information (Continued)

The Plan is administered by the Town of Palm Beach Retirement System Board of Trustees. There are nine members on the board of trustees. The trustees consist of (a) one employee who is a member of the benefit group general or benefit group lifeguard elected by the members of those benefit groups (b) one employee who is a member of the benefit group firefighter elected by the members of that benefit group (c) one employee who is a member of the benefit group police officers elected by the members of that benefit group (d) five residents of the Town who are not officers or employees of the Town, retirees or beneficiaries of the retirement system, appointed by the Town Council and (e) the Town Manager or, in the Town Manager's absence, the Acting Town Manager, who shall serve as a voting ex-officio member.

All employees working in excess of 1040 hours per year are covered by the Plan. The Town Council is authorized to establish benefit levels. The contributions and benefits are segregated between general employees and lifeguards, police officers, and firefighters.

Prior to March 14, 2012, the police officers' and firefighters' portions of the Plan also received payments from the State of Florida pursuant to Chapters 185 and 175 of the Florida Statutes for the benefit of police officers and firefighters, respectively. Monies received pursuant to Chapters 185 and 175 can only be used to finance the benefits of participants who are police officers or firefighters, respectively. Effective March 14, 2012, the Town of Palm Beach withdrew from participation under Chapters 175 and 185.

The Plan issues a stand-alone financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to the Town of Palm Beach, Post Office Box 2029, Palm Beach, Florida 33480 or by calling (561) 838-5444.

At September 30, 2016, the plan membership consisted of the following:

Classification	General	Police Officers	Firefighters	Total
Inactive plan members and beneficiaries currently receiving benefits	213	98	104	415
Inactive plan members entitled to but not yet receiving benefits	31	22	35	88
Active plan members	169	48	51	268
	<u>413</u>	<u>168</u>	<u>190</u>	<u>771</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Significant Accounting Policies

The financial statements of the Plan are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Town 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 Plan. For purposes of measuring the net pension liability, the Plan's fiduciary net position has been determined on the same basis as that used by the Plan.

Plan Description

The following brief description of the general employees and lifeguards, police officers, and firefighters portions of the Plan is provided for general information purposes only. Participants should refer to the Plan agreement for more detailed information.

In accordance with Section 82-52 of the Town of Palm Beach, Florida Code of Ordinances, vesting or vested status means the attainment of 10 or more years of credited service. Notwithstanding the preceding sentence, all members of the retirement system who did not attain normal retirement eligibility based on credited service as of May 1, 2012, excluding credited service purchased pursuant to Section 82-54, and who were employed by the Town and not participating in the DROP on that date shall be 100 percent vested in their frozen accrued benefit as of May 1, 2012, regardless of length of credited service.

General Employees and Lifeguards

Prior to May 1, 2012

General employees were eligible for retirement after 30 years of service, or age 55 with 10 or more years of service. Lifeguards were eligible for retirement at age 50 with 10 or more years of service or members with at least 10 years of credited service who retire after 2/9/93 are eligible when the individual's age plus credited service totals 65 years or more. General employees could elect early retirement if the member is at least 50 years old with 10 or more years of service. The retirement benefit was calculated as a normal retirement benefit, but it is reduced 6/10 of 1% for each month early retirement precedes the member's normal retirement date. If the member had 20 years or more of service, the retirement benefit is reduced 3/10 of 1% for each month early retirement precedes the normal retirement date.

General employees' retirement benefits were determined by multiplying the Average Final Compensation (highest two consecutive years out of the last five), times the sum of (a) 2.75% per year for service earned after September 30, 1990, to a maximum of 82.5%, plus 2.35% for service earned on or before September 30, 1990, for the first 30 years of service, plus (b) 1% for service in excess of 30 years.

Lifeguards retirement benefits were determined by multiplying the Average Final Compensation (highest two consecutive years out of the last five), times the sum of (a) 2.85% per year for the first 25 years of service to a maximum of 71.25%, plus (b) 1% for service in excess of 25 years.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

General Employees and Lifeguards (Continued)

Prior to May 1, 2012 (Continued)

A member of the General Employees' Retirement System could elect to enter the Deferred Retirement Option Program ("DROP") within 7 years of the date the member first reaches normal retirement eligibility. The member receives 100% of their accrued benefit at the date of their election to participate in DROP.

For members of the General Employees' Retirement System hired on or after January 1, 1980, the sum of the employer financed portion of the pension benefit and social security benefit could not exceed 100% of average final compensation. Members who retired after September 30, 1968, and prior to October 1, 1990, received an annual 1% increase in their retirement benefit computed on the base benefit. Members who retired after September 30, 1990, received a 2% annual cost of living adjustment subsequent to an initial 3-year deferral period.

The General Employees' Retirement System also provided certain disability, death, and other benefits, which are considered to be retirement benefits for funding and actuarial purposes. Eligible employees become fully vested after 10 years of credited service.

All employees working in excess of 1,040 hours per year were required to participate.

Effective May 1, 2012

Normal Retirement

General employees who attained normal retirement eligibility based on credited service as of May 1, 2012 and who are employed by the Town and not participating in the DROP on that date, shall be eligible for normal retirement after 30 years of service, or age 55 with 10 years of service. Such general employees retirement benefits are determined by multiplying the Average Final Compensation (highest two consecutive years out of the last five), times the sum of (a) 2.75% per year for service earned after September 30, 1990, to a maximum of 82.5%, plus 2.35% for service earned on or before September 30, 1990, for the first 30 years of service, plus (b) 1% for service in excess of 30 years.

Lifeguards who attained normal retirement eligibility based on credited service as of May 1, 2012 and who are employed by the Town and not participating in the DROP on that date, shall be eligible for normal retirement upon attaining age 50 with 10 or more years of credited service or when the individual's age plus credited service total 65 or more years and the individual has at least 10 years of service. Such lifeguards retirement benefits are determined by multiplying Average Final Compensation (highest two consecutive years out of the last five), times the sum of (a) 2.85% per year for the first 25 years of service to a maximum of 71.25%, plus (b) 1% for service in excess of 25 years.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

General Employees and Lifeguards (Continued)

Effective May 1, 2012 (Continued)

Normal Retirement (Continued)

General employees who did not attain normal retirement eligibility based on credited service as of May 1, 2012, excluding credited service purchased, and who were employed by the Town and not participating in the DROP on that date, shall be eligible for normal retirement upon attaining age 55, or 30 or more years of credited service without regard to age, and upon such retirement shall be eligible to receive the frozen accrued benefit based on credited service and Average Final Compensation on April 30, 2012 and the above formulas. Such members shall be eligible to receive the accrued benefit based on credited service on or after May 1, 2012 upon attaining age 62 with 10 or more years of credited service. For credited service between May 1, 2012 and April 30, 2017, the benefit formula shall be Average Final Compensation multiplied by 1.25% per year of credited service. For credited service on or after May 1, 2017, the benefit formula shall be Average Final Compensation multiplied by 1.7% per year of credited service. Average Final Compensation after April 30, 2012 will be over a period increasing up to the final 5 years of credited service.

Lifeguards who did not attain normal retirement eligibility based on credited service as of May 1, 2012, excluding credited service purchased, and who were employed by the Town and not participating in the DROP on that date, shall be eligible for normal retirement upon termination of Town employment and attaining age 50, or when the member's age to last completed month plus credited service totals 65 years or more. Upon such retirement, the member shall be eligible to receive the frozen accrued benefit based on credited service and Average Final Compensation on April 30, 2012. Such members shall be eligible to receive the accrued benefit based on credited service on or after May 1, 2012 upon attaining age 62 with 10 or more years of credited service. For credited service between May 1, 2012 and April 30, 2017, the benefit formula shall be Average Final Compensation multiplied by 1.25% per year of credited service. For credited service on or after May 1, 2017, the benefit formula shall be Average Final Compensation multiplied by 1.7% per year of credited service. Average Final Compensation after April 30, 2012 will be over a period increasing up to the final 5 years of credited service.

Early Retirement

General Employees 20-Year Early Retirement Option: General employees who did not attain normal retirement eligibility based on credited service as of May 1, 2012, excluding credited service purchased, and who were employed by the Town and not participating in the DROP on that date, may elect to retire, subject to an early retirement reduction, upon attaining age 50 or older with 20 or more years of credited service.

General Employees 10-Year Early Retirement Option: General employees who did not attain normal retirement eligibility based on credited service as of May 1, 2012, excluding credited service purchased, and who were employed by the Town and not participating in the DROP on that date, may elect to retire, subject to an early retirement reduction, upon attaining age 50 or older with 10 or more years of credited service.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

General Employees and Lifeguards (Continued)

Effective May 1, 2012 (Continued)

General Employees Age 60 Early Retirement Option: General employees who did not attain normal retirement eligibility based on credited service as of May 1, 2012, excluding credited service purchased, and who were employed by the Town and not participating in the DROP on that date, may elect to retire at age 60, subject to an early retirement reduction.

Lifeguards Age 60 Early Retirement Option: Lifeguards who did not attain normal retirement eligibility based on credited service as of May 1, 2012, excluding credited service purchased, and who were employed by the Town and not participating in the DROP on that date, and members hired on or after May 1, 2012, may elect to retire at age 60, subject to an early retirement reduction.

DROP Retirement

General employees and lifeguards may elect to enter the Deferred Retirement Option Program ("DROP") within 7 years of the date the member first reaches normal retirement eligibility. The member receives 100% of their accrued benefit at the date of their election to participate in DROP, unless the member was eligible for retirement prior to May 1, 2012, in which case the DROP benefit is grandfathered at 98%.

Deferred Retirement (Vested Termination Benefit)

General employees and lifeguards with 10 or more years of service are eligible for a deferred retirement benefit. The pension begins upon meeting the requirements for normal retirement. Contributions must be left on deposit in the Plan. Failure to do so results in forfeiture of the vested benefit. The pension amount is computed as for normal retirement, based upon service and final average compensation at time of termination.

Duty Disability Retirement

There are no age or service requirements for duty disability for general employees or lifeguards. The pension amount to the earliest normal retirement eligibility date is computed as a regular retirement with additional serviced credit granted from the date of disability to the earliest normal retirement eligibility date. The minimum benefit is 60% of average final compensation. The pension amount at the earliest normal retirement eligibility date is computed as a regular retirement. The minimum shall be applicable for 5 years if the member attains such age for retirement less than 5 years after duty disability benefits commence.

Non-Duty Disability Before Retirement

General employees and lifeguards are eligible for non-duty disability benefits before retirement after 10 years or more of credited service. The pension amount is computed as for normal retirement.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

General Employees and Lifeguards (Continued)

Effective May 1, 2012 (Continued)

Duty Death Before Retirement

There are no age or service requirements for duty death benefits before retirement for general employees or lifeguards. The pension amount to each surviving child is 25% of the member's Average Final Compensation not to exceed 50% or equal share of 75% of the member's Average Final Compensation when there are 4 or more surviving children being paid. The widow shall receive a pension benefit of the difference, if any, between 75% of the member's Average Final Compensation and the aggregate amount paid to the children.

Non-Duty Death Before Retirement

General employees and lifeguards are eligible for non-duty death benefits before retirement after 10 years or more of credited service. The pension amount is computed as 75% of normal retirement benefit to a surviving spouse or equal shares of 75% of the normal retirement benefit to surviving unmarried children under age 18. Dependent payment continues not to exceed age 25 when no surviving spouse.

Automatic Death After Retirement Pension

If the member chooses the standard option, general employees and lifeguards who had attained normal retirement eligibility based on credited service as of May 1, 2012 are eligible for an automatic after death retirement pension. The benefit to surviving children shall be 25% of the retiree's pension payable to age 18, not to exceed an equal share of 75% of the retiree's pension. Payments to surviving children may be paid to age 25 if no spouse benefits are payable. The benefit to the surviving spouse shall be the difference, if any, between 75% of the retiree's pension and the aggregate amount paid to any surviving children.

General employees and lifeguards who had not attained retirement eligibility as of May 1, 2012 shall have frozen accrued benefits as described in the preceding paragraph. New plan benefits accrue after April 30, 2012. Reduced optional forms of payment are available.

Post-Retirement Cost-of-Living Adjustment

General employees and lifeguards that retired after September 30, 1968 and prior to October 1, 1990 receive an annual 1.0% increase computed on base benefit. Other adjustments have been made periodically. General employees and lifeguards that retired after September 30, 1990 and before May 1, 2012 receive an annual 2.0% increase based on the total pension payable subsequent to an initial 3-year deferral period.

General employees and lifeguards who had attained normal retirement eligibility based on credited service as of May 1, 2012 will receive an annual 2.0% increase based on pension benefits accrued, subject to an initial 3-year deferral period.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

General Employees and Lifeguards (Continued)

Effective May 1, 2012 (Continued)

Post-Retirement Cost-of-Living Adjustment (Continued)

General employees and lifeguards who had not attained retirement eligibility as of May 1, 2012 do not receive any cost-of-living adjustment for benefits derived from service accrued on or after May 1, 2012. General employees and lifeguards who have accrued service as of April 30, 2012 will receive a 2.0% cost of living adjustment for benefits derived for service accrued to that date.

Police Officers

Prior to May 1, 2012

Police officers were eligible for retirement after 20 or more years of service, regardless of age; or age 50 with 10 or more years of service; or, members with at least 10 years of credited service who retire after 9/30/90 are eligible when the individual's age plus credited service totals 65 years or more.

Police officers' retirement benefits were determined by multiplying the Average Final Compensation (highest two consecutive years out of the last five), times the greater of 3.5% per year of credited service to a maximum of 25 years, or 2.0% per year of credited service to a maximum of 50 years.

A member of the Police Officers' Retirement System could elect to enter the Deferred Retirement Option Program ("DROP") within 7 years of the date the member first reaches normal retirement eligibility. The member receives 100% of their accrued benefit at the date of their election to participate in DROP.

Members who retired after September 30, 1968, and prior to October 1, 1990, received an annual 1% increase in their retirement benefit computed on the base benefit. Members who retired after September 30, 1990, received a 2% annual cost of living adjustment subsequent to an initial 3-year deferral period.

The Police Officers' Retirement System also provided certain disability, death, and other benefits, which are considered to be retirement benefits for funding and actuarial purposes. Eligible employees become fully vested after 10 years of credited service.

All employees working in excess of 1,040 hours per year were required to participate.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Police Officers (Continued)

Effective May 1, 2012

Normal Retirement

Police officers shall be eligible for normal retirement after 20 or more years of service, regardless of age; or age 50 with 10 or more years of service; or, members with at least 10 years of credited service who retire after 9/30/90 are eligible when the individual's age plus credited service totals 65 years or more. Such police officers' retirement benefits are determined by multiplying the Average Final Compensation (highest two consecutive years out of the last five), times the greater of 3.5% per year of credited service to a maximum of 25 years, or 2.0% per year of credited service to a maximum of 50 years.

Police officers shall be eligible for normal retirement upon attaining age 50, or 20 or more years of credited service without regard to age, and upon such retirement shall be eligible to receive the frozen accrued benefit based on credited service and Average Final Compensation on April 30, 2012 and the above formulas. Such members shall be eligible to receive the accrued benefit based on credited service on or after May 1, 2012 upon attaining age 56 with 10 or more years of credited service. For credited service between May 1, 2012 and September 30, 2016, the benefit formula shall be the Average Final Compensation multiplied by 1.25% per year of credited service. For service on or after October 1, 2016 the benefit formula shall be the Average Final Compensation multiplied by 2.75% per year of credited service. Average Final Compensation after April 30, 2012 will be over a period increasing up to the final 5 years of credited service.

DROP Retirement

Police officers may elect to enter the Deferred Retirement Option Program ("DROP") within 7 years of the date the member first reaches normal retirement eligibility. The member receives 100% of their accrued benefit at the date of their election to participate in DROP.

Deferred Retirement (Vested Termination Benefit)

Police officers with 10 or more years of service are eligible for a deferred retirement benefit. The pension begins upon meeting the requirements for normal retirement. Contributions must be left on deposit in the Plan. Failure to do so results in forfeiture of the vested benefit. Frozen accrued benefits as of April 30, 2012 are vested immediately. The pension amount is computed as for normal retirement, based upon service and final average compensation at time of termination.

Duty Disability Retirement

There are no age or service requirements for duty disability for police officers. The pension amount is computed as a regular retirement with additional service credit granted from date of disability to earliest normal retirement eligibility date. The minimum benefit is 60% of average final compensation.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Police Officers (Continued)

Effective May 1, 2012 (Continued)

Non-Duty Disability Before Retirement

Police officers are eligible for non-duty disability benefits before retirement after 10 or more years of credited service. The pension amount is computed as for normal retirement. The minimum benefit is 30% of average final compensation.

Duty Death Before Retirement

There are no age or service requirements for duty death benefits before retirement for police officers. The pension amount to each surviving child is 25% of the member's Average Final Compensation not to exceed 50% or equal share of 75% of the member's Average Final Compensation when there are 4 or more surviving children being paid. The widow shall receive a pension benefit of the difference, if any, between 75% of the member's Average Final Compensation and the aggregate amount paid to the children.

Non-Duty Death Before Retirement

Police officers are eligible for non-duty death benefits before retirement after 10 or more years of credited service. The pension amount is computed as 75% of normal retirement benefit to a surviving spouse or equal shares of 75% of the normal retirement benefit to surviving unmarried children under age 18. Dependent payment continues not to exceed age 25 when no surviving spouse.

Automatic Death After Retirement Pension

If the member chooses the standard option, police officers who had attained normal retirement eligibility based on credited service as of May 1, 2012 are eligible for an automatic after death retirement pension. The benefit to surviving children shall be 25% of the retiree's pension payable to age 18, not to exceed an equal share of 75% of the retiree's pension. Payments to surviving children may be paid to age 25 if no spouse benefits are payable. The benefit to the surviving spouse shall be the difference, if any, between 75% of the retiree's pension and the aggregate amount paid to any surviving children.

Police officers who had not attained retirement eligibility as of May 1, 2012 shall have frozen accrued benefits as described in the preceding paragraph. New plan benefits accrue after April 30, 2012. Reduced optional forms of payment are available.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Police Officers (Continued)

Effective May 1, 2012 (Continued)

Post-Retirement Cost-of-Living Adjustment

Police officers that retired after September 30, 1968 and prior to October 1, 1990 receive an annual 1.0% increase computed on base benefit. Other adjustments have been made periodically. Police officers that retired after September 30, 1990 and before May 1, 2012 receive an annual 2.0% increase based on the total pension payable subsequent to an initial 3-year deferral period.

Police officers who had attained normal retirement eligibility based on credited service as of May 1, 2012 will receive an annual 2.0% increase based on pension benefits accrued, subject to an initial 3-year deferral period.

Police officers who had not attained retirement eligibility as of May 1, 2012 do not receive any cost-of-living adjustment for benefits derived from service accrued on or after May 1, 2012. Police officers who have accrued service as of April 30, 2012 will receive a 2.0% cost of living adjustment for benefits derived for service accrued to that date.

Firefighters

Prior to May 1, 2012

Firefighters were eligible for retirement after 20 or more years of service, regardless of age; or age 50 with 10 or more years of service; or, members with at least 10 years of credited service who retire after 9/30/90 are eligible when the individual's age plus credited service totals 65 years or more.

Firefighters' retirement benefits were determined by multiplying the Average Final Compensation (highest two consecutive years out of the last five), times the greater of 3.5% per year of credited service to a maximum of 25 years, or 2.0% per year of credited service to a maximum of 50 years.

A member of the Firefighters' Retirement System could elect to enter the Deferred Retirement Option Program ("DROP") within 7 years of the date the member first reaches normal retirement eligibility. The member receives 100% of their accrued benefit at the date of their election to participate in DROP.

Members who retired after September 30, 1968, and prior to October 1, 1990, received an annual 1% increase in their retirement benefit computed on the base benefit. Members who retired after September 30, 1990, received a 2% annual cost of living adjustment subsequent to an initial 3-year deferral period.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Firefighters (Continued)

Effective May 1, 2012

The Firefighters' Retirement System also provided certain disability, death, and other benefits, which are considered to be retirement benefits for funding and actuarial purposes. Eligible employees become fully vested after 10 years of credited service.

All employees working in excess of 1,040 hours per year were required to participate.

Normal Retirement

Firefighters shall be eligible for normal retirement after 20 or more years of service, regardless of age; or age 50 with 10 or more years of service; or, members with at least 10 years of credited service who retire after 9/30/90 are eligible when the individual's age plus credited service totals 65 years or more. Such Firefighters' retirement benefits are determined by multiplying the Average Final Compensation (highest two consecutive years out of the last five), times the greater of 3.5% per year of credited service to a maximum of 25 years, or 2.0% per year of credited service to a maximum of 50 years.

Firefighters shall be eligible for normal retirement upon attaining age 50, or 20 or more years of credited service without regard to age, and upon such retirement shall be eligible to receive the frozen accrued benefit based on credited service and Average Final Compensation on April 30, 2012 and the above formulas. Such members shall be eligible to receive the accrued benefit based on credited service on and after May 1, 2012 upon attaining age 56 with 10 or more years of credited service.

Non-bargaining unit firefighters: For credited service between May 1, 2012 and September 30, 2016, the benefit formula shall be the Average Final Compensation multiplied by 1.25% per year of credited service. For service on or after October 1, 2016 the benefit formula shall be the Average Final Compensation multiplied by 2.75% per year of credited service. Average Final Compensation after April 30, 2012 will be over a period increasing up to the final 5 years of credited service.

Bargaining unit firefighters: For credited service between May 1, 2012 and August 11, 2017, the benefit formula shall be the Average Final Compensation multiplied by 1.25% per year of credited service. For service on or after August 12, 2017 the benefit formula shall be the Average Final Compensation multiplied by 2.75% per year of credited service. Average Final Compensation after April 30, 2012 will be over a period increasing up to the final 5 years of credited service.

DROP Retirement

Firefighters may elect to enter the Deferred Retirement Option Program ("DROP") within 7 years of the date the member first reaches normal retirement eligibility. The member receives 100% of their accrued benefit at the date of their election to participate in DROP.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Firefighters (Continued)

Effective May 1, 2012 (Continued)

Deferred Retirement (Vested Termination Benefit)

Firefighters with 10 or more years of service are eligible for a deferred retirement benefit. The pension begins upon meeting the requirements for normal retirement. Contributions must be left on deposit in the Plan. Failure to do so results in forfeiture of the vested benefit. Frozen accrued benefits as of April 30, 2012 are vested immediately. The pension amount is computed as for normal retirement, based upon service and final average compensation at time of termination.

Duty Disability Retirement

There are no age or service requirements for duty disability for firefighters. The pension amount is computed as a regular retirement with additional service credit granted from date of disability to earliest normal retirement eligibility date. The minimum benefit is 60% of average final compensation.

Non-Duty Disability Before Retirement

Firefighters are eligible for non-duty disability benefits before retirement after 10 or more years of credited service. The pension amount is computed as for normal retirement. The minimum benefit is 30% of average final compensation.

Duty Death Before Retirement

There are no age or service requirements for duty death benefits before retirement for firefighters. The pension amount to each surviving child is 25% of the member's Average Final Compensation not to exceed 50% or equal share of 75% of the member's Average Final Compensation when there are 4 or more surviving children being paid. The widow shall receive a pension benefit of the difference, if any, between 75% of the member's Average Final Compensation and the aggregate amount paid to the children.

Non-Duty Death Before Retirement

Firefighters are eligible for non-duty death benefits before retirement after 10 or more years of credited service. The pension amount is computed as 75% of normal retirement benefit to a surviving spouse or equal shares of 75% of the normal retirement benefit to surviving unmarried children under age 18. Dependent payment continues not to exceed age 25 when no surviving spouse.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Firefighters (Continued)

Effective May 1, 2012 (Continued)

Automatic Death After Retirement Pension

If the member chooses the standard option, firefighters who had attained normal retirement eligibility based on credited service as of May 1, 2012 are eligible for an automatic after death retirement pension. The benefit to surviving children shall be 25% of the retiree's pension payable to age 18, not to exceed an equal share of 75% of the retiree's pension. Payments to surviving children may be paid to age 25 if no spouse benefits are payable. The benefit to the surviving spouse shall be the difference, if any, between 75% of the retiree's pension and the aggregate amount paid to any surviving children.

Firefighters who had not attained retirement eligibility as of May 1, 2012 shall have frozen accrued benefits as described in the preceding paragraph. New plan benefits accrue after April 30, 2012. Reduced optional forms of payment are available.

Post-Retirement Cost-of-Living Adjustment

Firefighters that retired after September 30, 1968 and prior to October 1, 1990 receive an annual 1.0% increase computed on base benefit. Other adjustments have been made periodically. Firefighters that retired after September 30, 1990 and before May 1, 2012 receive an annual 2.0% increase based on the total pension payable subsequent to an initial 3-year deferral period.

Firefighters who had attained normal retirement eligibility based on credited service as of May 1, 2012 will receive an annual 2.0% increase based on pension benefits accrued, subject to an initial 3-year deferral period.

Firefighters who had not attained retirement eligibility as of May 1, 2012 do not receive any cost-of-living adjustment for benefits derived from service accrued on or after May 1, 2012. Firefighters who have accrued service as of April 30, 2012 will receive a 2.0% cost of living adjustment for benefits derived for service accrued to that date.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Firefighters (Continued)

Effective May 1, 2012 (Continued)

Share Accounts

Effective October 1, 2003, the Town Council authorized the establishment of individual member Share accounts for fighters actively employed by the town. These accounts were funded annually using Chapter 175 monies that have not been otherwise committed for benefits for firefighter members. As of September 30, 2017, \$898,855 was held in Share accounts included in the Plan's net position.

On July 22, 2009, the Board adopted a resolution that permits the Plan participants to self-direct their Share accounts. The self-directed accounts are administered by the ICMA Retirement Corporation. As of September 30, 2017, the amount of self-directed investments held outside the Plan was \$2,467,004. Members are eligible to take distributions after separation from service. No new member accounts shall be established after May 1, 2012.

Contributions

The contribution requirements of Plan members and the Town are established and may be amended by the Town Council. Plan members are required to contribute a percentage of their annual covered salary as described in the table on the following page. The Town is required to contribute at an actuarially determined rate. Administrative expenses of the Plans are reimbursed on a retrospective basis by an addition to the Town's contribution rate.

The contribution rates for the fiscal year ended September 30, 2017, as a percentage of the employees' annual compensation, were as follows:

	Member Contributions	Town Contributions
General employees 10/01/16 - 04/30/17	2.47%	23.61%
General employees 05/01/17 - 09/30/17	3.50%	23.61%
Lifeguards 10/01/16 - 04/30/17	2.47%	109.09%
Lifeguards 05/01/17 - 09/30/17	3.50%	109.09%
Police officers	10.00%	68.42%
Firefighters - Non-Union	10.00%	77.00%
Firefighters - Union 10/01/16 - 08/11/17	4.82%	77.00%
Firefighters - Union 08/12/17 - 09/30/17	10.00%	77.00%

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Contributions (Continued)

For the fiscal year ended September 30, 2017, the Town and its employees made the following contributions to the Plan:

<u>Employee Classification</u>	<u>Town Contributions</u>	<u>Employee Contributions</u>	<u>Total Contributions</u>
General employees and lifeguards	\$ 3,531,685	\$ 332,457	\$ 3,864,142
Police officers	3,747,478	368,777	4,116,255
Firefighters	<u>3,607,922</u>	<u>262,473</u>	<u>3,870,395</u>
	<u>\$ 10,887,085</u>	<u>\$ 963,707</u>	<u>\$ 11,850,792</u>

Payable to the Retirement Plan

At September 30, 2017, the Town had no payables for outstanding contributions to the Plan required for the fiscal year ended September 30, 2017.

Investments

Investments of the Plan are reported at fair value. Net appreciation in fair value of investments includes realized and unrealized gains and losses.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Rate of Return

The money weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. Inputs to the dollar-weighted rate of return valuation are determined on a monthly basis. For the year ended September 30, 2017, the annual money-weighted rate of return on Plan investments, net of investment expenses was 11.20%.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment 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 pension plan's target asset allocation as of September 30, 2017 are summarized in the table on the following page.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity funds	35.0%	7.50%
International equity funds	20.0%	8.50%
Domestic bonds	17.5%	2.50%
Real estate funds	10.0%	4.50%
Alternative assets	<u>17.5%</u>	6.42%
	<u>100.0%</u>	

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Net Pension Liability - General Employees and Lifeguards

The components of the net pension liability at September 30, 2017 were as follows:

Description	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balance September 30, 2016	\$ 110,174,017	\$(75,715,712)	\$ 34,458,305
Changes due to:			
Service cost	750,112		750,112
Interest on total pension liability	7,948,875		7,948,875
Benefit changes	1,932,700		1,932,700
Difference between expected and actual experience	529,542		529,542
Assumption changes	1,253,789		1,253,789
Benefit payments	(6,243,450)	6,243,450	
Refunds	(20,235)	20,235	
Employer contributions		(3,531,685)	(3,531,685)
Employee contributions		(332,457)	(332,457)
Investment income		(8,813,057)	(8,813,057)
Investment expense		198,929	198,929
Administrative expense		166,261	166,261
Total changes	<u>6,151,333</u>	<u>(6,048,324)</u>	<u>103,009</u>
Balance September 30, 2017	<u><u>\$ 116,325,350</u></u>	<u><u>\$(81,764,036)</u></u>	<u><u>\$ 34,561,314</u></u>

In 2017 the investment return assumption decreased from 7.40% to 7.30% and the payroll growth rate assumption decreased from 3.50% to 3.00%. The results for 2017 also reflect the impact of Ordinance No. 07-2017 as measured in the Actuarial Impact Statement dated March 6, 2017 and the impact of Ordinance No. 20-2017 as measured in the Actuarial Impact Statement dated August 4, 2017.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J – TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Net Pension Liability – Police Officers

The components of the net pension liability at September 30, 2017 were as follows:

Description	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balance September 30, 2016	\$ 96,268,968	\$ (60,680,123)	\$ 35,588,845
Changes due to:			
Service cost	571,802		571,802
Interest on total pension liability	6,940,855		6,940,855
Benefit changes			-
Difference between expected and actual experience	(978,835)		(978,835)
Assumption changes	1,100,893		1,100,893
Benefit payments	(5,509,488)	5,509,488	
Refunds	(9,583)	9,583	
Employer contributions		(3,747,478)	(3,747,478)
Employee contributions		(368,777)	(368,777)
Investment income		(7,060,834)	(7,060,834)
Investment expense		159,377	159,377
Administrative expense		133,206	133,206
Total changes	<u>2,115,644</u>	<u>(5,365,435)</u>	<u>(3,249,791)</u>
Balance September 30, 2017	<u>\$ 98,384,612</u>	<u>\$ (66,045,558)</u>	<u>\$ 32,339,054</u>

In 2017 the investment return assumption decreased from 7.40% to 7.30% and the payroll growth rate assumption decreased from 3.50% to 3.00%. The results for 2017 also reflect the impact of Ordinance No. 07-2017 as measured in the Actuarial Impact Statement dated March 6, 2017 and the impact of Ordinance No. 20-2017 as measured in the Actuarial Impact Statement dated August 4, 2017.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Net Pension Liability – Firefighters

The components of the net pension liability at September 30, 2017 were

Description	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balance September 30, 2016	\$ 96,394,898	\$(57,614,845)	\$ 38,780,053
Changes due to:			
Service cost	342,206		342,206
Interest on total pension liability	6,927,564		6,927,564
Benefit changes	1,163,805		1,163,805
Difference between expected and actual experience	3,372,587		3,372,587
Assumption changes	1,167,456		1,167,456
Benefit payments	(5,861,110)	5,861,110	
Refunds	(39,427)	39,427	
Employer contributions		(3,607,922)	(3,607,922)
Employee contributions		(262,473)	(262,473)
Investment income		(6,706,324)	(6,706,324)
Investment expense		151,375	151,375
Administrative expense		126,518	126,518
Total changes	<u>7,073,081</u>	<u>(4,398,289)</u>	<u>2,674,792</u>
Balance September 30, 2017	<u><u>\$ 103,467,979</u></u>	<u><u>\$(62,013,134)</u></u>	<u><u>\$ 41,454,845</u></u>

In 2017 the investment return assumption decreased from 7.40% to 7.30% and the payroll growth rate assumption decreased from 3.50% to 3.00%. The results for 2017 also reflect the impact of Ordinance No. 07-2017 as measured in the Actuarial Impact Statement dated March 6, 2017 and the impact of Ordinance No. 20-2017 as measured in the Actuarial Impact Statement dated August 4, 2017.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Discount Rate

A single discount rate of 7.30% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.30%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the 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.

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

The following table presents the net pension liability of the Town calculated using the single discount rate of 7.3 percent as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

Class of Employees	1% Decrease (6.3%)	Current Discount Rate (7.3%)	1% Increase (8.3%)
General employees	\$ 48,876,863	\$ 34,561,314	\$ 23,374,173
Police officers	45,110,788	32,339,054	22,458,873
Firefighters	54,911,823	41,454,845	31,072,335

Deferred Outflows of Resources and Deferred Inflows of Resources and Pension Expense

General Employees and Lifeguards

At September 30, 2017, the Town reported a net pension liability of \$34,561,314 for the general employees and lifeguards. The liability was measured as of September 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016 updated to September 30, 2017.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources and Pension Expense (Continued)

General Employees and Lifeguards (Continued)

For the fiscal year ended September 30, 2017 the Town recognized a pension expense of \$8,495,951 for the general employees and lifeguards. In addition, the Town reported deferred outflows of resources related to the general employees and lifeguards from the following sources:

Description	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	\$ 1,248,306	\$
Assumption changes	5,618,626	
Net difference between projected and actual earnings on pension plan investments	<u>3,767,027</u>	<u>2,434,663</u>
	<u><u>\$ 10,633,959</u></u>	<u><u>\$ 2,434,663</u></u>

The amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amortization
2018	\$ 3,647,381
2019	3,647,382
2020	908,017
2021	(72,075)
2022	68,591
Thereafter	<u><u>\$ 8,199,296</u></u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources and Pension Expense (Continued)

Police Officers

At September 30, 2017, the Town reported a net pension liability of \$32,339,054 for the police officers. The liability was measured as of September 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016 updated to September 30, 2017.

For the fiscal year ended September 30, 2017 the Town recognized a pension expense of \$5,412,911 for the police officers. In addition, the Town reported deferred outflows of resources related to the police officers from the following sources:

Description	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	\$ 456,142	\$ 721,247
Assumption changes	3,126,003	
Net difference between projected and actual earnings on pension plan investments	3,016,036	1,913,661
	<u>\$ 6,598,181</u>	<u>\$ 2,634,908</u>

The amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amortization
2018	\$ 2,684,870
2019	2,202,142
2020	(453,258)
2021	(470,481)
2022	
Thereafter	<u>\$ 3,963,273</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources and Pension Expense (Continued)

Firefighters

At September 30, 2017, the Town reported a net pension liability of \$41,454,845 for the firefighters. The liability was measured as of September 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016 updated to September 30, 2017.

For the fiscal year ended September 30, 2017 the Town recognized a pension expense of \$7,735,770 for the firefighters. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to the firefighters from the following sources:

Description	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	\$ 2,946,031	\$ 128,605
Assumption changes	3,277,493	
Net difference between projected and actual earnings on pension plan investments	<u>2,821,671</u>	<u>1,833,344</u>
	<u>\$ 9,045,195</u>	<u>\$ 1,961,949</u>

The amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amortization
2018	\$ 3,733,096
2019	\$ 3,512,938
2020	\$ 289,211
2021	\$ (451,999)
2022	-
Thereafter	-
	<u>\$ 7,083,246</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Summary Data

The following table provides a summary of significant information related to the Plan for the year ended September 30, 2017.

	General Employees and Lifeguards	Police Officers	Firefighters	Total
Total pension liability	\$ 116,325,350	\$ 98,384,612	\$ 103,467,979	\$ 318,177,941
Plan fiduciary net position	81,764,036	66,045,558	62,013,134	209,822,728
Net pension liability	34,561,314	32,339,054	41,454,845	108,355,213
Plan fiduciary net position as a percentage of the total pension liability	70.3%	67.1%	59.9%	65.9%
Covered employee payroll	10,714,252	3,559,337	3,457,670	17,731,259
Net pension liability as a percentage of covered-employee payroll	322.6%	908.6%	1198.9%	611.1%
Deferred outflows of resources	10,633,959	6,598,181	9,045,195	26,277,335
Deferred inflows of resources	2,434,663	2,634,908	1,961,949	7,031,520
Pension expense	8,495,951	5,412,911	7,735,770	21,644,632

Significant Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions:

Valuation date:	September 30, 2016
Measurement date:	September 30, 2017
Actuarial cost method:	Entry Age Normal
Single discount rate:	7.30%
Long-term expected investment rate of return:	7.30%
General inflation:	2.50%
Wage inflation:	3.00%
Salary increases:	3.50% including inflation
Mortality:	

The mortality tables used are the same as those used for the July 1, 2016 Pension Actuarial Valuation of the Florida Retirement System. These tables are based on the RP-2000 mortality tables with white and blue collar adjustments and with mortality improvements projected for healthy lives to all future years using Scale BB.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE K - DEFINED CONTRIBUTION PENSION PLAN

The Town established the Town of Palm Beach Defined Contribution Retirement Plan in the form of the ICMA Retirement Corporation Governmental Money Purchase Plan & Trust effective May 1, 2012 to provide benefits at retirement to the Town's employees. The Plan is a single-employer defined contribution pension plan administered by the ICMA Retirement Corporation. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings.

The Plan covers all employees working in excess of 1040 hours per year. Police officers and non-union firefighters, hired before May 1, 1992, were required to make mandatory pre-tax contributions equal to 2% of covered compensation until September 30, 2016. Union firefighters hired before May 1, 1992 were required to make mandatory pre-tax contributions equal to 2% of covered compensation until August 11, 2017.

General employees and lifeguards were required to make mandatory pre-tax contributions of 4% of covered compensation until April 30, 2017. Thereafter they are required to make mandatory pre-tax contributions of 3% of covered compensation. The Town is required to match mandatory contributions. Covered compensation includes base pay (inclusive of all leave time) but excludes overtime and bonuses. General employees and lifeguards are allowed to make voluntary contributions up to the maximum allowable under IRS Regulations. The Town is required to match up to 2% for voluntary contributions.

For the year ended September 30, 2017, the Town made the required contributions of \$507,748 and discretionary contributions of \$253,896 for a total of \$761,644. Employees made the required contributions of \$519,994.

For the fiscal year ended September 30, 2017, the Town recognized pension expense of \$761,644 for the defined contribution plan, which included forfeitures of \$130,000. At September 30, 2017 the Town reported a payable in the amount of \$56,670 for outstanding contributions to the Plan for the fiscal year ended September 30, 2017.

The Town does not hold or administer resources of the Plan. Consequently, the Plan does not meet the requirements for inclusion in the Town's financial statements as a fiduciary fund. The Plan does not issue a stand-alone financial report. Plan provisions are established and may be amended only by the Town Council.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE L - OTHER POSTEMPLOYMENT BENEFITS

Plan Description: The Town of Palm Beach Other Postemployment Benefits (OPEB) Plan is a single-employer, defined benefit postemployment healthcare plan that is administered by the Town and covers retired employees of the Town and their dependents. The Town Council has the authority to establish and amend benefit provisions of the Plan. The Plan does not issue a separate, publicly available financial report.

Benefits Provided: The Plan provides for the payment of a portion of the health insurance premiums for eligible retired employees.

Contributions: The contribution requirements of Plan members and the Town are established and may be amended by the Town Council. These contributions are neither mandated nor guaranteed. The Town has retained the right to unilaterally modify its payment for retiree health care benefits. Plan members receiving benefits contribute a percentage of the monthly insurance premium. Prior to January 1, 2010, retiree contributions were 50% of the actuarial premium. Effective January 1, 2010, the retiree contributions were changed to a sliding scale under which the retiree contribution varies depending on years of service and pension benefit. The retiree contributions vary from a minimum of 50% of the actuarial premium to the maximum amount allowed under Florida Statute 112.08.

The State of Florida prohibits the Town from separately rating retirees and active employees. The Town therefore charges both groups an equal, blended rate premium. Although both groups are charged the same blended rate premium, GAAP requires the actuarial figures to be calculated using age adjusted premiums approximating claim costs for retirees separate from active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. However, the Town has elected to contribute to the Plan at a rate that is based on an actuarial valuation prepared using the blended rate premium that is actually charged to the Plan.

The Plan recognized contributions of \$1,339,000 from the Town for the fiscal year ended September 30, 2017.

Plan Membership: A summary of employees or beneficiaries covered by the Plan as of September 30, 2017 is as follows.

Active employees	322
Inactive employees currently receiving benefits	155
Inactive employees entitle to but not yet receiving benefits	—
Total Plan participants	<u>477</u>

Discount Rate: The discount rate used to measure the total OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current and inactive employees. Therefore, the discount rate of 7.0% was applied to all periods of projected benefit payments to determine the total OPEB liability.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE L - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Long-Term Expected Rate of Return: The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment 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 OPEB plan's target asset allocation as of September 30, 2017 are summarized in the table below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity funds	27.50%	7.50%
International equity funds	17.50%	8.50%
Domestic fixed income funds	20.00%	2.50%
Alternative assets	<u>35.00%</u>	6.23%
	<u>100.00%</u>	

Rate of Return

The money weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. Inputs to the dollar-weighted rate of return valuation are determined on a monthly basis. For the year ended September 30, 2017, the annual money-weighted rate of return on Plan investments, net of investment expenses was 10.31%.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE L - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions and Other Inputs: The total OPEB liability was determined using the following actuarial assumptions and other inputs:

Valuation date:	October 1, 2017
Measurement date:	September 30, 2017
Actuarial cost method:	Entry Age Actuarial Cost Method
Single discount rate:	7.0%
Salary increase rate:	3.5%
Long-term expected investment rate of return:	7.0%
Health care cost trend:	
2018	7.5%
2019	7.0%
2020	6.5%
2021	6.0%
2022	5.5%
2023 and later	5.0%

Mortality:

The mortality assumption has been updated from RP-2014 Mortality Fully Generational using Projection Scale MP-2015 to RP-2014 Mortality Fully Generational using Projection Scale MP-2016

Retiree benefits:

Under age 65 retirees can elect either the PPO, POS, or HMO plan.

Medicare eligible retirees can elect either the PPO or POS plan.

Retirees are eligible for dental coverage.

Retirees have the option of purchasing a term-life policy in the amount of \$10,000 at the rate of \$0.297 per thousand of coverage.

Benefits are for the lifetime of the retiree and surviving spouse.

Plan participation of future retirees: 100% medical, 60% life insurance

Plan participation of future spouses: 100%

Assumption changes:

The mortality assumption was updated as noted above. Other assumptions are consistent with those used in the prior valuation.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE L - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Net OPEB Liability: The components of the net OPEB liability as of September 30, 2017 were as follows:

Description	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability (Asset)
Balance September 30, 2016	\$ 26,757,719	\$(28,401,183)	\$ (1,643,464)
Changes due to:			
Service cost	411,675		411,675
Interest on total OPEB liability	1,865,625		1,865,625
Benefit changes			
Difference between expected and actual experience	(36,232)		(36,232)
Assumption changes			
Benefit payments	(1,035,214)	1,035,214	
Employer contributions		(1,339,000)	(1,339,000)
Net investment income		(2,692,135)	(2,692,135)
Administrative expense		121,385	121,385
Total changes	<u>1,205,854</u>	<u>(2,874,536)</u>	<u>(1,668,682)</u>
Balance September 30, 2017	<u>\$ 27,963,573</u>	<u>\$(31,275,719)</u>	<u>\$ (3,312,146)</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE L - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following table presents the net OPEB liability of the Town calculated using the single discount rate of 7.0% as well as what the Town net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

<u>Discount Rate Sensitivity</u>	<u>1% Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
Net OPEB Liability (Asset)	\$ 1,044,889	\$ (3,312,146)	\$ (6,788,316)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates The following table presents the net OPEB liability of the Town calculated using the single discount rate of 7.0% as well as what the Town net OPEB liability would be if it were calculated using a healthcare costs trends that are one percentage point lower or one percentage point higher than the current healthcare costs trend rates.

<u>Healthcare Trend Rate Sensitivity</u>	<u>1% Decrease 7% for 2018 decreasing to 4%</u>	<u>Healthcare Cost Trend Rates 8% for 2018 decreasing to 5%</u>	<u>1% Increase 9% for 2018 decreasing to 6%</u>
Net OPEB Liability (Asset)	\$ (7,040,369)	\$ (3,312,146)	\$ 1,387,416

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE L - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Deferred Outflows of Resources, Deferred Inflows of Resources, and OPEB Expense : At September 30, 2017, the Town reported a net OPEB asset of \$3,312,146. The asset was measured as of September 30, 2017 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of October 1, 2017. For the fiscal year ended September 30, 2017, the Town recognized an OPEB revenue of \$477,782. In addition, the Town reported deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	\$	\$ 36,232
Assumption changes		
Net difference between projected and actual earnings on OPEB plan investments		
	\$	\$ 36,232
	\$	\$ 36,232

Amounts reported as deferred inflows of resources will be recognized in OPEB expense as follows:

Fiscal Year Ending September 30	Amortization
2018	\$ 5,644
2019	5,644
2020	5,644
2021	5,644
2022	5,644
Thereafter	8,012
	\$ 36,232
	\$ 36,232

Payable to the OPEB Plan: At September 30, 2017, the Town had no payables for outstanding contributions to the Plan required for the fiscal year ended September 30, 2017.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE L - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The OPEB Trust Fund does not issue a separate financial report. The Trust Fund's financial statements are presented below.

**Statement of Plan Net Position
September 30, 2017**

Assets

Equity in pooled cash and investments	\$ 2,095,362
Interest and dividends receivable	8,241
Investments	
Short term investment fund	2,967,652
Domestic equity funds	10,241,657
International equity funds	6,294,680
Fixed income securities	5,402,800
Inflation hedging funds	2,239,071
Alternative investments	2,250,670
Total assets	<u>31,500,133</u>

Liabilities

Accounts payable and accrued liabilities	<u>224,414</u>
Total liabilities	224,415

Net position restricted for retiree health benefits	<u><u>\$ 31,275,719</u></u>
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TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE L - OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Statement of Changes in Plan Net Position
Year Ended September 30, 2017**

Additions

Contributions	
Employer	\$ 1,339,000
Employee	1,260,410
Other	14,291
Total contributions	<u>2,613,701</u>

Investment income (loss)	
Net appreciation in fair value of investments	2,212,082
Interest and dividends	542,999
Total investment income	<u>2,755,081</u>
Less investment expense	<u>(62,946)</u>
Net investment income	<u>2,692,135</u>

Total additions	5,305,836
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Deductions

Benefit payments	2,320,667
Administrative expense	108,840
Other	1,793
Total deductions	<u>2,431,300</u>

Net increase	2,874,536
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Net position restricted for retiree health benefits – beginning of year	<u>28,401,183</u>
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Net position restricted for retiree health benefits – end of year	<u>\$ 31,275,719</u>
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TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE M - INSURANCE PROGRAM

The Town retains the risk of loss for certain claims related to general liability and property risks, group accident and health, and workers' compensation. These insurance activities are accounted for in the Internal Service Funds. The Internal Service Funds charge departments of the Town for insurance coverage based upon historical claims experience, insurance costs and relative share of total risk. A claims liability of approximately \$1,764,000 is included in accrued liabilities of the Internal Service Funds at September 30, 2016. This liability is based on the provisions of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be accrued if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Accordingly, the accrued liability for claims includes the estimated future liability on a case-by-case basis for all reported claims and an amount for claims incurred but not reported. The accrued claims liabilities at September 30, 2016 were determined by actuarial valuations performed by Willis Towers Watson Actuarial Services for group health and Glicksman Consulting, LLC. for general liability, workers' compensation, and property.

The Town's insurance program covers most risks insured by public entities. There are exposures to the Town that are either uninsured or uninsurable that pose a financial risk to the Town. The exposures consist of, but are not limited to, street lights, traffic lights, signs, roads, sidewalks, underground storm and sanitary sewers, seawalls, bulkheads, piling, docks, statues, living wall, clock tower, mold, beaches, shrubs, plants, acts of terrorism, and debris left from hurricanes. There is also a 5% deductible for named wind storms under the Town's property coverage which is not included in the 75% confidence level provided by the outside actuarial firm. Settled claims have exceeded commercial insurance coverage in the past three years.

The Town is a party to various claims, legal actions and complaints. In the opinion of Town management, all such matters are adequately covered by claim reserves under its insurance program or if not covered, are without merit or involve such minimal amounts that an unfavorable disposition would not have a material effect on the Town's financial position.

The insurance coverage and accrued claims liability of the Internal Service Funds at September 30, 2016 are summarized below and on the following pages.

Group Accident and Health: Certain employees and retirees of the Town contribute through payroll deductions or deductions from pension payments to the cost of group benefits. The remainder of the necessary funding is contributed by the Town based on an actuarially determined amount. As of September 30, 2016, these benefits covered 286 active employees, 166 retirees and 518 dependents. The Town retains the risk of loss up to \$100,000 per occurrence. Insurance coverage for claims in excess of these specific limits (aggregate reimbursement maximum per policy period is \$5,000,000) has been obtained from a commercial carrier. The Town makes available certain health insurance benefits for its retired employees and their dependents in accordance with State Statute. Retiree health care benefits are accounted for in the Town's OPEB plan.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE M - INSURANCE PROGRAM (Continued)

Other Liabilities: The Town retains the risk of loss for most exposures as follows:

- Property Liability - \$5,000 deductible per occurrence plus a 5% deductible per insured location for a "named" windstorm.
- General Liability - \$200,000/\$300,000 per occurrence.
- Law Enforcement Liability - \$100,000 per occurrence.
- Public Officials Liability - \$200,000 per occurrence.
- Employment Practices Liability - \$200,000 per occurrence.
- Automobile Liability - \$100,000 per occurrence.
- Workers' Compensation - \$500,000 deductible per occurrence.
- Cyber Liability - \$25,000 per occurrence.
- An aggregate retention (loss fund) of \$1,100,000 is established each fiscal year for this purpose. The loss fund does not include property, wind, hailstorm, flood, or any uninsured or uninsurable asset.

Excess liability coverage is maintained above the Town's retained risk of loss with commercial carriers as follows:

- Property Liability - \$42,620,210 for buildings and contents.
- General Liability - \$5,000,000 per occurrence and \$10,000,000 aggregate.
- Law Enforcement Liability - \$5,000,000 per occurrence \$10,000,000 aggregate.
- Public Officials Liability - \$5,000,000 per occurrence and \$5,000,000 aggregate.
- Employment Practices Liability - \$5,000,000 per occurrence and \$5,000,000 aggregate.
- Automobile Liability - \$5,000,000 per occurrence with no aggregate.
- Workers' Compensation - statutory.
- Cyber Liability - \$1,000,000 per occurrence with no aggregate.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE M - INSURANCE PROGRAM (Continued)

Florida Statutes limit the Town's maximum loss for most liability claims to \$200,000 per person and \$300,000 per occurrence under the doctrine of sovereign immunity. However, under certain circumstances a plaintiff can seek to recover damages in excess of statutory limits by introducing a claims bill to the Florida Legislature. The limits addressed in the Florida Statutes do not apply to claims filed in Federal Courts.

The claims activity for the last two fiscal years is summarized as follows:

	Year Ended September 30, 2016	Year Ended September 30, 2017
Accrued claims liability at beginning of fiscal year	\$ 1,792,000	\$ 1,759,000
Current year claims and changes in estimates	3,858,000	4,824,000
Claim payments	(3,891,000)	(4,268,000)
Accrued claims liability at end of fiscal year	<u>\$ 1,759,000</u>	<u>\$ 2,315,000</u>

The accrued claims liability at September 30, 2017 consisted of \$226,000 for group health and accident claims and \$2,089,000 for other claims.

NOTE M - COMMITMENTS AND CONTINGENCIES

Contractual Commitments: The Town has various long-term contractual obligations for construction projects on which work has not been completed. The remaining commitments on these obligations at September 30, 2017 are as follows:

	Revised Contract Amount	Amount Expended at September 30, 2017	Balance at September 30, 2017
CIP 2013 Bond Fund	\$ 18,193,179	\$ 12,830,524	\$ 5,362,655
Townwide Undergrounding Project	9,988,654	1,010,236	8,978,418
Donations Fund	2,210,138	1,088,367	1,121,771
Capital Improvement Fund	2,074,520	763,346	1,311,174
Beach Restoration Fund	1,814,696	894,237	920,459
Special Assessment Fund	1,539,923	746,498	793,425
General Fund	1,382,842	619,036	763,806
Equipment Replacement Fund	201,431	102,120	99,311
Recreation Enterprise Fund	76,142		76,142
Total	<u>\$ 37,481,525</u>	<u>\$ 18,054,364</u>	<u>\$ 19,427,161</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE N - COMMITMENTS AND CONTINGENCIES (Continued)

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

Encumbrances: At September 30, 2017, the following amounts were encumbered in the governmental funds:

Major Funds	
General Fund	\$ 1,470,680
Special Assessment Fund	793,425
Townwide Undergrounding Assessment Fund	9,128,124
Beach Restoration Project Fund	1,056,822
CIP 2013 Bond Fund	5,349,930
Total Major Funds	<u>17,798,981</u>
Non-Major Governmental Funds	2,171,080
Total Encumbrances	<u><u>\$ 19,970,061</u></u>

Contingency: The Town is the defendant in a lawsuit that challenges the validity of special assessments issued by the Town for purposes of funding the Town's undergrounding of utility lines for failing to meet the requirements for the imposition of special assessments, including that the project does not provide special benefit to the assessed properties. The plaintiffs purport to seek injunctive and declaratory relief on behalf of themselves and all property owners whose property is subject to the special assessments. No motion for class certification has been filed by the named plaintiffs.

NOTE O - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Town currently operates two vegetative waste landfill sites, one on Skees Road and another on Okeechobee Boulevard. State and federal laws and regulations require that the Town place a final cover on these landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at these sites for a minimum of thirty years after closure. Although the majority of closure and postclosure care costs will be paid only near or after the date that the operating landfills stop accepting waste, in accordance with GASB Statement No. 18, **Landfill Closure and Postclosure Care Costs**, the Town reports a portion of these closure and post closure care costs as an operating expense each fiscal year based on the landfill capacity used during the period.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE O - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS (Continued)

As of September 30, 2017, the estimated liability for landfill closure and postclosure care costs were \$1,544,767 for the Skees Road site and \$1,121,259 for the Okeechobee Boulevard site for a total of \$2,666,026. This represents the cumulative amounts reported to date based on the use of 61.4% of the estimated capacity of the Skees Road site and 84.0% of the Okeechobee Boulevard site. The total liability is reported in the Governmental Activities in the entity-wide Statement of Net Position. The Town will recognize the remaining estimated costs of closure and postclosure care of \$971,277 for the Skees Road Site and \$213,573 for the Okeechobee Boulevard site as the remaining estimated capacity is filled. The landfills have remaining estimated lives of 34 years and 13 years for the Skees Road site and Okeechobee Boulevard site, respectively.

The estimated total current cost of the landfill closure and post closure care is \$2,516,044 for the Skees Road site and \$1,334,832 for the Okeechobee Boulevard site for a total of \$3,850,876. This is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired as of September 30, 2017. However, the actual cost of closure and postclosure may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

In accordance with Rule 62-701.630, Florida Administrative Code, the Town is required to prepare and submit alternate proof of financial assurance to the Florida Department of Environmental Protection on an annual basis showing that the Town has sufficient financial resources to cover, at a minimum, the costs of complying with all state landfill closing and long-term care requirements. The Town is in compliance with this requirement.

NOTE P - DEFICIT FUND BALANCES OF INDIVIDUAL FUNDS

As of September 30, 2017, the Special Assessment Fund, Special Assessment Maintenance Fund, and Townwide Undergrounding Assessment Fund had unassigned fund balance deficits in the amount of \$2,287,527 and \$117,936, and \$1,172,618, respectively. The deficits were caused by expenditures for special assessment projects incurred prior to the collection of the assessments.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE Q – CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note A, the Town implemented GASB Statement No. 75, **Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions**, during the current fiscal year. This Statement requires employers participating in a single employer defined benefit other postemployment benefit plan (OPEB) to report their net OPEB liability and related OPEB amounts. The cumulative effect of applying this Statement has been reported as a restatement of the beginning net position of the governmental activities and business-type activities on the entity-wide financial statements and the Recreation Enterprise Fund on the fund basis financial statements. A reconciliation of the prior period ending net position to the current year beginning net position is as follows.

	Governmental Activities	Business-type Activities	Recreation Enterprise Fund
Balance at September 30, 2016, as reported	\$ 110,881,628	\$ 21,630,782	\$ 21,498,091
Adjustment for adoption of GASB 75	(15,760,743)	85,460	85,460
Balance at September 30, 2016, as restated	<u>\$ 95,120,885</u>	<u>\$ 21,716,242</u>	<u>\$ 21,583,551</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PALM BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Taxes				
Ad valorem	\$ 49,494,500	\$ 49,494,500	\$ 50,195,981	\$ 701,481
Local option gas tax	333,000	333,000	352,281	19,281
Franchise fees	2,200,000	2,200,000	2,305,715	105,715
Utility service	5,570,000	5,570,000	5,695,690	125,690
Business tax receipts	697,000	697,000	713,710	16,710
Total taxes	58,294,500	58,294,500	59,263,377	968,877
Fees and permits				
Building permits	6,156,000	6,156,000	6,490,797	334,797
Fees and other permits	507,500	507,500	533,727	26,227
Total fees and permits	6,663,500	6,663,500	7,024,524	361,024
Intergovernmental				
State shared revenue	1,101,000	1,101,000	982,546	(118,454)
Shared revenue-local	20,000	20,000	19,598	(402)
Total intergovernmental	1,121,000	1,121,000	1,002,144	(118,856)
Charges for services				
General government	37,750	37,750	38,618	868
Public safety	1,443,300	1,443,300	1,324,118	(119,182)
Physical environment	1,310,000	1,310,000	1,277,199	(32,801)
Transportation	1,025,500	1,025,500	1,041,990	16,490
Total charges for services	3,816,550	3,816,550	3,681,925	(134,625)
Fines and forfeitures	1,255,000	1,255,000	799,768	(455,232)
Investment earnings	704,339	704,339	421,514	(282,825)
Grant revenue	57,500	57,500	26,350	(31,150)
Miscellaneous				
Rents and royalties	36,000	36,000	34,892	(1,108)
Other miscellaneous	252,758	402,758	435,258	32,500
Total miscellaneous	288,758	438,758	470,150	31,392
Total revenues	72,201,147	72,351,147	72,689,752	338,605

See notes to the budgetary comparison schedule

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Town manager	\$ 2,196,846	\$ 2,908,866	\$ 2,703,817	\$ 205,049
Human resources	888,575	895,993	745,389	150,604
Information systems	2,460,413	2,565,565	2,417,594	147,971
Town clerk	351,507	361,710	361,656	54
Finance	1,757,795	1,736,797	1,682,085	54,712
Planning, zoning and building	692,676	738,500	717,718	20,782
Permit issuance	1,394,916	1,422,646	1,291,610	131,036
Employee benefits	1,339,000	1,339,000	1,339,000	
Total general government	11,081,728	11,969,077	11,258,869	710,208
Public safety				
Inspection and compliance	1,440,329	1,456,951	1,293,467	163,484
Fire-rescue	12,484,383	12,784,808	12,692,633	92,175
Police	15,040,933	15,192,751	15,073,864	118,887
Emergency/disaster response	1,006,600	259,404	27,518	231,886
Total public safety	29,972,245	29,693,914	29,087,482	606,432
Physical environment				
Administration	1,006,495	1,318,006	1,120,500	197,506
Sewer and sanitation	8,740,218	8,536,234	8,110,355	425,879
Public works	2,886,251	3,032,091	2,677,440	354,651
Total physical environment	12,632,964	12,886,331	11,908,295	978,036
Transportation				
Streets and repairs	392,567	460,227	294,772	165,455
Traffic control	735,614	811,950	783,441	28,509
Total transportation	1,128,181	1,272,177	1,078,213	193,964
Culture and recreation				
Recreation	167,520	205,983	171,872	34,111
Library	325,250	350,250	350,250	
Parks and beaches	1,562,524	1,780,946	1,612,865	168,081
Total culture and recreation	2,055,294	2,337,179	2,134,987	202,192
Non-departmental	4,338,037	4,708,491	4,708,491	
Total expenditures	61,208,449	62,867,169	60,176,337	2,690,832

(continued)

See notes to the budgetary comparison schedule

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 685,000	\$ 685,000	\$ 685,000	\$
Transfers Out	(15,643,928)	(15,910,969)	(15,993,119)	(82,150)
	<u>(14,958,928)</u>	<u>(15,225,969)</u>	<u>(15,308,119)</u>	<u>(82,150)</u>
Revenue and other sources under expenditures and other uses	<u>\$ (3,966,230)</u>	<u>\$ (5,741,991)</u>	(2,794,704)	<u>\$ 2,947,287</u>
Fund balances - beginning of year			<u>30,644,103</u>	
Fund balance - end of year			<u>\$ 27,849,399</u>	

See notes to the budgetary comparison schedule

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE
TOWNWIDE UNDERGROUNDING ASSESSMENT FUND

Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Investment earnings	\$ 6,000	\$ 6,000	\$ 16,531	\$ 10,531
Contributions			49,250	49,250
Total revenues	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 65,781</u>	<u>\$ 59,781</u>
EXPENDITURES				
Current				
Physical environment	\$	\$ 14,123,443	\$ 4,102,551	\$ 10,020,892
Non-departmental	1,065,852	1,238,668		1,238,668
Total expenditures	<u>\$ 1,065,852</u>	<u>\$ 15,362,111</u>	<u>\$ 4,102,551</u>	<u>\$ 11,259,560</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds	\$	\$ 12,750,000	\$	\$ (12,750,000)
Transfers in	760,200	13,777,241	1,027,241	(12,750,000)
Transfers out		(12,750,000)		12,750,000
Total other financing sources (uses)	<u>\$ 760,200</u>	<u>\$ 1,027,241</u>	<u>\$ 1,027,241</u>	<u>\$</u>

See notes to the budgetary comparison schedule

TOWN OF PALM BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2017

NOTE A - BUDGETARY ACCOUNTING

Budgets: Budgets are legally adopted for the General Fund, Townwide Undergrounding Assessment Fund, all Debt Service Funds, and all Capital Projects Funds. Special Revenue Funds are not budgeted because they are not legally required to do so, except for the Townwide Undergrounding Assessment Fund which the Town has elected to budget. All governmental fund budgets are prepared on the modified accrual basis of accounting. Formal budgetary integration is employed within the accounting system as a management control device. Appropriations are legally controlled at the departmental level and expenditures may not legally exceed appropriations at that level.

Under the Laws of the State of Florida and the Town Code, the Town Manager submits to the Mayor and Town Council, prior to July 31st, a proposed Annual Budget and Financial Plan for the fiscal year commencing the following October 1st. The Annual Budget and Financial Plan is prepared by fund, function and activity and includes all proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to October 1st, the budget is legally enacted by the Town Council through passage of an ordinance.

Changes or amendments to increase or decrease the total amount of budgeted revenue or expenditures for a given fund must be approved by a majority vote of the Town Council; however, changes, amendments or transfers within the total revenue or expenditures for functions, activities or departments of a given fund may be approved by the Town Manager.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget based on legally authorized revisions to the original budgets during the year. Unexpended appropriations lapse at year end.

Encumbrances: Encumbrance accounting, under 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 employed as an extension of formal budgetary control. Encumbrances lapse at year end and become obligations of the subsequent year's budget. At September 30, 2016, the Town had commitments related to unperformed contracts, which have been re-appropriated in the 2016-2017 annual budget. These amounts are not included in the current year's expenditures as reported in these financial statements. The amended budget at September 30, 2017, includes \$1,508,720 of prior year encumbrances that were re-appropriated.

NOTE B - BUDGET AND ACTUAL COMPARISONS

A budgetary comparison schedule is required to be presented for the General Fund and each budgeted special revenue fund. The Special Assessment Special Revenue Fund is not legally required to be budgeted and is not budgeted. For the year ended September 30, 2017, no departments had an excess of expenditures over appropriations.

TOWN OF PALM BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS

GENERAL EMPLOYEES AND LIFEGUARDS RETIREMENT PLAN

Year Ended September 30, 2017

	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 733,095	\$ 739,734	\$ 636,740	\$ 750,112
Interest on the total pension liability	7,058,622	7,096,090	7,664,270	7,948,875
Benefit changes		39,572		1,932,700
Differences between expected and actual experience		499,433	961,731	529,542
Assumption changes		7,152,240	2,296,388	1,253,789
Benefit payments	(5,289,162)	(9,215,159)	(6,476,789)	(6,243,450)
Refund	(16,118)	(70,488)	(37,241)	(20,235)
Net Change in Total Pension Liability	2,486,437	6,241,422	5,045,099	6,151,333
Total Pension Liability - Beginning	91,884,309	98,887,496	105,128,918	110,174,017
Prior Period Adjustment	4,516,750			
Total Pension Liability - Ending (a)	\$ 98,887,496	\$ 105,128,918	\$ 110,174,017	\$ 116,325,350
Plan Fiduciary Net Position				
Employer contributions	\$ 2,018,621	\$ 2,008,406	\$ 2,210,609	\$ 3,531,685
Employee contributions	289,425	282,284	289,317	332,457
Pension plan investment income (loss)	5,799,299	(3,076,859)	5,708,914	8,813,057
Investment expense	(243,389)	(241,461)	(223,064)	(198,929)
Benefit payments	(5,289,162)	(9,215,159)	(6,476,789)	(6,243,450)
Refunds	(16,118)	(70,488)	(37,241)	(20,235)
Pension plan administrative expense	(162,070)	(175,900)	(175,570)	(166,261)
Not Change in Plan Fiduciary Net Position	2,396,606	(10,489,177)	1,296,176	6,048,324
Plan Fiduciary Net Position - Beginning	77,995,357	84,908,713	74,419,536	75,715,712
Prior Period Adjustment	4,516,750			
Plan Fiduciary Net Position - Ending (b)	\$ 84,908,713	\$ 74,419,536	\$ 75,715,712	\$ 81,764,036
Net Pension Liability - Ending (a) - (b)	\$ 13,978,783	\$ 30,709,382	\$ 34,458,305	\$ 34,561,314
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.86%	70.79%	68.72%	70.29%
Covered Payroll	\$ 9,689,419	\$ 10,075,310	\$ 9,856,405	\$ 10,714,252
County's Net Pension Liability as a Percentage of Covered-Employee Payroll	144.27%	304.80%	349.60%	322.57%

This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.

Changes in Assumptions

In 2015 the assumed life expectancies increased substantially based on an experience study for the period from July 1, 2010 to June 30, 2014. In 2016 the investment return assumption decreased from 7.50% to 7.40% and the mandated mortality assumption changed to the same tables used in the Florida Retirement System actuarial valuation. The results for 2016 also reflect the impact of Ordinance 12-2016. In 2017 the investment return assumption decreased from 7.40% to 7.30% and the payroll growth rate assumption decreased from 3.50% to 3.00%. The results for 2017 also reflect the impact of Ordinance No. 07-2017 as measured in the Actuarial Impact Statement dated March 6, 2017 and the impact of Ordinance No. 20-2017 as measured in the Actuarial Impact Statement dated August 4, 2017.

TOWN OF PALM BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOWN CONTRIBUTIONS
GENERAL EMPLOYEES AND LIFEGUARDS RETIREMENT PLAN
Year Ended September 30, 2017

<u>Fiscal Year Ended September 30</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2014	\$ 1,994,388	\$ 2,018,621	\$ (24,233)	\$ 9,698,419	20.81%
2015	\$ 2,013,723	\$ 2,008,406	\$ 5,317	\$ 10,075,310	19.93%
2016	\$ 2,066,276	\$ 2,210,609	\$ (144,333)	\$ 9,856,405	22.43%
2017	\$ 2,578,403	\$ 3,531,685	\$ (953,282)	\$ 10,714,252	32.96%

This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.

TOWN OF PALM BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO SCHEDULE OF CONTRIBUTIONS

GENERAL EMPLOYEES AND LIFEGUARDS RETIREMENT PLAN

For the Fiscal Year Ended September 30, 2017

Actuarial Methods and Assumptions Used to Determine Contribution Rates for the Fiscal Year Ending September 30, 2017:

Actuarially determined contribution rates are calculated as of September 30, which is 12 months prior to the beginning of the fiscal year for which contributions are reported. The fiscal year 2017 contribution rates were determined in the September 30, 2015 Actuarial Valuation Report dated February 26, 2016, as amended by the Actuarial Impact Statement dated August 10, 2016.

Valuation Date:	September 30, 2015
Actuarial Cost Method	Entry-age normal
Amortization Method	Level percent-of-payroll, closed
Remaining Amortization Period	16-30 years
Asset Valuation Method	5-year smoothed market
General Inflation	3.00%
Wage Inflation	3.50%
Investment Rate of Return	7.50%
Retirement Age	Age-based tables of rates specific to the type of eligibility condition.
Mortality	RP-2014 Healthy Annuitant Mortality Tables for males and females, projected to 2017 using Projection Scale MP-2014 for general employees. RP-2014 Blue Collar Healthy Annuitant Mortality Tables for males and females, projected to 2017 using Projection Scale MP-2014 for lifeguards.

Other Information:

Cost-of-Living Adjustment	Members who retire after 09/30/68 and prior to 10/01/90 receive an annual 1.0% increase computed on the base benefit. Members who retire after 09/30/90 will be increased 2.0% annually based on total pension after a 3-year deferral period. Benefits accrued after 04/30/12 are not adjusted for those not eligible for normal retirement at 05/01/12. Other adjustments have been made periodically.
Changes in Assumptions	The mortality tables were changed from the RP-2000 Combined Healthy Mortality Table for males and females since the previous valuation.

TOWN OF PALM BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS

POLICE OFFICERS RETIREMENT PLAN

Year Ended September 30, 2017

	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 311,681	\$ 274,361	\$ 229,514	\$ 571,802
Interest on the total pension liability	6,321,297	6,343,197	6,571,902	6,940,855
Benefit changes		83,392	1,149,473	
Differences between expected and actual experience		637,285	489,883	(978,835)
Assumption changes		2,464,150	3,077,576	1,100,893
Benefit payments	(4,690,744)	(7,918,798)	(5,492,306)	(5,509,488)
Refund	(12,726)	(22,377)	(27,651)	(9,583)
Net Change in Total Pension Liability	1,929,508	1,861,210	5,998,391	2,115,644
Total Pension Liability - Beginning	82,415,628	88,409,367	90,270,577	96,268,968
Prior Period Adjustment	4,064,231			
Total Pension Liability - Ending (a)	\$ 88,409,367	\$ 90,270,577	\$ 96,268,968	\$ 98,384,612
Plan Fiduciary Net Position				
Employer contributions	\$ 1,979,219	\$ 2,144,662	\$ 2,306,795	\$ 3,747,478
Employee contributions	108,250	98,530	122,231	368,777
Pension plan investment income (loss)	4,966,209	(2,464,621)	4,574,146	7,060,834
Investment expense	(193,228)	(193,415)	(178,714)	(159,377)
Benefit payments	(4,690,744)	(7,918,798)	(5,492,306)	(5,509,488)
Refunds	(12,726)	(22,377)	(27,651)	(9,583)
Pension plan administrative expense	(128,668)	(140,899)	(140,951)	(133,206)
Not Change in Plan Fiduciary Net Position	2,028,312	(8,496,918)	1,163,550	5,365,435
Plan Fiduciary Net Position - Beginning	61,920,948	68,013,491	59,516,573	60,680,123
Prior Period Adjustment	4,064,231			
Plan Fiduciary Net Position - Ending (b)	\$ 68,013,491	\$ 59,516,573	\$ 60,680,123	\$ 66,045,558
Net Pension Liability - Ending (a) - (b)	\$ 20,395,876	\$ 30,754,004	\$ 35,588,845	\$ 32,339,054
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.93%	65.93%	63.03%	67.13%
Covered Payroll	\$ 3,453,957	\$ 3,354,258	\$ 3,668,239	\$ 3,559,337
County's Net Pension Liability as a Percentage of Covered-Employee Payroll	590.51%	916.86%	970.19%	908.57%

This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.

Changes in Assumptions

In 2015 the assumed life expectancies increased substantially based on an experience study for the period from July 1, 2010 to June 30, 2014. In 2016 the investment return assumption decreased from 7.50% to 7.40% and the mandated mortality assumption changed to the same tables used in the Florida Retirement System actuarial valuation. The results for 2016 also reflect the impact of Ordinance 12-2016. In 2017 the investment return assumption decreased from 7.40% to 7.30% and the payroll growth rate assumption decreased from 3.50% to 3.00%. The results for 2017 also reflect the impact of Ordinance No. 07-2017 as measured in the Actuarial Impact Statement dated March 6, 2017 and the impact of Ordinance No. 20-2017 as measured in the Actuarial Impact Statement dated August 4, 2017.

TOWN OF PALM BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF TOWN CONTRIBUTIONS

POLICE OFFICERS RETIREMENT PLAN

Year Ended September 30, 2017

<u>Fiscal Year Ended September 30</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2014	\$ 1,881,949	\$ 1,979,219	\$ (97,270)	\$ 3,453,957	57.30%
2015	\$ 2,144,662	\$ 2,144,662		\$ 3,354,258	63.94%
2016	\$ 2,233,214	\$ 2,306,795	\$ (73,581)	\$ 3,668,239	62.89%
2017	\$ 2,642,757	\$ 3,747,478	\$ (1,104,721)	\$ 3,559,337	105.29%

This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.

TOWN OF PALM BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO SCHEDULE OF CONTRIBUTIONS

POLICE OFFICERS RETIREMENT PLAN

For the Fiscal Year Ended September 30, 2017

Actuarial Methods and Assumptions Used to Determine Contribution Rates for the Fiscal Year Ending September 30, 2017:

Actuarially determined contribution rates are calculated as of September 30, which is 12 months prior to the beginning of the fiscal year for which contributions are reported. The fiscal year 2017 contribution rates were determined in the September 30, 2015 Actuarial Valuation Report dated February 26, 2016, as amended by the Actuarial Impact Statement dated August 10, 2016.

Valuation Date:	September 30, 2014
Actuarial Cost Method	Entry-age normal
Amortization Method	Level percent-of-payroll, closed
Remaining Amortization Period	16-30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.00%
Wage Inflation	3.50%
Investment Rate of Return	7.50%
Retirement Age	Age and experience-based tables of rates specific to the type of eligibility condition.
Mortality	RP-2014 Blue Collar Healthy Annuitant Mortality Table for males and females projected to 2017 using MP-2014 projection scale.

Other Information:

Cost-of-Living Adjustment	Members who retire after 09/30/68 and prior to 10/01/90 receive an annual 1.0% increase computed on the base benefit. Members after 09/30/90 will be increased 2.0% annually based on total pension after a 3-year deferral period. Benefits accrued after 04/30/12 are not adjusted for those not eligible for normal retirement at 05/01/12. Other adjustments have been made periodically.
Change in Assumptions	The mortality tables were changed from the RP-2000 Combined Healthy Mortality Table for males and females since the previous valuation.

TOWN OF PALM BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS

FIREFIGHTERS RETIREMENT PLAN

Year Ended September 30, 2017

	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 281,248	\$ 238,556	\$ 187,387	\$ 342,206
Interest on the total pension liability	6,324,999	6,396,715	6,601,468	6,927,564
Benefit changes		35,550	370,169	1,163,805
Differences between expected and actual experience		(299,119)	1,133,752	3,372,587
Assumption changes		2,324,039	3,049,237	1,167,456
Benefit payments	(5,101,421)	(6,098,229)	(5,679,431)	(5,861,110)
Refund	(21,692)	(36,034)	(66,548)	(39,427)
Net Change in Total Pension Liability	1,483,134	2,561,478	5,596,034	7,073,081
Total Pension Liability - Beginning	82,218,000	88,237,386	90,798,864	96,394,898
Prior Period Adjustment	4,536,252			
Total Pension Liability - Ending (a)	\$ 88,237,386	\$ 90,798,864	\$ 96,394,898	\$ 103,467,979
Plan Fiduciary Net Position				
Employer contributions	\$ 2,071,503	\$ 2,269,117	\$ 2,359,519	\$ 3,607,922
Employee contributions	154,199	210,233	129,585	262,473
Pension plan investment income	4,308,313	(2,285,815)	4,346,954	6,706,324
Investment expense	(182,692)	(179,383)	(169,741)	(151,375)
Benefit payments (1)	(5,101,421)	(6,098,229)	(5,679,431)	(5,861,110)
Refunds	(21,692)	(36,034)	(66,548)	(39,427)
Pension plan administrative expense	(121,652)	(130,676)	(133,874)	(126,518)
Net Change in Plan Fiduciary Net Position	1,106,558	(6,250,787)	786,464	4,398,289
Plan Fiduciary Net Position - Beginning	57,436,358	63,079,168	56,828,381	57,614,845
Prior Period Adjustment	4,536,252			
Plan Fiduciary Net Position - Ending (b)	\$ 63,079,168	\$ 56,828,381	\$ 57,614,845	\$ 62,013,134
Net Pension Liability - Ending (a) - (b)	\$ 25,158,218	\$ 33,970,483	\$ 38,780,053	\$ 41,454,845
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.49%	62.59%	59.77%	59.93%
Covered Payroll	\$ 3,671,337	\$ 3,403,307	\$ 3,242,811	\$ 3,457,670
County's Net Pension Liability as a Percentage of Covered-Employee Payroll	685.26%	998.16%	1195.88%	1198.92%

This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.

(1) Transfers from ICMA Shares included in benefit payments for 2015, 2016, and 2017.

Changes in Assumptions

In 2015 the assumed life expectancies increased substantially based on an experience study for the period from July 1, 2010 to June 30, 2014. In 2016 the investment return assumption decreased from 7.50% to 7.40% and the mandated mortality assumption changed to the same tables used in the Florida Retirement System actuarial valuation. The results for 2016 also reflect the impact of Ordinance 12-2016. In 2017 the investment return assumption decreased from 7.40% to 7.30% and the payroll growth rate assumption decreased from 3.50% to 3.00%. The results for 2017 also reflect the impact of Ordinance No. 07-2017 as measured in the Actuarial Impact Statement dated March 6, 2017 and the impact of Ordinance No. 20-2017 as measured in the Actuarial Impact Statement dated August 4, 2017.

TOWN OF PALM BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF TOWN CONTRIBUTIONS

FIREFIGHTERS RETIREMENT PLAN

Year Ended September 30, 2017

<u>Fiscal Year Ended September 30</u>	<u>Actuarily Determined Contribution</u>	<u>Actual Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2014	\$ 2,040,491	\$ 2,071,503	\$ (31,012)	\$ 3,671,337	56.42%
2015	\$ 2,223,584	\$ 2,223,584		\$ 3,403,307	65.34%
2016	\$ 2,285,579	\$ 2,359,519	\$ (73,940)	\$ 3,242,811	72.76%
2017	\$ 2,629,230	\$ 3,607,922	\$ (978,692)	\$ 3,457,670	104.35%

This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.

TOWN OF PALM BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE FO CONTRIBUTIONS
FIREFIGHTERS RETIREMENT PLAN
Year Ended September 30, 2017

Actuarial Methods and Assumptions Used to Determine Contribution Rates for the Fiscal Year Ending September 30, 2017:

Actuarially determined contribution rates are calculated as of September 30, which is 12 months prior to the beginning of the fiscal year for which contributions are reported. The fiscal year 2017 contribution rates were determined in the September 30, 2015 Actuarial Valuation Report dated February 26, 2016, as amended by the Actuarial Impact Statement dated August 10, 2016.

Valuation Date:	September 30, 2015
Actuarial Cost Method	Entry-age normal
Amortization Method	Level percent-of-payroll, closed
Remaining Amortization Period	16-30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.00%
Wage Inflation	3.50%
Investment Rate of Return	7.50%
Retirement Age	Age and experience-based tables of rates specific to the type of eligibility condition.
Mortality	RP-2014 Blue Collar Healthy Annuitant Mortality Table for males and females projected to 2017 using MP-2014 projection scale..

Other Information:

Cost-of-Living Adjustment	Members who retire after 09/30/68 and prior to 10/01/90 receive an annual 1.0% increase computed on the base benefit. Members after 09/30/90 will be increased 2.0% annually based on total pension after a 3-year deferral period. Benefits accrued after 04/30/12 are not adjusted for those not eligible for normal retirement at 05/01/12. Other adjustments have been made periodically.
Changes in Assumptions	The mortality tables were changed from the RP-2000 Combined Healthy Mortality Table for males and females since the previous valuation.

TOWN OF PALM BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
TOWN OF PALM BEACH RETIREMENT PLAN
Year Ended September 30, 2017

Fiscal Year Ended September 30	Money Weighted Rate of Investment Return
2014	7.09%
2015	-4.22%
2016	7.80%
2017	11.20%

This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.

TOWN OF PALM BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE TOWN'S NET OPEB LIABILITY AND RELATED RATIOS

OTHER POSTEMPLOYMENT BENEFITS PLAN

Year Ended September 30, 2017

	2017
Total OPEB Liability	
Service cost	\$ 411,675
Interest on the total OPEB liability	1,865,625
Benefit changes	
Differences between expected and actual experience	(36,232)
Assumption changes	
Benefit payments	(1,035,214)
Net Change in Total Pension Liability	1,205,854
Total OPEB Liability - Beginning	26,757,719
Total OPEB Liability - Ending (a)	\$ 27,963,573
Plan Fiduciary Net Position	
Employer contributions	\$ 1,339,000
Pension plan investment income (loss)	2,692,135
Benefit payments	(1,035,214)
Administrative expense	(121,385)
Net Change in Plan Fiduciary Net Position	2,874,536
Plan Fiduciary Net Position - Beginning	28,401,183
Plan Fiduciary Net Position - Ending (b)	\$ 31,275,719
Net OPEB Liability (Asset) - Ending (a) - (b)	\$ (3,312,146)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	111.84%
Covered Employee Payroll	\$ 25,241,257
County's Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	-13.12%

This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.

Notes

The mortality assumption has been updated from RP-2014 Mortality Fully Generational using Projection Scale MP-2015 to RP-2014 Mortality Fully Generational using Projection Scale MP-2016. Other assumptions are consistent with those used in the prior valuation.

TOWN OF PALM BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOWN CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS PLAN
Year Ended September 30, 2017

<u>Fiscal Year Ended September 30</u>	<u>Actuarily Determined Contribution</u>	<u>Contributions in Relation to the Actuarily Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Actual Contribution as a % of Covered Employee Payroll</u>
2017	\$ -	\$ 1,339,000	\$ (1,339,000)	\$ 25,241,257	5.30%

This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.

TOWN OF PALM BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF CONTRIBUTIONS
OTHER POST EMPLOYMENT BENEFITS PLAN
For the Fiscal Year Ended September 30, 2017

Actuarial Methods and Assumptions Used to Determine Contribution Rates for the Fiscal Year Ending September 30, 2017:

The fiscal year 2017 contribution rates were determined in the October 1, 2016 Actuarial Valuation Report dated March 8, 2017.

Valuation Date:	October 1, 2016
Actuarial Cost Method	Unit Credit Actuarial Cost Method
Amortization Method	Level percent-of-payroll, open
Amortization Period	30 years
Discount Rate	7.5%
General Inflation	3.00%
Wage Inflation	3.50%
Investment Rate of Return	7.50%
Health Care Cost Trend	8.0% in 2017 decreasing annually by 0.5% to an ultimate rate of 5.0%
Mortality	RP-2014 Mortality Fully Generational using Projection Scale MP-2015

Other Information:

Changes in Assumptions	The mortality assumption has been updated from RP-2014 Fully Generational using Projection Scale MP-2014 to RP-2014 Mortality Fully Generational using Projection Scale MP-2015. Other assumptions are consistent with those used in the prior valuation.
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TOWN OF PALM BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFITS PLAN
Year Ended September 30, 2017

Fiscal Year Ended September 30	Money Weighted Rate of Investment Return
2017	10.31%

This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.

OTHER SUPPLEMENTARY INFORMATION

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

BUDGETARY COMPARISON SCHEDULES
MAJOR CAPITAL PROJECTS FUNDS

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE
BEACH RESTORATION PROJECT FUND

Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Investment earnings	\$ 81,038	\$ 81,038	\$ 72,496	\$ (8,542)
Grant revenue			43,385	43,385
Total revenues	<u>\$ 81,038</u>	<u>\$ 81,038</u>	<u>\$ 115,881</u>	<u>\$ 34,843</u>
EXPENDITURES				
Current				
Physical environment	\$ 218,302	\$ 2,461,252	\$ 798,150	\$ 1,663,102
Non-departmental	6,396,323	5,003,752		5,003,752
Total expenditures	<u>\$ 6,614,625</u>	<u>\$ 7,465,004</u>	<u>\$ 798,150</u>	<u>\$ 6,666,854</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 7,265,000	\$ 7,265,000	\$ 7,265,000	\$
Transfers out	(731,413)	(731,413)	(731,413)	
Total other financing sources (uses)	<u>\$ 6,533,587</u>	<u>\$ 6,533,587</u>	<u>\$ 6,533,587</u>	<u>\$</u>

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE
CIP 2013 BOND FUND

Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Investment earnings	\$ 50,000	\$ 50,000	\$ 204,623	\$ 154,623
Total revenues	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 204,623</u>	<u>\$ 154,623</u>
EXPENDITURES				
Current				
General government	\$	\$ 206,622	\$ 59,242	\$ 147,380
Physical environment		5,851,478	4,310,787	1,540,691
Transportation		5,516,643	2,560,727	2,955,916
Culture and recreation		1,975,947	1,374,159	601,788
Non-departmental	8,659,281	2,237,673		2,237,673
Total expenditures	<u>\$ 8,659,281</u>	<u>\$ 15,788,363</u>	<u>\$ 8,304,915</u>	<u>\$ 7,483,448</u>

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The Town reports the following nonmajor special revenue funds.

State Forfeiture Fund - To account for Law Enforcement Trust Fund monies.

Federal Forfeiture Fund - To account for Federal forfeiture receipts.

Donation Fund - To account for monies donated to the Town.

Special Assessment Maintenance Fund - To account for revenue from Special Assessments.

DEBT SERVICE FUNDS

Debt service funds are used to account for the accumulation of resources for, and the payment of debt principal, interest, and related costs. The Town reports the following nonmajor debt service funds

Series 2010A/2013/2016A Debt Service Fund

Series 2010B/2016B Debt Service Fund

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Town reports the following nonmajor capital projects funds.

Capital Improvement Fund

Worth Avenue Assessment Fund

TOWN OF PALM BEACH, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2017

	Special Revenue			
	State Forfeiture Fund	Federal Forfeiture Fund	Donation Fund	Special Assessment Maintenance Fund
ASSETS				
Equity in pooled cash and investments	\$ 41,196	\$ 23,642	\$ 3,402,761	\$
Accounts receivable			5,853	
Interest receivable				
Due from other governments				
Prepaid items				
Equity in pooled cash and investments - restricted				
Total assets	<u>\$ 41,196</u>	<u>\$ 23,642</u>	<u>\$ 3,408,614</u>	<u>\$</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts and contracts payable	\$	\$	\$ 389,917	\$ 12,775
Due to other funds				
Advance from other funds				105,161
Payable from restricted assets				
Total liabilities	<u></u>	<u></u>	<u>389,917</u>	<u>117,936</u>
FUND BALANCES				
Restricted for:				
Crime prevention	41,196	23,642		
Special projects			3,018,697	
Debt service				
Worth avenue				
Infrastructure Sales Tax				
Assigned to:				
Capital projects				
Unassigned				(117,936)
Total fund balances	<u>41,196</u>	<u>23,642</u>	<u>3,018,697</u>	<u>(117,936)</u>
Total liabilities and fund balances	<u>\$ 41,196</u>	<u>\$ 23,642</u>	<u>\$ 3,408,614</u>	<u>\$</u>

Debt Service		Capital Projects		Total Nonmajor Governmental Funds
2010A/ 2013/2016A Debt Service Fund	2010B/2016B Debt Service Fund	Capital Improvement Fund	Worth Avenue Assessment Fund	
\$ 1,568,768	\$ 117,762	\$ 6,640,526	\$ 372,984	\$ 12,167,639
				5,853
		3,051		3,051
		36,910		36,910
1,208	1,208			2,416
		1,106,752		1,106,752
<u>\$ 1,569,976</u>	<u>\$ 118,970</u>	<u>\$ 7,787,239</u>	<u>\$ 372,984</u>	<u>\$ 13,322,621</u>
\$	\$	\$ 355,421	\$ 19,398	\$ 777,511
				105,161
		792,815		792,815
		1,148,236	19,398	1,675,487
				64,838
				3,018,697
1,569,976	118,970			1,688,946
			353,586	353,586
		313,937		313,937
		6,325,066		6,325,066
				(117,936)
<u>1,569,976</u>	<u>118,970</u>	<u>6,639,003</u>	<u>353,586</u>	<u>11,647,134</u>
<u>\$ 1,569,976</u>	<u>\$ 118,970</u>	<u>\$ 7,787,239</u>	<u>\$ 372,984</u>	<u>\$ 13,322,621</u>

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2017

	Special Revenue			
	State Forfeiture Fund	Federal Forfeiture Fund	Donation Fund	Special Assessment Maintenance Fund
REVENUES				
Intergovernmental	\$	\$	\$	\$
Investment earnings	117	195		
Contributions			3,240,652	
Special assessments				
Miscellaneous				
Total revenues	<u>117</u>	<u>195</u>	<u>3,240,652</u>	<u></u>
EXPENDITURES				
Current				
General government			31,455	
Public safety			203,176	
Physical environment			40,096	
Transportation				
Economic Environment				46,022
Culture and recreation			51,257	
Capital outlay			1,076,302	
Debt service				
Principal retirement				
Interest and fiscal charges				
Total expenditures	<u></u>	<u></u>	<u>1,402,286</u>	<u>46,022</u>
Revenue over (under) expenditures	117	195	1,838,366	(46,022)
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out				
Total other financing sources (uses)	<u></u>	<u></u>	<u></u>	<u></u>
Net change in fund balances	117	195	1,838,366	(46,022)
Fund balances - beginning of year	<u>41,079</u>	<u>23,447</u>	<u>1,180,331</u>	<u>(71,914)</u>
Fund balances - end of year	<u>\$ 41,196</u>	<u>\$ 23,642</u>	<u>\$ 3,018,697</u>	<u>\$ (117,936)</u>

Debt Service		Capital Projects		Total Nonmajor Governmental Funds
2010A/ 2013/2016A Debt Service Fund	2010B/2016B Debt Service Fund	Capital Improvement Fund	Worth Avenue Assessment Fund	
\$	\$	\$ 350,847	\$	\$ 350,847
		21,044	2,477	23,833
			5,000	3,245,652
	752,483		231,827	984,310
		27,015		27,015
	752,483	398,906	239,304	4,631,657
				31,455
		201,500		404,676
		242,523		282,619
		50,115		50,115
			261,597	307,619
				51,257
		281,350		1,357,652
2,145,000	300,000			2,445,000
4,354,898	319,246			4,674,144
6,499,898	619,246	775,488	261,597	9,604,537
(6,499,898)	133,237	(376,582)	(22,293)	(4,972,880)
7,114,433		2,290,200		9,404,633
	(108,325)	(780,880)		(889,205)
7,114,433	(108,325)	1,509,320		8,515,428
614,535	24,912	1,132,738	(22,293)	3,542,548
955,441	94,058	5,506,265	375,879	8,104,586
\$ 1,569,976	\$ 118,970	\$ 6,639,003	\$ 353,586	\$ 11,647,134

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE
 SERIES 2010A/2013/2016A DEBT SERVICE FUND

Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Investment earnings	\$ 999	\$ 999	\$	\$ (999)
Total revenues	<u>\$ 999</u>	<u>\$ 999</u>	<u>\$</u>	<u>\$ (999)</u>
EXPENDITURES				
Debt service				
Principal retirement	\$ 2,145,000	\$ 2,145,000	\$ 2,145,000	\$
Interest and fiscal charges	<u>4,876,109</u>	<u>4,876,109</u>	<u>4,354,898</u>	<u>521,211</u>
Total expenditures	<u>\$ 7,021,109</u>	<u>\$ 7,021,109</u>	<u>\$ 6,499,898</u>	<u>\$ 521,211</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 7,115,933</u>	<u>\$ 7,115,933</u>	<u>\$ 7,114,433</u>	<u>\$ (1,500)</u>
Total other financing sources (uses)	<u>\$ 7,115,933</u>	<u>\$ 7,115,933</u>	<u>\$ 7,114,433</u>	<u>\$ (1,500)</u>

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE
SERIES 2010B/2016B DEBT SERVICE FUND

Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Investment earnings	\$ 100	\$ 100	\$	\$ (100)
Special assessments	728,013	728,013	752,483	24,470
Total revenues	<u>\$ 728,113</u>	<u>\$ 728,113</u>	<u>\$ 752,483</u>	<u>\$ 24,370</u>
EXPENDITURES				
Debt service				
Principal retirement	\$ 300,000	\$ 300,000	\$ 300,000	\$
Interest and fiscal charges	318,288	318,288	319,246	(958)
Total expenditures	<u>\$ 618,288</u>	<u>\$ 618,288</u>	<u>\$ 619,246</u>	<u>\$ (958)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ (109,825)</u>	<u>\$ (109,825)</u>	<u>\$ (108,325)</u>	<u>\$ 1,500</u>
Total other financing sources (uses)	<u>\$ (109,825)</u>	<u>\$ (109,825)</u>	<u>\$ (108,325)</u>	<u>\$ 1,500</u>

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT FUND

Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Intergovernmental	\$	\$	\$ 350,847	\$ 350,847
Investment earnings	66,600	66,600	21,044	(45,556)
Miscellaneous	800,000	800,000	27,015	(772,985)
Total revenues	<u>\$ 866,600</u>	<u>\$ 866,600</u>	<u>\$ 398,906</u>	<u>\$ (467,694)</u>
EXPENDITURES				
Current				
General government	\$	\$ 65,000	\$ 28,798	\$ 36,202
Public safety		338,860	201,500	137,360
Physical environment		1,014,364	421,954	592,410
Transportation		566,743	123,236	443,507
Non-departmental	7,463,711	5,808,815		5,808,815
Total expenditures	<u>\$ 7,463,711</u>	<u>\$ 7,793,782</u>	<u>\$ 775,488</u>	<u>\$ 7,018,294</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 2,290,200	\$ 2,290,200	\$ 2,290,200	\$
Transfers out	(760,200)	(760,200)	(780,880)	(20,680)
Total other financing sources (uses)	<u>\$ 1,530,000</u>	<u>\$ 1,530,000</u>	<u>\$ 1,509,320</u>	<u>\$ (20,680)</u>

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE
WORTH AVENUE ASSESSMENT FUND

Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Investment earnings	\$ 700	\$ 700	\$ 2,477	\$ 1,777
Contributions	5,000	5,000	5,000	
Special assessments	247,342	247,342	231,827	(15,515)
Total revenues	<u>\$ 253,042</u>	<u>\$ 253,042</u>	<u>\$ 239,304</u>	<u>\$ (13,738)</u>
EXPENDITURES				
Current				
Economic environment	\$ 253,042	\$ 274,782	\$ 261,597	\$ 13,185
Total expenditures	<u>\$ 253,042</u>	<u>\$ 274,782</u>	<u>\$ 261,597</u>	<u>\$ 13,185</u>

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis. The Town reports the following internal service funds.

Property, Liability and Workers Compensation Insurance Fund - To account for the Town's property, liability, and workers compensation insurance activities.

Group Health Insurance Fund - To account for the Town's health insurance activities.

Equipment Replacement Fund - To account for the accumulation of financial resources to be used for the acquisition of major capital equipment and vehicles.

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

September 30, 2017

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Equipment Replacement Fund	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 10,120	\$ 37,481	\$	\$ 47,601
Equity in pooled cash and investments	9,732,693	7,719,294	13,647,710	31,099,697
Interest receivable	7,171	3,999	3,016	14,186
Prepaid expenses	121,394	23,592		144,986
Total current assets	9,871,378	7,784,366	13,650,726	31,306,470
Noncurrent assets				
Capital assets				
Equipment	63,600		22,205,610	22,269,210
Accumulated depreciation	(36,246)		(11,536,652)	(11,572,898)
Total capital assets, net of accumulated depreciation	27,354		10,668,958	10,696,312
Advance to other funds			2,238,874	2,238,874
Total noncurrent assets	27,354		12,907,832	12,935,186
Total assets	9,898,732	7,784,366	26,558,558	44,241,656
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	75,501	66,994		142,495
LIABILITIES				
Current liabilities				
Accounts payable	20,358	483,223	522,051	1,025,632
Accrued liabilities	2,090,445	227,094		2,317,539
Capital lease			43,545	43,545
Compensated absences payable	603	1,217		1,820
Total current liabilities	2,111,406	711,534	565,596	3,388,536
Noncurrent liability				
Capital lease			184,492	184,492
Compensated absences payable	21,957	1,929		23,886
Net pension liability	245,385	217,736		463,121
Total noncurrent liabilities	267,342	219,665	184,492	671,499
Total liabilities	2,378,748	931,199	750,088	4,060,035
DEFERRED INFLOWS OF RESOURCES				
Pension related items	17,286	15,338		32,624
NET POSITION				
Net investment in capital assets	27,354		9,918,870	9,946,224
Unrestricted	7,550,845	6,904,823	15,889,600	30,345,268
Total net position	\$ 7,578,199	\$ 6,904,823	\$ 25,808,470	\$ 40,291,492

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS

Year Ended September 30, 2017

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Equipment Replacement Fund	Total
OPERATING REVENUES				
Charges for services	\$ 1,838,037	\$ 4,783,648	\$ 2,578,840	\$ 9,200,525
Other		11		11
Total operating revenues	<u>1,838,037</u>	<u>4,783,659</u>	<u>2,578,840</u>	<u>9,200,536</u>
OPERATING EXPENSES				
Personal services	339,305	259,317		598,622
Contractual services	13,040	50,742		63,782
Insurance	860,438	958,524		1,818,962
Claims	1,245,830	3,220,360		4,466,190
Claims adjustment	563,183	(7,000)		556,183
Depreciation	2,758		1,684,013	1,686,771
Other	14,131	21,214	2,388	37,733
Total operating expenses	<u>3,038,685</u>	<u>4,503,157</u>	<u>1,686,401</u>	<u>9,228,243</u>
Operating income (loss)	(1,200,648)	280,502	892,439	(27,707)
NONOPERATING REVENUE (EXPENSE)				
Investment earnings	42,791	34,534	55,999	133,324
Insurance recoveries	277,275	77,448		354,723
Gain/(Loss) on disposal of assets			(45,374)	(45,374)
Total nonoperating revenue (expense)	<u>320,066</u>	<u>111,982</u>	<u>10,625</u>	<u>442,673</u>
Income before capital contributions	(880,582)	392,484	903,064	414,966
Capital contributions			475,996	475,996
Change in net position	(880,582)	392,484	1,379,060	890,962
Net position - beginning of year	<u>8,458,781</u>	<u>6,512,339</u>	<u>24,429,410</u>	<u>39,400,530</u>
Net position - end of year	<u>\$ 7,578,199</u>	<u>\$ 6,904,823</u>	<u>\$ 25,808,470</u>	<u>\$ 40,291,492</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

Year Ended September 30, 2017

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Equipment Replacement Fund	Total
OPERATING ACTIVITIES				
Receipts from interfund services provided	\$ 1,838,037	\$ 4,783,648	\$ 2,211,955	\$ 8,833,640
Payments to employees	(138,367)	(93,760)		(232,127)
Payments to suppliers	(2,043,174)	(4,027,000)	(2,388)	(6,072,562)
Payments to other funds	(13,129)			(13,129)
Other receipts		11		11
Net cash provided by (used in) operating activities	(356,633)	662,899	2,209,567	2,515,833
NONCAPITAL FINANCING ACTIVITIES				
Insurance recoveries	277,275	77,448		354,723
Grant receipt	150,000			150,000
Grant reimbursement	(26,275)			(26,275)
Net cash provided by (used in) non capital financing activities	401,000	77,448		478,448
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of property and equipment			(1,719,574)	(1,719,574)
Proceeds from sale of assets			48,618	48,618
Net cash provided by (used in) capital and related financing activities			(1,670,956)	(1,670,956)
INVESTING ACTIVITIES				
Investment earnings received	41,428	33,774	55,426	130,628
Net cash provided by (used in) investing activities	41,428	33,774	55,426	130,628
Net increase (decrease) in cash and cash equivalents	85,795	774,121	594,037	1,453,953
Cash and cash equivalents - beginning of year	9,657,018	6,982,654	13,053,673	29,693,345
Cash and cash equivalents - end of year	\$ 9,742,813	\$ 7,756,775	\$ 13,647,710	\$ 31,147,298
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (1,200,648)	\$ 280,502	\$ 892,439	\$ (27,707)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	2,758		1,684,013	1,686,771
Changes in operating assets and liabilities:				
(Increase) decrease in advance to other funds			(366,885)	(366,885)
(Increase) decrease in prepaid expenses	275,733	(881)		274,852
(Increase) decrease in deferred outflows - pension	(75,501)	(66,994)		(142,495)
Increase (decrease) in accounts payable	(185,468)	224,721		39,253
Increase (decrease) in accrued liabilities	562,722	(6,883)		555,839
Increase (decrease) in net pension liability	245,385	217,736		463,121
Increase (decrease) in compensated absences payable	1,100	(640)		460
Increase (decrease) in deferred inflows - pension	17,286	15,338		32,624
Net cash provided by (used in) operating activities	\$ (356,633)	\$ 662,899	\$ 2,209,567	\$ 2,515,833
NONCASH ACTIVITY				
Donated capital assets	\$	\$	\$ 475,996	\$ 475,996
Insurance claims adjustment	\$ 563,183	\$ (7,000)	\$	\$ 556,183

FIDUCIARY FUNDS

TRUST FUNDS

Trust funds are used to account for resources that are required to be held in trust for others. The Town reports the following employee benefit trust funds.

General Employees' Pension Trust Fund - To account for the accumulation of resources to be used for retirement benefits payable to eligible Town general employees and lifeguards.

Police Officers' Pension Trust Fund - To account for the accumulation of resources to be used for retirement benefits payable to eligible Town police employees.

Firefighters' Pension Trust Fund - To account for the accumulation of resources to be used for retirement benefits payable to eligible Town fire-rescue employees.

OPEB Trust Fund - To account for the accumulation of resources to be used for Town retiree health care benefits.

TOWN OF PALM BEACH, FLORIDA
COMBINING STATEMENT OF PLAN NET POSITION
TRUST FUNDS

September 30, 2017

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Firefighters' Pension Trust Fund	OPEB Trust Fund	Total
ASSETS					
Cash and cash equivalents	\$ 840,816	\$ 679,176	\$ 637,709	\$	\$ 2,157,701
Equity in pooled cash and investments				2,095,362	2,095,362
Interest and dividends receivable	15,045	12,153	11,411	8,241	46,850
Due from broker for securities sold	200,724	162,137	152,238		515,099
Prepaid expenses and other assets	8,124	6,562	6,162		20,848
Investments, at fair value					
Short term investment fund	2,558,711	2,066,820	1,940,629	2,967,652	9,533,812
Fixed income securities	9,433,320	7,619,839	7,154,609	5,402,800	29,610,568
Common stock	7,903,909	6,384,446	5,994,642		20,282,997
Domestic equity funds	19,411,851	15,680,079	14,722,729	10,241,657	60,056,316
International equity funds	20,986,945	16,952,374	15,917,343	6,294,680	60,151,342
Inflation hedging funds				2,239,071	2,239,071
Hedge funds	5,010,858	4,047,561	3,800,436		12,858,855
Private equity funds	6,973,619	5,632,996	5,289,073		17,895,688
Real estate funds	9,336,544	7,541,668	7,081,210		23,959,422
Alternative investments				2,250,670	2,250,670
Total assets	<u>82,680,466</u>	<u>66,785,811</u>	<u>62,708,191</u>	<u>31,500,133</u>	<u>243,674,601</u>
LIABILITIES					
Accounts payable and other accrued liabilities	42,826	34,594	32,481	224,414	334,315
Due to Town of Palm Beach	797,474	644,166	604,836		2,046,476
Due to broker for securities purchased	76,130	61,493	57,740		195,363
Total liabilities	<u>916,430</u>	<u>740,253</u>	<u>695,057</u>	<u>224,414</u>	<u>2,576,154</u>
NET POSITION RESTRICTED FOR FOR PENSION AND RETIREE HEALTH BENEFITS					
	<u>\$ 81,764,036</u>	<u>\$ 66,045,558</u>	<u>\$ 62,013,134</u>	<u>\$ 31,275,719</u>	<u>\$ 241,098,447</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION
TRUST FUNDS

Year Ended September 30, 2017

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Firefighters' Pension Trust Fund	OPEB Trust Fund	Total
ADDITIONS					
Contributions					
Employer	\$ 3,531,685	\$ 3,747,478	\$ 3,607,922	\$ 1,339,000	\$ 12,226,085
Employee	332,457	368,777	262,473	1,260,410	2,224,117
Other				14,291	14,291
Total contributions	<u>3,864,142</u>	<u>4,116,255</u>	<u>3,870,395</u>	<u>2,613,701</u>	<u>14,464,493</u>
Investment income (loss)					
Net appreciation (depreciation) in fair value of investments	8,415,205	6,742,082	6,403,576	2,212,082	23,772,945
Interest and dividends	396,561	317,717	301,765	542,999	1,559,042
Other	1,291	1,035	983		3,309
Total investment income	<u>8,813,057</u>	<u>7,060,834</u>	<u>6,706,324</u>	<u>2,755,081</u>	<u>25,335,296</u>
Less investment expense	<u>(198,929)</u>	<u>(159,377)</u>	<u>(151,375)</u>	<u>(62,946)</u>	<u>(572,627)</u>
Net investment income	8,614,128	6,901,457	6,554,949	2,692,135	24,762,669
Total additions	<u>12,478,270</u>	<u>11,017,712</u>	<u>10,425,344</u>	<u>5,305,836</u>	<u>39,227,162</u>
DEDUCTIONS					
Benefit payments	6,052,244	4,986,041	5,219,976	2,320,667	18,578,928
DROP distributions	191,206	523,447	641,134		1,355,787
Refunds of participants' contributions	20,235	9,583	39,427		69,245
Administrative expense	166,261	133,206	126,518	108,840	534,825
Other				1,793	1,793
Total deductions	<u>6,429,946</u>	<u>5,652,277</u>	<u>6,027,055</u>	<u>2,431,300</u>	<u>20,540,578</u>
Net increase (decrease)	6,048,324	5,365,435	4,398,289	2,874,536	18,686,584
Net position restricted for pension and retiree health benefits - beginning of year	<u>75,715,712</u>	<u>60,680,123</u>	<u>57,614,845</u>	<u>28,401,183</u>	<u>222,411,863</u>
NET POSITION RESTRICTED FOR PENSION AND RETIREE HEALTH BENEFITS - END OF YEAR	<u>\$ 81,764,036</u>	<u>\$ 66,045,558</u>	<u>\$ 62,013,134</u>	<u>\$ 31,275,719</u>	<u>\$ 241,098,447</u>

DEBT SERVICE REQUIREMENTS

TOWN OF PALM BEACH, FLORIDA

SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS
PRINCIPAL AND INTEREST TO MATURITY

September 30, 2017

Fiscal Year Ending September 30	Revenue and Refunding Bonds Series 2010A	Revenue Bonds Series 2010B	Revenue Bonds Series 2013	Revenue Refunding Bonds Series 2016A	Revenue Refunding Bonds Series 2016B	Total
2018	\$ 1,571,094	\$ 334,975	\$ 3,581,288	\$ 1,764,250	\$ 373,238	\$ 7,624,845
2019	1,571,894	335,525	3,588,038	1,764,250	373,238	7,632,945
2020	1,569,044	335,363	3,582,038	1,764,250	373,238	7,623,933
2021	362,794		3,578,413	2,929,375	722,913	7,593,495
2022	360,669		3,581,788	2,928,125	722,113	7,592,695
2023	358,293		3,586,788	2,928,750	721,012	7,594,843
2024	360,544		3,583,412	2,926,125	724,537	7,594,618
2025	362,294		3,581,662	2,930,000	722,688	7,596,644
2026	358,669		3,581,288	2,930,125	720,538	7,590,620
2027	359,669		3,586,912	2,926,500	713,888	7,586,969
2028	361,022		3,583,413	2,924,000	717,262	7,585,697
2029	361,875		3,584,863	2,927,250	714,512	7,588,500
2030	361,375		3,580,700	2,930,875	720,513	7,593,463
2031	360,375		3,582,325	2,924,875	715,263	7,582,838
2032	358,875		3,584,281	2,933,875	713,888	7,590,919
2033	356,875		3,583,250	2,943,400	723,263	7,606,788
2034	359,250		3,584,500	2,944,400	728,394	7,616,544
2035	360,875		3,585,125	2,936,900	732,644	7,615,544
2036	356,875		3,584,875	2,950,500	716,631	7,608,881
2037	357,250		3,583,500	2,945,000	722,081	7,607,831
2038	356,875		3,580,750	2,950,400	723,493	7,611,518
2039	355,750		3,581,250	2,951,400	728,838	7,617,238
2040	358,750		3,584,500	2,952,900	728,113	7,624,263
2041			3,585,125			3,585,125
2042			3,582,875			3,582,875
2043			3,582,375			3,582,375
	<u>\$ 11,900,986</u>	<u>\$ 1,005,863</u>	<u>\$ 93,165,334</u>	<u>\$ 64,007,525</u>	<u>\$ 15,552,298</u>	<u>\$ 185,632,006</u>

TOWN OF PALM BEACH, FLORIDA

DEBT SERVICE REQUIREMENTS
PUBLIC IMPROVEMENT REVENUE AND REFUNDING BONDS, SERIES 2010A

September 30, 2017

Fiscal Year Ending September 30	Rate	Principal	Interest	Total	Principal Balance Outstanding End of Year
2018	4.000%	\$ 1,205,000	\$ 366,094	\$ 1,571,094	\$ 7,125,000
2019	4.000%	1,255,000	316,894	1,571,894	5,870,000
2020	5.000%	1,310,000	259,044	1,569,044	4,560,000
2021	5.000%	140,000	222,794	362,794	4,420,000
2022	5.000%	145,000	215,669	360,669	4,275,000
2023	5.000%	150,000	208,293	358,293	4,125,000
2024	5.000%	160,000	200,544	360,544	3,965,000
2025	5.000%	170,000	192,294	362,294	3,795,000
2026	5.000%	175,000	183,669	358,669	3,620,000
2027	5.000%	185,000	174,669	359,669	3,435,000
2028	4.125%	195,000	166,022	361,022	3,240,000
2029	5.000%	205,000	156,875	361,875	3,035,000
2030	5.000%	215,000	146,375	361,375	2,820,000
2031	5.000%	225,000	135,375	360,375	2,595,000
2032	5.000%	235,000	123,875	358,875	2,360,000
2033	5.000%	245,000	111,875	356,875	2,115,000
2034	5.000%	260,000	99,250	359,250	1,855,000
2035	5.000%	275,000	85,875	360,875	1,580,000
2036	5.000%	285,000	71,875	356,875	1,295,000
2037	5.000%	300,000	57,250	357,250	995,000
2038	5.000%	315,000	41,875	356,875	680,000
2039	5.000%	330,000	25,750	355,750	350,000
2040	5.000%	350,000	8,750	358,750	
		<u>\$ 8,330,000</u>	<u>\$ 3,570,986</u>	<u>\$ 11,900,986</u>	

TOWN OF PALM BEACH, FLORIDA

DEBT SERVICE REQUIREMENTS
PUBLIC IMPROVEMENT REVENUE BONDS, SERIES 2010B

September 30, 2017

Fiscal Year Ending September 30	Rate	Principal	Interest	Total	Principal Balance Outstanding End of Year
2018	3.000%	\$ 310,000	\$ 24,975	\$ 334,975	\$ 650,000
2019	3.000%	320,000	15,525	335,525	330,000
2020	3.250%	330,000	5,363	335,363	
		<u>\$ 960,000</u>	<u>\$ 45,863</u>	<u>\$ 1,005,863</u>	

TOWN OF PALM BEACH, FLORIDA

DEBT SERVICE REQUIREMENTS
PUBLIC IMPROVEMENT REVENUE BONDS, SERIES 2013

September 30, 2017

Fiscal Year Ending September 30	Rate	Principal	Interest	Total	Principal Balance Outstanding End of Year
2018	5.000%	\$ 1,035,000	\$ 2,546,288	\$ 3,581,288	\$ 51,735,000
2019	5.000%	1,095,000	2,493,038	3,588,038	50,640,000
2020	5.000%	1,145,000	2,437,038	3,582,038	49,495,000
2021	5.000%	1,200,000	2,378,413	3,578,413	48,295,000
2022	5.000%	1,265,000	2,316,788	3,581,788	47,030,000
2023	5.000%	1,335,000	2,251,788	3,586,788	45,695,000
2024	5.000%	1,400,000	2,183,412	3,583,412	44,295,000
2025	5.000%	1,470,000	2,111,662	3,581,662	42,825,000
2026	5.000%	1,545,000	2,036,288	3,581,288	41,280,000
2027	5.000%	1,630,000	1,956,912	3,586,912	39,650,000
2028	5.000%	1,710,000	1,873,413	3,583,413	37,940,000
2029	4.000%	1,790,000	1,794,863	3,584,863	36,150,000
2030	4.125%	1,860,000	1,720,700	3,580,700	34,290,000
2031	4.125%	1,940,000	1,642,325	3,582,325	32,350,000
2032	4.250%	2,025,000	1,559,281	3,584,281	30,325,000
2033	5.000%	2,120,000	1,463,250	3,583,250	28,205,000
2034	5.000%	2,230,000	1,354,500	3,584,500	25,975,000
2035	5.000%	2,345,000	1,240,125	3,585,125	23,630,000
2036	5.000%	2,465,000	1,119,875	3,584,875	21,165,000
2037	5.000%	2,590,000	993,500	3,583,500	18,575,000
2038	5.000%	2,720,000	860,750	3,580,750	15,855,000
2039	5.000%	2,860,000	721,250	3,581,250	12,995,000
2040	5.000%	3,010,000	574,500	3,584,500	9,985,000
2041	5.000%	3,165,000	420,125	3,585,125	6,820,000
2042	5.000%	3,325,000	257,875	3,582,875	3,495,000
2043	5.000%	3,495,000	87,375	3,582,375	
		<u>\$ 52,770,000</u>	<u>\$ 40,395,334</u>	<u>\$ 93,165,334</u>	

TOWN OF PALM BEACH, FLORIDA

DEBT SERVICE REQUIREMENTS
PUBLIC IMPROVEMENT REVENUE REFUNDING BONDS, SERIES 2016A

September 30, 2017

Fiscal Year Ending September 30	Rate	Principal	Interest	Total	Principal Balance Outstanding End of Year
2018		\$	\$ 1,764,250	\$ 1,764,250	\$ 39,320,000
2019			1,764,250	1,764,250	39,320,000
2020			1,764,250	1,764,250	39,320,000
2021	5.000%	1,195,000	1,734,375	2,929,375	38,125,000
2022	5.000%	1,255,000	1,673,125	2,928,125	36,870,000
2023	5.000%	1,320,000	1,608,750	2,928,750	35,550,000
2024	5.000%	1,385,000	1,541,125	2,926,125	34,165,000
2025	5.000%	1,460,000	1,470,000	2,930,000	32,705,000
2026	5.000%	1,535,000	1,395,125	2,930,125	31,170,000
2027	5.000%	1,610,000	1,316,500	2,926,500	29,560,000
2028	5.000%	1,690,000	1,234,000	2,924,000	27,870,000
2029	5.000%	1,780,000	1,147,250	2,927,250	26,090,000
2030	5.000%	1,875,000	1,055,875	2,930,875	24,215,000
2031	5.000%	1,965,000	959,875	2,924,875	22,250,000
2032	5.000%	2,075,000	858,875	2,933,875	20,175,000
2033	4.000%	2,180,000	763,400	2,943,400	17,995,000
2034	4.000%	2,270,000	674,400	2,944,400	15,725,000
2035	4.000%	2,355,000	581,900	2,936,900	13,370,000
2036	4.000%	2,465,000	485,500	2,950,500	10,905,000
2037	4.000%	2,560,000	385,000	2,945,000	8,345,000
2038	4.000%	2,670,000	280,400	2,950,400	5,675,000
2039	4.000%	2,780,000	171,400	2,951,400	2,895,000
2040	4.000%	2,895,000	57,900	2,952,900	
		<u>\$ 39,320,000</u>	<u>\$ 24,687,525</u>	<u>\$ 64,007,525</u>	

TOWN OF PALM BEACH, FLORIDA

DEBT SERVICE REQUIREMENTS
PUBLIC IMPROVEMENT REVENUE REFUNDING BONDS, SERIES 2016B

September 30, 2017

Fiscal Year Ending September 30	Rate	Principal	Interest	Total	Principal Balance Outstanding End of Year
2018		\$	\$ 373,238	\$ 373,238	\$ 10,255,000
2019			373,238	373,238	10,255,000
2020			373,238	373,238	10,255,000
2021	3.000%	355,000	367,913	722,913	9,900,000
2022	3.000%	365,000	357,113	722,113	9,535,000
2023	3.000%	375,000	346,012	721,012	9,160,000
2024	3.000%	390,000	334,537	724,537	8,770,000
2025	3.000%	400,000	322,688	722,688	8,370,000
2026	3.000%	410,000	310,538	720,538	7,960,000
2027	5.000%	420,000	293,888	713,888	7,540,000
2028	5.000%	445,000	272,262	717,262	7,095,000
2029	5.000%	465,000	249,512	714,512	6,630,000
2030	5.000%	495,000	225,513	720,513	6,135,000
2031	5.000%	515,000	200,263	715,263	5,620,000
2032	5.000%	540,000	173,888	713,888	5,080,000
2033	2.500%	570,000	153,263	723,263	4,510,000
2034	2.625%	590,000	138,394	728,394	3,920,000
2035	2.625%	610,000	122,644	732,644	3,310,000
2036	2.625%	610,000	106,631	716,631	2,700,000
2037	3.636%	635,000	87,081	722,081	2,065,000
2038	3.650%	660,000	63,493	723,493	1,405,000
2039	3.656%	690,000	38,838	728,838	715,000
2040	3.668%	715,000	13,113	728,113	
		<u>\$ 10,255,000</u>	<u>\$ 5,297,298</u>	<u>\$ 15,552,298</u>	

STATISTICAL SECTION

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

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</i>	152
Revenue Capacity <i>These schedules contain information to help the reader assess the Town's most significant local source, the property tax.</i>	158
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.</i>	165
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments.</i>	170
Operating Information <i>These schedules contain information about the Town's operations and resources to help the reader understand how the information in the Town's report relates to the services the Town provides and the activities it performs.</i>	172

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

Town of Palm Beach, Florida

Net Position by Component

Last Ten Fiscal Years

Accrual Basis of Accounting

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 75,658,381	\$ 80,983,936	\$ 89,404,386	\$ 80,099,513	\$ 76,021,164	\$ 71,962,534	\$ 55,346,920	\$ 74,251,960	\$ 84,762,756	\$ 79,461,477
Restricted	1,184,132	611,489	45,184,112	40,290,335	24,015,235	14,124,806	50,785,559	37,801,235	24,489,710	19,393,986
Unrestricted	90,855,890	91,088,326	36,551,306	39,732,216	63,300,047	80,060,626	62,431,435	(52,411)	1,629,162	(12,774,443)
Total governmental activities net position	\$ 167,698,403	\$ 172,683,751	\$ 171,139,804	\$ 160,122,064	\$ 163,336,446	\$ 166,147,966	\$ 168,563,914	\$ 112,000,784	\$ 110,881,628	\$ 86,081,020
Business-type activities										
Net investment in capital assets	\$ 12,635,374	\$ 17,120,652	\$ 17,020,243	\$ 16,521,594	\$ 16,029,772	\$ 17,243,929	\$ 17,740,802	\$ 17,072,347	\$ 16,498,309	\$ 15,898,227
Restricted	800,000	0	0	0	0	0	0	0	0	248,211
Unrestricted	4,798,209	2,955,244	2,891,749	3,300,496	3,701,370	3,783,232	4,720,586	4,303,456	5,132,473	6,314,816
Total business-type activities net position	\$ 18,233,583	\$ 20,075,896	\$ 19,911,992	\$ 19,822,090	\$ 19,731,142	\$ 21,027,161	\$ 22,461,388	\$ 21,375,803	\$ 21,630,782	\$ 22,461,254
Primary government										
Net investment in capital assets	\$ 88,293,755	\$ 98,104,588	\$ 106,424,629	\$ 96,621,107	\$ 92,050,936	\$ 89,206,463	\$ 73,087,722	\$ 91,324,307	\$ 101,261,065	\$ 95,359,704
Restricted	1,984,132	611,489	45,184,112	40,290,335	24,015,235	14,124,806	50,785,559	37,801,235	24,489,710	19,642,197
Unrestricted	95,654,099	94,043,570	39,443,055	43,032,712	67,001,417	83,843,858	67,152,021	4,251,045	6,761,635	(6,459,627)
Total primary government net position	\$ 185,931,986	\$ 192,759,647	\$ 191,051,796	\$ 179,944,154	\$ 183,067,588	\$ 187,175,127	\$ 191,025,302	\$ 133,376,587	\$ 132,512,410	\$ 108,542,274

Town of Palm Beach, Florida

Changes in Net Position

Last Ten Fiscal Years

Accrual Basis of Accounting

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 14,194,382	\$ 11,687,399	\$ 13,535,702	\$ 11,580,425	\$ 10,569,463	\$ 11,141,575	\$ 10,303,043	\$ 14,710,957	\$ 16,342,132	\$ 21,186,486
Public safety	29,688,750	30,755,445	29,321,521	29,833,142	24,321,116	24,466,050	26,082,520	29,315,807	35,197,465	33,354,806
Physical environment	19,802,683	17,536,687	16,553,051	23,071,088	17,471,774	18,157,640	18,044,387	21,525,593	23,361,401	27,174,801
Transportation	1,131,044	1,206,068	898,456	1,459,738	1,427,144	1,691,225	1,407,173	1,070,730	1,049,791	1,051,542
Economic Environment	0	0	0	2,369,146	331,806	189,158	196,888	232,490	248,223	307,619
Culture and recreation	1,814,544	1,796,409	3,293,395	1,642,346	1,488,135	1,624,839	1,841,595	1,912,995	1,915,433	2,127,041
Interest on long-term debt	825,899	741,244	2,081,998	3,163,237	3,078,046	3,013,531	5,017,586	5,463,859	5,275,112	4,930,514
Debt issue cost	0	0	0	0	0	0	330,638	0	0	0
Total governmental activities expenses	67,457,302	63,723,252	65,684,123	73,119,122	58,687,484	60,284,018	63,223,830	74,232,431	83,389,557	90,132,809
Business-type activities:										
Leisure services	3,450,003	3,666,342	3,774,682	3,661,337	3,582,227	3,749,068	4,066,532	4,432,739	4,931,600	4,889,532
Total business-type activities expenses	3,450,003	3,666,342	3,774,682	3,661,337	3,582,227	3,749,068	4,066,532	4,432,739	4,931,600	4,889,532
Total primary government expenses	\$ 70,907,305	\$ 67,389,594	\$ 69,458,805	\$ 76,780,459	\$ 62,269,711	\$ 64,033,086	\$ 67,290,362	\$ 78,665,170	\$ 88,321,157	\$ 95,022,341
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 8,016,246	\$ 5,035,126	\$ 4,239,229	\$ 5,879,837	\$ 6,024,307	\$ 7,070,796	\$ 7,483,722	\$ 10,116,770	\$ 9,498,005	\$ 7,098,034
Public safety	2,330,239	2,464,558	2,023,808	2,716,885	3,107,463	2,971,320	3,441,046	2,810,616	3,012,132	2,123,886
Physical environment	1,041,072	1,131,884	1,098,951	1,219,036	1,260,317	1,277,457	2,148,675	2,500,197	2,198,314	2,273,362
Transportation	657,135	650,537	1,268,087	1,841,501	1,920,292	1,904,822	1,293,534	1,321,912	1,395,121	1,369,271
Culture and recreation	84,663	61,388	37,381	55,017	0	0	0	0	0	0
Operating grants and contributions:										
General government	847,910	39,649	576,737	68,200	96,850	153,274	148,023	95,052	65,083	102,302
Public safety	1,253,809	842,282	322,706	145,364	148,133	199,641	217,125	443,902	212,299	684,874
Physical environment	158,231	319,781	0	5,000	5,000	30,000	8,080	302,474	2,569,518	5,040
Transportation	694,700	42,347	9	0	0	0	0	3,077	0	0
Culture and recreation	15,831	39,894	3,526	5,865	881	2,338	3,708	10,574	3,819	59,542
Capital grants and contributions:										
General government	0	0	4,421	120,895	239,000	500	16,073	360,593	1,000,000	0
Public safety	10,957	1,885,000	103,102	379,170	304,651	155,592	106,020	114,740	106,303	9,467
Physical environment	672,290	2,490	396,979	3,512,898	35,321	83,454	520,770	377,689	759,024	1,107,657
Transportation	0	0	0	7,192	0	0	0	0	0	0
Culture and recreation	0	445,251	10,962	0	187,634	0	0	213,500	350,000	2,021,868
Total governmental activities program revenues	15,783,083	12,960,187	10,085,898	15,956,860	13,329,849	13,849,194	15,386,776	18,671,096	21,169,618	16,855,303
Business-type activities:										
Charges for services:										
Leisure Services Fund	4,523,039	4,160,010	4,350,130	4,308,462	4,383,799	4,555,849	5,278,444	5,809,804	6,110,187	6,332,330
Operating grants and contributions	0	0	0	0	0	0	0	0	0	0
Capital grants and contributions	1,884,649	1,830,934	6,500	0	3,000	1,835,801	0	25,000	0	132,530
Total business-type activities program revenues	6,407,688	5,990,944	4,356,630	4,308,462	4,386,799	6,391,650	5,278,444	5,834,804	6,110,187	6,464,860
Total primary government program revenues	\$ 22,190,771	\$ 18,951,131	\$ 14,442,528	\$ 20,265,322	\$ 17,716,648	\$ 20,240,844	\$ 20,665,220	\$ 24,505,900	\$ 27,279,805	\$ 23,320,163
Net (expense)/revenue										
Governmental activities	\$ (51,674,219)	\$ (50,763,065)	\$ (55,598,225)	\$ (57,162,262)	\$ (45,357,635)	\$ (46,434,824)	\$ (47,837,054)	\$ (55,561,335)	\$ (62,219,939)	\$ (73,277,506)
Business-type activities	2,957,685	2,324,602	581,948	647,125	804,572	2,642,582	1,211,912	1,402,065	1,178,587	1,575,328
Total primary government net expense	\$ (48,716,534)	\$ (48,438,463)	\$ (55,016,277)	\$ (56,515,137)	\$ (44,553,063)	\$ (43,792,242)	\$ (46,625,142)	\$ (54,159,270)	\$ (61,041,352)	\$ (71,702,178)

Town of Palm Beach, Florida

Changes in Net Position (continued)

Last Ten Fiscal Years

Accrual Basis of Accounting

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 41,457,249	\$ 42,887,217	\$ 41,508,570	\$ 36,635,343	\$ 36,662,916	\$ 37,473,107	\$ 39,110,926	\$ 43,869,888	\$ 47,882,187	\$ 50,195,981
Local option gas tax	337,785	324,077	321,246	301,900	301,240	299,081	310,290	329,481	338,120	352,281
Infrastructure surtax	0	0	0	0	0	0	0	0	0	350,847
Franchise fees	2,447,544	2,454,232	2,152,817	2,204,718	2,040,443	2,036,065	2,172,540	2,168,171	2,132,019	2,305,715
Utility service taxes	4,496,507	4,608,088	4,885,696	4,847,146	4,954,671	5,098,715	5,463,267	5,558,660	5,591,219	5,695,690
Business tax receipts	0	726,239	716,018	694,373	669,095	666,788	702,711	682,428	723,649	713,710
Intergovernmental, unrestricted	1,108,340	1,190,409	905,276	937,865	838,855	875,467	939,801	945,915	980,977	958,373
Investment earnings	2,666,647	2,728,147	2,061,399	940,069	660,689	129,845	1,486,459	1,460,232	1,952,317	2,062,752
Miscellaneous	0	280,004	232,309	2,054,027	1,025,368	1,654,276	891,628	1,007,465	191,090	376,602
Insurance Recoveries	0	0	0	0	0	0	0	0	320,105	354,723
Transfers	580,000	550,000	550,000	764,338	1,418,740	1,013,000	(207,700)	1,087,200	989,100	870,967
Total governmental activities	<u>53,094,072</u>	<u>55,748,413</u>	<u>53,333,331</u>	<u>49,379,779</u>	<u>48,572,017</u>	<u>49,246,344</u>	<u>50,869,922</u>	<u>57,109,440</u>	<u>61,100,783</u>	<u>64,237,641</u>
Business-type activities										
Investment earnings	169,017	67,711	26,142	27,311	28,718	1,840	14,615	17,024	65,492	40,651
Miscellaneous	0	0	0	0	0	0	0	4,168	0	0
Transfers	(580,000)	(550,000)	(550,000)	(764,338)	(924,238)	(1,013,000)	207,700	(1,087,200)	(989,100)	(870,967)
Total business-type activities	<u>(410,983)</u>	<u>(482,289)</u>	<u>(523,858)</u>	<u>(737,027)</u>	<u>(895,520)</u>	<u>(1,011,160)</u>	<u>222,315</u>	<u>(1,066,008)</u>	<u>(923,608)</u>	<u>(830,316)</u>
Total primary government	<u>\$ 52,683,089</u>	<u>\$ 55,266,124</u>	<u>\$ 52,809,473</u>	<u>\$ 48,642,752</u>	<u>\$ 47,676,497</u>	<u>\$ 48,235,184</u>	<u>\$ 51,092,237</u>	<u>\$ 56,043,432</u>	<u>\$ 60,177,175</u>	<u>\$ 63,407,325</u>
Changes in Net Position										
Governmental activities	\$ 1,419,853	\$ 4,985,348	\$ (2,264,894)	\$ (7,782,483)	\$ 3,214,382	\$ 2,811,520	\$ 3,032,868	\$ 1,548,105	\$ (1,119,156)	\$ (9,039,865)
Business-type activities	2,546,702	1,842,313	58,090	(89,902)	(90,948)	1,631,422	1,434,227	336,057	254,979	745,012
Total primary government	<u>\$ 3,966,555</u>	<u>\$ 6,827,661</u>	<u>\$ (2,206,804)</u>	<u>\$ (7,872,385)</u>	<u>\$ 3,123,434</u>	<u>\$ 4,442,942</u>	<u>\$ 4,467,095</u>	<u>\$ 1,884,162</u>	<u>\$ (864,177)</u>	<u>\$ (8,294,853)</u>

Town of Palm Beach, Florida

Fund Balances of Governmental Funds

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

	Fiscal Year Pre-GASB 54									
	2008	2009	2010							
General Fund										
Reserved	\$ 515,591	\$ 478,285	\$ 512,860							
Unreserved	31,858,624	30,304,216	26,919,376							
Total General Fund	<u>\$ 32,374,215</u>	<u>\$ 30,782,501</u>	<u>\$ 27,432,236</u>							
All other governmental funds										
Reserved	\$ 1,184,132	\$ 3,645,534	\$ 18,579,324							
Unreserved, reported in:										
Special Revenue Funds	0	0	598,762							
Capital Projects funds	29,111,356	18,107,668	42,765,725							
Debt Service Funds	0	291,518	147,236							
Total all other governmental funds	<u>\$ 30,295,488</u>	<u>\$ 22,044,720</u>	<u>\$ 62,091,047</u>							
Fiscal Year Post-GASB 54										
	2011	2012	2013	2014	2015	2016	2017			
General Fund										
Non Spendable:										
Non Spendable	567,775	527,146	534,374	520,247	510,044	487,341	385,786			
Spendable:										
Restricted	0	0	0	0	0	0	0			
Committed	4,196,183	3,315,135	3,390,226	3,456,532	3,168,789	3,061,180	3,210,518			
Assigned	2,802,668	2,956,588	6,265,157	2,486,676	2,621,024	5,480,500	6,536,676			
Unassigned	18,155,941	21,424,261	20,043,760	22,298,680	22,267,051	21,615,082	17,716,419			
Total General Fund	<u>\$ 25,722,567</u>	<u>\$ 28,223,130</u>	<u>\$ 30,233,517</u>	<u>\$ 28,762,135</u>	<u>\$ 28,566,908</u>	<u>\$ 30,644,103</u>	<u>\$ 27,849,399</u>			
All other governmental funds										
Non Spendable:										
Non Spendable	0	0	0	0	0	0	0			
Spendable:										
Restricted	40,902,673	24,015,235	14,124,806	50,785,559	37,587,735	24,703,210	17,535,776			
Committed	0	0	0	0	0	0	0			
Assigned	13,645,491	17,919,125	21,209,913	44,233,613	30,085,768	19,316,913	25,987,032			
Unassigned	(254,148)	(455,669)	(961,325)	(2,004,706)	(1,558,223)	(1,864,970)	(3,578,081)			
Total All Other Governmental Funds	<u>\$ 54,294,016</u>	<u>\$ 41,478,691</u>	<u>\$ 34,373,394</u>	<u>\$ 93,014,466</u>	<u>\$ 66,115,280</u>	<u>\$ 42,155,153</u>	<u>\$ 39,944,727</u>			

Town of Palm Beach, Florida
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years

Fiscal Year	Property Taxes	Local Option Gas Tax	Franchise Fees	Utility Service Taxes	Business Tax Receipts (1)	Total
2008	\$ 41,457,249	\$ 337,785	\$ 2,447,544	\$ 4,496,507	\$ 0	\$ 48,739,085
2009	42,887,217	324,077	2,454,232	4,608,088	726,239	50,999,853
2010	41,508,570	321,246	2,152,817	4,931,205	716,018	49,629,856
2011	36,635,343	301,900	2,204,718	4,892,655	694,373	44,728,989
2012	36,662,916	301,240	2,040,443	4,973,633	669,095	44,647,327
2013	37,473,107	299,081	2,036,065	5,098,715	666,788	45,573,756
2014	39,110,926	310,290	2,172,540	5,463,267	702,711	47,759,734
2015	43,869,888	329,481	2,168,171	5,558,660	682,428	52,608,628
2016	47,882,187	338,120	2,132,019	5,591,219	723,649	56,667,194
2017	50,195,981	352,281	2,035,715	5,695,690	713,710	58,993,377

Change:
2008-2017 21.1% 4.3% -16.8% 26.7% n/a 21.0%

(1) In 2009, Occupational Licenses and Business Permits were reclassified from Charges for Services to Taxes.

Town of Palm Beach, Florida
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
Modified Accrual Basis of Accounting

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 48,739,085	\$ 50,999,853	\$ 49,629,856	\$ 44,728,989	\$ 44,647,327	\$ 45,573,756	\$ 47,759,734	\$ 52,608,628	\$ 56,667,194	\$ 59,263,377
Fees and permits	7,835,468	4,865,780	4,102,878	5,749,007	5,880,327	6,959,778	7,401,315	10,020,118	9,422,858	7,024,524
Intergovernmental	2,107,927	1,937,338	1,852,267	1,900,329	1,967,946	986,853	1,056,503	1,074,234	1,106,768	1,352,991
Charges for services	2,808,298	3,277,981	3,194,361	3,461,768	4,081,261	3,576,155	3,741,185	3,957,603	4,131,754	3,681,925
Fines and forfeitures	1,194,275	927,863	620,978	1,309,725	1,106,676	1,530,917	1,924,183	1,115,240	1,185,547	799,768
Contributions	0	0	795,161	222,646	459,050	71,066	421,366	736,770	1,946,658	3,294,902
Investment earnings	2,036,192	2,389,974	1,814,395	737,696	704,692	212,594	626,295	1,184,939	857,219	738,997
Grant revenue	2,331,850	792,662	83,306	3,678,245	771,909	362,568	358,805	490,367	3,120,771	69,735
Special Assessments	0	0	564,419	989,814	1,068,133	1,015,907	1,183,221	1,538,098	1,257,358	1,227,990
Miscellaneous	613,605	568,455	302,124	852,864	1,011,340	692,198	663,967	177,606	291,461	506,948
Total revenues	67,666,700	65,759,906	62,959,745	63,631,083	61,698,661	60,981,792	65,136,574	72,903,603	79,987,588	77,961,157
Expenditures										
General government	9,986,924	10,923,177	10,716,676	9,466,491	9,328,868	9,611,179	9,482,734	10,349,294	10,672,235	11,144,220
Public safety	29,464,707	31,367,667	30,556,992	30,511,290	25,095,341	24,045,416	25,803,242	26,328,383	28,298,011	29,168,148
Physical environment	15,175,670	13,252,050	11,576,185	17,281,410	11,676,641	12,580,551	12,848,052	16,836,864	14,953,923	18,042,161
Transportation	1,160,600	1,248,445	909,308	1,311,456	1,099,438	1,528,094	1,282,851	1,084,764	1,081,675	1,128,328
Economic Environment	0	0	0	2,369,146	331,806	189,158	196,888	232,490	248,223	307,619
Culture and recreation	1,829,385	1,858,634	1,640,889	1,642,083	1,508,402	1,649,498	1,870,601	1,931,194	1,938,661	2,186,244
Non-departmental	2,414,968	1,918,051	1,902,388	1,905,398	1,804,439	1,922,643	1,880,251	1,925,555	1,967,485	4,708,491
Capital outlay	7,859,165	11,429,915	23,045,739	4,662,208	16,389,104	11,161,869	11,573,533	34,409,565	35,114,632	10,032,899
Debt service										
Principal	3,811,297	3,875,000	4,020,000	1,372,838	2,885,619	1,290,000	1,320,000	2,260,000	2,340,000	2,445,000
Interest and other fiscal charges	614,269	650,150	1,336,179	3,260,692	3,190,196	3,111,294	4,524,027	5,727,107	5,642,453	4,674,144
Bond issue costs	30,500	24,303	701,133	27,341	0	0	330,638	0	403,895	0
Payment to refunded bond escrow agent									622,861	
Total expenditures	72,347,485	76,547,392	86,405,489	73,810,353	73,309,854	67,089,702	71,112,817	101,085,216	103,284,054	83,837,254
Revenues over (under) expenditures	(4,680,785)	(10,787,486)	(23,445,744)	(10,179,270)	(11,611,193)	(6,107,910)	(5,976,243)	(28,181,613)	(23,296,466)	(5,876,097)
Other financing sources (uses)										
Transfers in	7,039,939	10,606,800	10,758,475	11,309,406	11,774,938	11,257,899	32,693,862	23,861,850	19,884,368	18,484,704
Transfers out	(6,459,939)	(10,056,800)	(10,208,475)	(10,554,963)	(10,973,009)	(10,244,899)	(28,042,649)	(22,774,650)	(18,895,268)	(17,613,737)
Proceeds from sale of capital assets	0	0	1,047,156	0	0	0	0	0	0	0
Insurance recoveries	0	0	0	0	494,502	0	0	0	0	0
Bonds/Notes proceeds	10,000,000	395,004	74,578,567	0	0	0	58,494,720	0	58,432,064	0
Retirement of bonds/notes	0	0	(10,589,028)	0	0	0	0	0	0	0
Payment to refunded bond escrow	0	0	(5,835,971)	0	0	0	0	0	(58,007,630)	0
Proceeds of refunding note	0	0	0	0	0	0	0	0	0	0
Total other financing sources (uses)	10,580,000	945,004	59,750,724	754,443	1,296,431	1,013,000	63,145,933	1,087,200	1,413,534	870,967
Net change in fund balances	\$ 5,899,215	\$ (9,842,482)	\$ 36,304,980	\$ (9,424,827)	\$ (10,314,762)	\$ (5,094,910)	\$ 57,169,690	\$ (27,094,413)	\$ (21,882,932)	\$ (5,005,130)
Debt service as a percentage of non-capital expenditures	6.86%	6.95%	8.30%	6.73%	10.67%	7.86%	9.84%	11.94%	11.65%	9.57%

Town of Palm Beach, Florida

Historic and Projected General Fund Non-Ad Valorem Revenues

Last Ten Fiscal Years Actual and Next Year Budgeted

	Actual FY2008	Actual FY2009	Actual FY2010	Actual FY2011	Actual FY2012	Actual FY2013	Actual FY2014	Actual FY2015	Actual FY2016	Actual FY2017	Budget FY2018
Franchise Fees	\$ 2,447,544	\$ 2,454,232	\$ 2,152,817	\$ 2,204,718	\$ 2,040,444	\$ 2,036,065	\$ 2,172,540	\$ 2,168,171	\$ 2,132,019	\$ 2,305,715	\$ 2,275,000
Utility Service Tax	4,496,507	4,608,088	4,931,205	4,892,655	4,973,633	5,397,796	5,463,267	5,558,660	5,591,219	5,695,690	5,812,000
Business Tax Receipts	741,535	726,238	716,018	694,373	669,095	666,788	702,711	682,429	723,649	713,710	730,600
Building Permits	6,844,875	4,701,645	3,934,213	5,535,510	5,514,911	6,500,256	6,919,361	9,508,851	8,791,344	6,490,797	6,471,875
Other License Fees & Permits	249,058	164,135	168,665	213,497	365,417	459,522	481,955	511,268	631,514	533,727	527,500
State Shared Revenue (1)	1,072,734	1,081,727	978,259	1,058,101	954,387	930,906	988,578	1,040,960	1,053,691	957,861	1,005,200
Local Shared Revenue	24,700	39,997	46,223	29,536	20,781	42,813	25,795	15,040	24,199	19,598	15,000
General Government	34,413	27,618	33,650	42,628	39,000	41,412	39,658	39,052	37,228	38,618	39,750
Public Safety	1,146,921	1,539,385	1,429,333	1,419,660	2,001,026	1,440,533	1,516,863	1,711,089	1,837,295	1,324,118	1,471,300
Physical Environment	1,041,072	1,131,884	1,098,950	1,219,035	1,260,317	1,264,060	1,226,434	1,192,087	1,179,500	1,277,199	1,348,100
Transportation	585,892	579,292	632,425	780,444	780,917	830,150	958,230	1,015,373	1,077,731	1,041,990	1,084,500
Fines & Forfeitures	1,183,318	1,152,807	594,473	1,297,226	1,106,435	1,530,787	1,924,183	1,099,526	1,174,837	799,768	1,138,800
Contributions	10,000	0	0	0	0	0	0	0	0	0	0
Investment Earnings	1,368,751	1,923,224	1,168,997	495,649	495,311	32,425	383,727	597,586	490,102	421,514	581,858
Rents & Royalties	111,320	44,291	102,702	88,202	104,980	69,606	42,749	57,599	37,919	34,892	36,000
Sale of Capital Assets	0	0	1,047,156	5,874	1,392	0	353,100	0	0	0	0
Miscellaneous Other	190,761	158,625	188,634	671,609	577,151	500,152	253,347	110,637	245,143	435,258	327,000
Total Non-Ad Valorem Revenues	\$ 21,549,401	\$ 20,333,188	\$ 19,223,721	\$ 20,648,717	\$ 20,905,195	\$ 21,743,271	\$ 23,452,498	\$ 25,308,328	\$ 25,027,390	\$ 22,090,455	\$ 22,864,483

(1) Excludes 8th cent motor fuel tax and fuel tax refund.

Description of Certain Major Sources of Non-Ad Valorem Revenues As Defined in Bond Document (Unaudited)

Franchise Fees

Public utilities operating within the Town of Palm Beach, Florida must pay the Town a franchise fee in return for the right to do business within the Town and for the right to use public rights-of-way. Franchise agreements currently in effect include: Florida Public Utilities, Florida Power & Light, BellSouth Telecommunications, and Comcast Cable.

Utility Service Tax

The Town levies a utility tax on the purchase of electricity, metered or bottled gas, water service and telecommunication services. The Town levies this tax at the state allowed maximum of 10% for all services.

Business Tax Receipts

Any person engaging in or managing any business, occupation or profession within the limits of the Town of Palm Beach must obtain a business license. All licenses must be secured at the time the business begins operation and are renewed thereafter each October 1. The fee for each license is based on the business in which the entity is engaged.

Building Permits

Building permit fees include all building, electrical, mechanical and plumbing permits as well as architectural fees, variance application fees, and landmark application fees. Building permit fees were reduced in FY2008 and FY2017.

Other License Fees and Permits

These revenues include, right of way permits, parking permits and registrations.

State Shared Revenue

Revenues that are distributed from the State of Florida to the Town of Palm Beach, Florida are included in this line item. A portion of this revenue is State Revenue Sharing. The current structure of the revenue sharing program has three revenue sources for municipalities: Sales & Use Tax, one-cent Municipal Gas Tax and the State Alternative Fuel Decal Users Fee. Of these sources, the one-cent Municipal Gas Tax (Local Option Gas Tax) is restricted to expenditures for roads and has not been included in the ***Historic and Projected Non Ad Valorem Revenue*** Chart. Also included in the State Shared Revenue sections are the following distributions from the State of Florida: Alcoholic Beverage License and Sales Tax.

Local Shared Revenue

Local shared revenue includes a portion of the Palm Beach County Occupational License fees and a 911 equipment reimbursement.

General Government Revenues

These revenues include charges for copies, meeting tapes, lien search fees, microfiche, certification of copies and sales of maps and code books.

Public Safety Revenue

Public Safety Revenue includes special detail pay for police and fire officers, EMS transport fees, burglar alarm registration and false alarm fees, police ID cards, and Direct Connect Alarm fees. In FY2006 new fire inspection fees were approved by the Town Council. In FY2008, fees were increased for false alarm charges.

Physical Environment Revenue

Physical Environment Revenue includes solid waste collection fees, (collected through a non-ad valorem assessment), recycling fees and beach cleaning fees.

Transportation

Revenues include parking meter and permit collections. In FY2011, parking meter fees were increased.

Fines and Forfeitures

Fines and penalties received from traffic violations, parking meter violations, right-of-way violations, and code compliance fines.

Contributions

Contributions represent donations by citizens and businesses for various Town projects.

Investment Earnings

Represents interest earnings on cash, cash equivalents, and investments.

Rents and Royalties

Represents revenue from the rental of public property, pay phone and vending machine commissions.

Sale of Capital Assets

Revenue represents proceeds from the sale of capital assets. Revenue in FY10, FY13 and FY14 represents proceeds from the sale of Town owned property.

Miscellaneous Other Revenue

Revenues include a fee paid to the Town for the administration of Kreusler Park parking lot, fees associated with charitable solicitations, a rebate for Town towing, State highway lighting maintenance, insurance proceeds for hurricane damage and other miscellaneous revenues.

Outstanding Town Indebtedness

The Town does not have any general obligation bonds outstanding as of September 30, 2017. In February, 2010, the Town issued Public Improvement Revenue and Refunding Bonds, Series 2010A in the principal amount of \$57,035,000, which refunded with the Series 2003B bonds, and the 2008 Revenue Note and financed a portion of the Town's 20 year capital improvement program. The 2010A bonds are special obligations of the Town payable solely from and secured solely by non-ad valorem revenue and any unused debt proceeds and related investment income. The Town also issued 2010B Worth Avenue Commercial District Project bonds in the principal amount of \$14,770,000. The Town imposed a capital special assessment against real property in the Worth Avenue Commercial District to pay the cost of the Worth Avenue projects. The assessments will be security for the 2010B bonds. In December 2013, the Town issued Public Improvement Revenue Bonds in the principal amount of \$55,590,000 to finance a portion of the Town's 20 year capital improvement program. The 2013 bonds are special obligations of the Town payable solely from and secured solely by non-ad valorem revenue. In September 2016, the Town issued Public Improvement Revenue Refunding Bonds, Series 2016A in the principal amount of \$39,320,000, which refunded a portion of the Series 2010A Bonds. The Town also issued Public Improvement Revenue Refunding Bonds, Series 2016B in the principal amount of \$10,255,000, which refunded a portion of the Series 2010B Bonds.

Town of Palm Beach, Florida

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property	Less: Tax-exempt Property	Total Taxable Value	Total Direct Tax Rate	Total Assessed Value	Assessed Value as a % of Actual Value
2008	\$ 14,861,022,194	\$ 1,067,802,643	\$ 752,116	\$ 294,479,830	\$ (3,605,041,339)	\$ 12,619,015,444	3.3637	\$ 16,224,056,783	78%
2009	16,567,814,740	1,144,245,693	1,283,286	319,200,545	(4,347,624,821)	13,684,919,443	3.2512	17,911,648,549	76%
2010	15,424,701,553	1,055,167,871	1,995,000	411,729,501	(3,796,459,546)	13,097,134,379	3.2512	16,893,593,925	78%
2011	12,548,944,226	926,346,754	1,995,000	365,999,807	(2,312,807,898)	11,530,477,889	3.2512	12,043,094,460	96%
2012	12,455,771,607	917,204,438	1,795,500	348,994,178	(2,213,575,366)	11,510,190,357	3.2512	12,013,987,648	96%
2013	12,889,708,323	915,763,620	1,795,500	364,349,859	(2,365,784,414)	11,805,832,888	3.2512	12,288,707,603	96%
2014	13,830,680,923	943,455,273	1,795,500	368,781,059	(2,772,972,410)	12,371,740,345	3.2468	12,862,947,349	96%
2015	15,403,086,966	1,160,442,899	1,885,275	326,783,978	(3,631,110,871)	13,261,088,247	3.4058	13,728,091,553	97%
2016	17,428,504,556	1,270,937,024	1,885,275	341,777,143	(4,533,683,531)	14,509,420,467	3.3779	14,987,210,512	97%
2017	19,313,803,729	1,389,277,926	1,108,283	360,821,288	(5,269,810,002)	15,795,201,224	3.2706	16,289,617,765	97%

Assessed value is an annual determination of the just or fair market value of the property, or the value of the homestead property as limited pursuant to State law.

Taxable value is the assessed value of property minus the amount of any applicable exemption provided under State law.

Property in Palm Beach County is reassessed every three years on average by the Palm Beach County Property Appraiser.

Town of Palm Beach, Florida
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	Town Direct Rates			Overlapping Rates			Total All
	General Fund	Debt Service	Total Direct	School District	Palm Beach County	Special Taxing Districts	
2007	3.7273	0.0000	3.7273	7.8720	4.4775	2.3254	18.4022
2008	3.3637	0.0000	3.3637	7.3560	3.9813	2.1308	16.8318
2009	3.2512	0.0000	3.2512	7.2510	3.9656	2.2569	16.7247
2010	3.2512	0.0000	3.2512	7.9830	4.5614	2.4934	18.2890
2011	3.2512	0.0000	3.2512	8.1540	4.9960	2.5549	18.9561
2012	3.2512	0.0000	3.2512	8.1800	4.9925	2.3433	18.7670
2013	3.2512	0.0000	3.2512	7.7780	4.9902	2.3154	18.3348
2014	3.2468	0.0000	3.2468	7.5860	4.9852	2.2280	18.0460
2015	3.4058	0.0000	3.4058	7.5940	4.9729	2.1732	18.1459
2016	3.3779	0.0000	3.3779	7.5120	4.9277	2.0974	17.9150
2017	3.2706	0.0000	3.2706	7.0700	4.9142	1.9453	17.2001

Tax rate limits	- Ten mills per Florida Statute 200.81 (one mill equals \$1 per \$1,000 of assessed valuation).
Scope of tax rate limit	- No municipality shall levy ad valorem taxes for real and tangible personal property in excess of ten mills of the assessed value, except for special benefits and debt service on obligations issued with the approval of those taxpayers subject to ad valorem taxes.
Taxes assessed	- January 1
Taxes due	- March 31
Taxes delinquent	- April 1
Discount allowed	- 4% November; 3% December, 2% January; 1% February
Penalties for delinquent	- 2.5% after April 1, increase .5% each ten days; maximum 5%
Tax collector	- Palm Beach County
Tax collector's commission	- None

Town of Palm Beach, Florida

Principal Property Tax Payers

September 30, 2017 and Nine Years Ago

	2017				2008			
	Taxable Assessed Value	Taxes Paid	Rank	Percentage of Town Taxable Assessed Value	Taxable Assessed Value	Taxes Paid	Rank	Percentage of Town Taxable Assessed Value
The Breaker's	\$ 324,172,009	\$ 1,060,237	1	2.06%	\$ 250,681,423	\$ 843,217	1	1.99%
Wilson 150 Worth Avenue LLC	80,793,543	264,243	2	0.51%				
Nelson Peltz	86,375,767	282,501	3	0.55%	81,801,038	275,154	3	0.65%
County Road Property LLC	81,620,858	266,949	4	0.52%				
JV Associates PB LLC	67,667,009	221,312	5	0.43%	69,052,233	232,271	4	0.55%
700 North Lake LLC	77,670,446	254,029	6	0.49%	40,628,113	136,661	7	0.32%
Paul Tudor Jones II	61,898,677	202,446	7	0.39%				
James H Clark	59,625,909	195,012	8	0.38%				
White Sea Holdings LLC	63,028,709	206,142	9	0.40%				
Sydell Miller	55,014,449	179,930	10	0.35%	47,276,608	159,024	6	0.37%
Dwight Schar					102,740,220	345,587	2	0.81%
Trump Properties LLC					58,194,557	195,749	5	0.46%
The Everglades Club					38,539,469	129,635	8	0.31%
Edward Falcone					35,236,807	118,526	9	0.28%
Irwin Kramer & Terry Allen					34,931,510	117,499	10	0.28%
Totals	<u>\$ 957,867,376</u>	<u>\$ 3,132,801</u>		<u>6.08%</u>	<u>\$ 759,081,978</u>	<u>\$ 2,553,324</u>		<u>6.02%</u>

Source: Palm Beach County Property Appraiser

Town of Palm Beach, Florida

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Net Tax Levy*	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Property Tax Collections	Collections as a Percent of Current Levy
2008	43,129,948	41,337,264	95.84%	119,985	41,457,249	96.12%
2009	44,766,064	42,684,473	95.35%	202,744	42,887,217	95.80%
2010	43,506,736	41,076,426	94.41%	432,144	41,508,570	95.41%
2011	38,073,972	36,634,834	96.22%	509	36,635,343	96.22%
2012	37,421,931	36,636,311	97.90%	26,605	36,662,916	97.97%
2013	38,449,282	37,376,601	97.21%	96,506	37,473,107	97.46%
2014	40,168,565	39,067,303	97.26%	43,623	39,110,926	97.37%
2015	45,709,498	43,979,362	96.21%	9,128	43,988,490	96.23%
2016	49,611,524	47,733,340	96.21%	193,117	47,926,457	96.60%
2017	52,099,146	50,080,658	96.13%	115,323	50,195,981	96.35%

Note: All property taxes are assessed and collected by the Palm Beach County Tax Collector without charge to the Town. Collections are distributed in full as collected.

* Tax levy, net of allowance for discounts.

Town of Palm Beach, Florida

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Governmental Activities								
Fiscal Year	General Obligation Bonds	Revenue Refunding Bonds	Revenue Bonds/Notes	Loan Payable ECR	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
2008	\$ -	\$ 7,630,000	15,575,000	\$ 856,374	\$ -	\$ 24,061,374	1.88%	2,456
2009	-	3,885,000	15,445,000	753,889	-	20,083,889	1.59%	2,081
2010	-	-	73,739,987	648,762	-	74,388,749	6.96%	9,115
2011	-	-	72,383,598	540,924	-	72,924,522	6.67%	8,736
2012	-	-	69,517,815	-	-	69,517,815	6.35%	8,318
2013	-	-	68,137,765	-	-	68,137,765	6.65%	8,342
2014	-	-	125,139,203	-	-	125,139,203	12.20%	15,317
2015	-	-	123,042,406	-	-	123,042,406	12.19%	15,302
2016	-	-	125,798,878	-	-	125,798,878	14.83%	15,647
2017	-	-	122,721,163	-	-	122,721,163	14.55%	14,802

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

Town of Palm Beach, Florida

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year	Less:		Total	Percentage of Assessed Value of Taxable Property	Per Capita
	General Obligation Bonds	Amounts Available in Debt Service Fund			
2008	\$ 0	\$ 0	\$ 0	N/A	\$ 0
2009	0	0	0	N/A	0
2010	0	0	0	N/A	0
2011	0	0	0	N/A	0
2012	0	0	0	N/A	0
2013	0	0	0	N/A	0
2014	0	0	0	N/A	0
2015	0	0	0	N/A	0
2016	0	0	0	N/A	0
2017	0	0	0	N/A	0

Note: For each fiscal year ending September 30, property is valued as of January 1st of the preceding calendar year.

General Obligation Bonds were retired in 2005

Town of Palm Beach, Florida
Direct and Overlapping Governmental Activities Debt
September 30, 2017

	Total Outstanding	Percentage Applicable to Town of Palm Beach⁽¹⁾	Amount Applicable to Town of Palm Beach
Direct:			
Town of Palm Beach	\$ 122,721,163	100.00%	\$ 122,721,163
Overlapping:			
Palm Beach County	\$ 1,085,719,690	10.17%	110,423,625
Palm Beach County School District	1,583,227,000	10.17%	161,022,837
Total overlapping debt	2,668,946,690		271,446,462
Total direct and overlapping debt payable from ad valorem taxes	\$ 2,791,667,853		\$ 394,167,625
Estimated population			8,040
Total direct and overlapping debt per capita			\$ 49,026

⁽¹⁾ Based on 2017 ratio of assessed taxable values.

Source: Finance Department, Town of Palm Beach, Florida
Palm Beach County Property Appraiser
School Board of Palm Beach County

Note: The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the Town's taxable assessed value that is within the County's boundaries and multiplying it by the County and School Board General Obligation Debt outstanding.

Town of Palm Beach, Florida

Legal Debt Margin Information

Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 811,202,839	\$ 895,582,427	\$ 844,679,696	\$ 602,154,723	\$ 600,699,382	\$ 614,435,380	\$ 643,147,367	\$ 686,404,578	\$ 749,360,526	\$ 814,480,888
Total net debt applicable to limit	0	0	0	0	0	0	0	0	0	0
Legal debt margin	<u>\$ 811,202,839</u>	<u>\$ 895,582,427</u>	<u>\$ 844,679,696</u>	<u>\$ 602,154,723</u>	<u>\$ 600,699,382</u>	<u>\$ 614,435,380</u>	<u>\$ 643,147,367</u>	<u>\$ 686,404,578</u>	<u>\$ 749,360,526</u>	<u>\$ 814,480,888</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

The Town of Palm Beach has a 5% general obligation debt limit as a percent of taxable value per Section 7.02 of the Town Charter.

Town of Palm Beach, Florida

Pledged Revenue Coverage

Last Ten Fiscal Years

Fiscal Year	Non-Ad Valorem Revenue Available for Debt Coverage		Current Debt Service			Current Coverage
			Principal	Interest	Total	
2008	\$	21,549,401	\$ 3,720,000	\$ 612,163	\$ 4,332,163	4.97
2009		20,333,188	3,875,000	648,649	4,523,649	4.49
2010		19,223,721	4,020,000	1,331,915	5,351,915	3.59
2011		20,648,717	1,265,000	3,149,663	4,414,663	4.68
2012		20,905,195	2,775,000	3,165,134	5,940,134	3.52
2013		21,743,271	1,290,000	3,111,294	4,401,294	4.94
2014		23,452,498	1,320,000	4,524,027	5,844,027	4.01
2015		25,308,328	2,260,000	5,722,457	7,982,457	3.17
2016		25,027,390	2,340,000	5,636,404	7,976,404	3.14
2017		22,090,455	2,445,000	4,664,860	7,109,860	3.11

The Town's revenue bonds and note are special obligations of the Town payable solely from and secured solely by non-ad valorem revenue and any unused debt proceeds and related investment income. Footnote G describes the Town's current bond status.

Town of Palm Beach, Florida

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population⁽¹⁾	Estimated Total Personal Income	Per Capita Personal Income⁽²⁾	Median Age⁽²⁾	Education Level in Years of Schooling	School Enrollment⁽³⁾	Unemployment Rate⁽⁴⁾
2008	9,797	1,282,339,127	130,891	66.6	N/A	468	7.5%
2009	9,650	1,263,098,150	130,891	66.6	N/A	455	9.5%
2010	8,161	1,068,201,451	130,891	68.7	N/A	477	10.8%
2011	8,348	1,092,678,068	130,891	68.7	N/A	415	9.7%
2012	8,358	1,093,986,978	130,891	68.7	N/A	406	9.2%
2013	8,168	1,025,386,216	125,537	68.7	N/A	414	7.1%
2014	8,170	1,025,637,290	125,537	68.7	N/A	476	6.0%
2015	8,040	1,009,317,480	125,537	68.7	N/A	406	5.0%
2016	8,040	848,437,080	105,527	67.6	N/A	420	5.1%
2017	8,291	843,609,250	101,750	67.9	N/A	362	3.6%

Data Sources:

(1) The population for 2010 was obtained from the U.S. Census Bureau. All remaining populations were obtained from the University of Florida, Bureau of Economic Business Administration.

(2) U.S. Census Bureau

(3) Palm Beach County School District

(4) Business Development Board of Palm Beach County. Data is for the West Palm Beach to Boca Raton metropolitan area.

Town of Palm Beach, Florida

Principal Employers

September 30, 2017 and Nine Years Ago

Employer	2017			2008		
	Employees ⁽¹⁾	Rank	Percentage of Total Town Employment	Employees ⁽¹⁾	Rank	Percentage of Total Town Employment
Breakers Palm Beach Inc	1,909	1	10.63%	1,800	1	11.97%
Four Seasons	390	2	2.17%	420	2	2.79%
Everglades Club	290	3	1.62%	360	5	2.39%
Mar-a-Lago Club	275	4	1.53%			
Tory Burch	190	5	1.06%			
Bath and Tennis Club	150	6	0.84%	150	9	1.00%
Sea and Sand	130	7	0.72%			
Colony Palm Beach	128	8	0.71%			
Palm Beach Country Club	114	9	0.63%			
Palm Beach Day Academy	103	10	0.57%			
Town of Palm Beach				410	3	2.73%
Publix				208	7	1.38%
Ocean Grand				400	4	2.66%
Testa's				221	6	1.47%
Wachovia				185	8	1.23%
Coldwell Banker/Century 21				149	10	0.99%
Totals	<u>3,679</u>		<u>20.49%</u>	<u>4,303</u>		<u>28.61%</u>

Source: (1) Florida Department of Economic Opportunity (DEO), Bureau of Labor Market Statistics

Town of Palm Beach, Florida

Full-time Equivalent Town Government Employees by Function / Program

Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government	85.5	84.5	82.43	73.46	75.05	74.85	75.62	78.87	82.23	82.33
Public Safety										
Building Official	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Land Development	10.90	10.90	12.35	12.35	11.85	11.35	10.85	10.85	13.15	13.15
Police Officers	78.00	78.00	77.00	71.00	71.00	70.00	70.00	70.00	70.00	69.00
Firefighters	80.00	80.00	79.00	74.00	71.50	69.00	66.00	66.00	64.00	64.00
Civilian Police/Fire	59.20	59.70	54.45	48.25	46.25	47.25	45.25	45.25	45.25	46.25
Physical Environment										
Sanitation	44.24	44.24	41.51	37.06	37.06	38.05	38.23	38.23	38.23	38.22
Storm Sewer Maintenance	17.66	17.66	17.51	16.94	17.44	17.01	17.77	17.77	17.76	17.86
Transportation										
Roads and Streets	5.61	5.61	5.70	5.79	5.79	6.86	5.67	5.67	5.92	5.76
Culture and Recreation										
Recreation	29.17	28.78	29.03	27.48	25.71	18.58	18.55	26.04	27.55	25.30
Total	411.28	410.39	399.98	367.33	362.65	353.95	348.94	359.68	365.09	362.87

Town of Palm Beach, Florida
Operating Indicators by Function / Program
Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Police										
Physical arrests	1,715	2,120	2,033	1,703	1,404	1,985	1,718	1,828	1,919	1,785
Parking violations	16,832	13,514	12,178	15,936	14,485	13,434	16,691	16,258	17,221	10,901
Traffic violations	4,658	4,989	4,799	4,293	3,529	3,266	2,708	2,874	3,028	2,671
Fire										
Number of fire calls	1,373	1,175	1,092	1,147	1,003	928	943	900	867	1,157
Number of EMS Calls	1,598	1,319	1,372	1,464	1,603	1,478	1,691	1,717	1,577	1,593
Physical Environment										
Sanitation										
Refuse collected (tons)	10,976	9,877	9,341	8,452	8,443	9,175	9,186	8,904	8,869	8,857
Recyclables collected (tons)	1,844	1,579	1,642	1,645	1,624	1,576	1,646	1,655	1,623	1,471
Transportation										
Roads and Streets										
Street resurfacing (miles)	8	6	5	6	17	5	0	0	3	0
Pot holes repaired	61	72	67	75	26	35	34	30	31	40
Culture and Recreation										
Recreation Department										
Youth athletic participants	4,942	3,278	2,395	3,164	3,209	2,097	1,723	2,365	1,967	2,133
Camp program participants	10,243	10,626	10,031	11,525	10,862	11,143	11,127	10,192	10,064	10,405
Youth enrichment participants	9,365	6,759	4,475	3,613	2,879	2,515	1,757	1,144	1,331	2,075
Adult Enrichment/Fitness participants	9,201	3,447	2,250	2,259	2,287	2,483	1,922	1,599	1,575	1,760
Special Events Offered	6	5	4	3	3	3	3	3	3	2
Special Events participants	1,438	1,950	1,515	1,275	1,250	1,225	1,290	1,190	1,200	1,240
Tennis Participants	29,109	29,766	26,328	25,603	27,474	24,746	25,961	26,712	26,618	26,525
Rounds of Golf	25,275	14,226	19,379	26,437	29,117	30,366	34,780	35,379	36,861	36,757
Range buckets sold	14,746	8,313	7,303	8,707	12,712	14,323	16,473	17,139	15,450	11,678
Annual Marina Leases	81	78	72	68	69	68	70	72	75	77
Seasonal Marina Leases	2	5	5	5	8	8	11	11	8	5
Total transient vessels	626	418	321	387	396	318	374	356	367	288

Sources: Town departments

Town of Palm Beach, Florida
Capital Asset Statistics by Function / Program
Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	21	21	21	21	21	21	21	21	21	21
Fire										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Fire Trucks	7	7	7	7	7	7	7	6	6	5
ALS Rescue Vehicles	5	5	5	5	5	5	5	5	5	5
Physical Environment										
Sanitation										
Garbage Trucks	17	17	17	17	17	16	16	16	16	16
Trash Trucks	12	12	12	12	12	12	12	12	12	12
Transportation										
Roads and Streets										
Street lights	922	972	972	985	991	991	991	991	991	991
Lane miles	103	103	103	103	103	103	103	103	103	103
Culture and Recreation										
Recreation Department										
Basketball courts	1	1	1	1	1	1	1	1	1	1
Multi-purpose fields	1	1	1	1	1	1	1	1	1	1
Tennis courts	14	13	13	13	13	13	13	13	13	13
Dock slips	88	88	88	88	88	88	88	88	88	88
Golf courses	1	1	1	1	1	1	1	1	1	1
Playgrounds	1	1	1	1	1	1	1	1	1	1
Recreation centers	1	1	1	1	1	1	1	1	1	1
Tennis pro-shops	2	2	2	2	2	2	2	2	2	2
Parks	10	11	11	11	11	11	11	11	11	11

Sources: Town departments

Note: Data is not available for general government.



NOWLEN, HOLT & MINER, P.A.

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

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

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Nowlen, Holt & Mims, P.A.

West Palm Beach, Florida
March 30, 2018



NOWLEN, HOLT & MINER, P.A.

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

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

Report on the Financial Statements

We have audited the financial statements of the Town of Palm Beach, Florida, as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated March 30, 2018.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's 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 March 30, 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.

Finding 2016-1 Expenditures in Excess of Appropriations was included in preceding financial audit report. Corrective actions have been taken to address the finding and it no longer applies.

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 A to the financial statements.

Financial Condition and Management

Section 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 Town of Palm Beach, Florida 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 Town of Palm Beach, Florida 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 Town of Palm Beach, Florida. It is management's responsibility to monitor the Town of Palm Beach, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Our assessment was done as of the fiscal year end. The results of our procedures did not disclose any matters that are required to be reported.

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

Section 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 Town of Palm Beach, Florida 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 the two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

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.

Single Audits

For the year ended September 30, 2017, the Town expended less than \$750,000 of federal awards and less than \$750,000 of state financial assistance. The Town was not required to have a federal single audit or a state single audit.

Response to Management Letter

There were no items that required a response by management.

Purpose of this Letter

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

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
March 30, 2018



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have examined the Town of Palm Beach, Florida's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2017. Management of the Town of Palm Beach, Florida is responsible for the Town of Palm Beach, Florida's compliance with the specified requirements. Our responsibility is to express an opinion on the Town of Palm Beach, Florida'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 Town of Palm Beach, Florida complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town of Palm Beach, Florida complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risk 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 Town of Palm Beach, Florida's compliance with the specified requirements.

In our opinion, the Town of Palm Beach, Florida complied, in all material respects, with Section 218.415, Florida Statutes for the year ended September 30, 2017.

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

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
March 30, 2018