



*City of Palm Beach Gardens,
Florida*

*Comprehensive Annual Financial Report
For the Fiscal Year Ended
September 30, 2012*



PALM BEACH GARDENS
"A unique place to live, learn, work & play."

City of Palm Beach Gardens, Florida

Comprehensive Annual Financial Report
Year Ended September 30, 2012

PREPARED BY

THE FINANCE DEPARTMENT

The Table of Contents contains Quick Links to various pages of this document.
 Just click an underlined section below and you will be taken directly to that section.
 This document also contains bookmarks for easier document navigation.

City of Palm Beach Gardens, Florida Table of Contents

<hr/>	
Introductory Section	
<hr/>	
Letter of Transmittal	iii
Principal City Officials	vii
Organization Chart	viii
Certificate of Achievement for Excellence in Financial Reporting	ix
<hr/>	
Financial Section	
<hr/>	
Report of Independent Certified Public Accountants	5
Management’s Discussion and Analysis	9
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	23
Statement of Activities	24
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet – Governmental Funds	26
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	28
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	30
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	32
Proprietary Funds:	
Statement of Net Assets – Proprietary Funds	34
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	35
Statement of Cash Flows – Proprietary Funds	36
Fiduciary Funds:	
Statement of Fiduciary Net Assets – Fiduciary Funds	38
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	39
Notes to Basic Financial Statements	43
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	70
Schedule of Funding Progress	74
Schedule of Employer Contributions	75
Schedule of OPEB Funding Progress	76
Notes to Required Supplementary Information	77

Financial Section (continued)

Combining and Individual Fund Financial Statements and Schedules:	
Other Governmental Funds	81
Combining Balance Sheet – Other Governmental Funds	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Other Governmental Funds	86
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Police Training – Special Revenue Fund	90
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Recreation Programs – Special Revenue Fund	91
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Golf Course – Special Revenue Fund	92
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Local Option Gas Tax – Special Revenue Fund	93
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Police Grant – Special Revenue Fund	94
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Recreation Impact – Capital Projects Fund	95
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Road Impact – Capital Projects Fund	96
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Police Impact – Capital Projects Fund	97
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Fire Impact – Capital Projects Fund	98
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Art Impact – Capital Projects Fund	99
Combining Statement of Net Assets – Internal Service Funds	100
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds	101
Combining Statement of Cash Flows – Internal Service Funds	102
Combining Statement of Fiduciary Net Assets – Pension Trust Funds	104
Combining Statement of Changes in Fiduciary Net Assets – Pension Trust Funds	105

Statistical Section

Index	109
Financial Trends:	
Table 1 – Net Assets by Component	110
Table 2 – Changes in Net Assets	112
Table 3 – Fund Balances of Governmental Funds	116
Table 4 – Changes in Fund Balances of Governmental Funds	118

Statistical Section (continued)

Revenue Capacity:

Table 5 – Net Assessed Value and Estimated Actual Value of Taxable Property	120
Table 6 – Property Tax Rates – Direct and Overlapping Governments	122
Table 7 – Principal Property Taxpayers	124
Table 8 – Property Tax Levies and Collections	125

Debt Capacity:

Table 9 – Ratios of Outstanding Debt by Type	126
Table 10 – Ratios of General Bonded Debt Outstanding	128
Table 11 – Direct and Overlapping Governmental Activities Debt	129
Table 12 – Pledged Revenue Coverage	130

Demographic and Economic Information:

Table 13 – Demographic and Economic Statistics	132
Table 14 – Principal Employers	133

Operating Information:

Table 15 – Full-time Equivalent Government Employees by Function	134
Table 16 – Operating Indicators by Function/Program	136
Table 17 – Capital Assets Statistics by Function/Program	138

Compliance Section

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	141
Management Letter In Accordance with the Rules of the Auditor General of the State of Florida	143
Schedule of Findings and Responses	145



INTRODUCTORY SECTION



CITY OF PALM BEACH GARDENS
10500 N. Military Trail • Palm Beach Gardens, Florida 33410-4698

March 7, 2013

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

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

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

The City of Palm Beach Gardens' financial statements have been audited by Rampell and Rampell, P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Palm Beach Gardens for the year ended September 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Palm Beach Gardens' financial statements for the year ended September 30, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

Palm Beach Gardens, incorporated in 1959, is located in the southeastern part of Florida, approximately 7 miles north of West Palm Beach and 70 miles north of Miami. The City currently has a land area of 56 square miles, making it one of the largest cities in Palm Beach County, and has a population of 48,452. The City is empowered to levy a property tax on real property located within its boundaries. The City also has the

power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

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

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

The annual budget serves as the foundation for the City of Palm Beach Gardens' financial planning and control. All departments of the City of Palm Beach Gardens are required to submit requests for appropriation to the City Manager in March each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Council for review prior to July 31. The Council is required to hold two public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City of Palm Beach Gardens' fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The budget may be amended in several ways. An intradepartmental or interdepartmental transfer within the same fund may be authorized by the City Manager. A transfer between different funds may be authorized initially by the City Manager, subject to approval within 30 days by resolution adopted by the City Council. A third way is a transfer from the contingency account of the City Council, which may be authorized only by resolution adopted by the Council; except that, in the event of an emergency declared by the Manager, such a transfer may be made initially upon authorization of the Manager, subject to approval within 30 days by resolution adopted by the Council. Any increase in the total appropriations for a fund must be approved by ordinance of the Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 70-73.

Local Economy. The City of Palm Beach Gardens has evolved into an upscale community with the current tax base of the City reflecting a dependence on residential tax assessments with approximately 79% of ad valorem taxes generated by the residential component. Additionally, the City does not assess many of the traditional taxes that other municipalities use for generating revenue, but rather, it primarily depends on ad valorem taxes to fund services. Residents are not assessed additional taxes for utility, solid waste, storm water, or fire rescue; and pay a minimal amount in communication services taxes. The City has opted to pay for these services out of ad valorem assessments.

Because the City of Palm Beach Gardens has been fortunate to have land mass that has been available for residential development, the reliance on ad valorem taxation has not been a major concern in past years. However, as the City approaches build-out, it is prudent to diversify the tax base in lieu of the escalating costs of providing services to residents. In January 2008, Florida voters approved Amendment 1, which granted an additional \$25,000 Homestead Exemption, exempted the first \$25,000 of tangible personal property from taxation, provided portability of up to \$500,000 of the Save Our Homes Exemption on sales of properties, and limited increases in the assessed value of non-homesteaded properties to 10%. The effect

on the City's tax revenues was substantial, and necessitated the exploration of alternate funding sources and expenditure reductions to maintain current levels of services.

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

Major industries with headquarters or divisions located within the government's boundaries or in close proximity include bioscience, security, medical manufacturing, education, health care, financial services, and leisure service industries. Major employers include G4S Headquarters, Palm Beach Gardens Medical Center, Palm Beach County School Board, PGA National Resort & Spa, TBC Corp, Biomet 3i, Belcan Engineering Group, Cross Match Technologies, and Anspach Companies. The bioscience industry will continue to grow rapidly within the City's boundaries as the expansion of the Scripps Research Institute develops.

The location of the Scripps Research Institute will further the goals of the Economic Development Element of the City of Palm Beach Gardens Comprehensive Plan and will ensure a diversified economy, shift ad valorem tax revenues away from the residential component, encourage growth in cluster industries that provide high-wage employment, and complement changing economic conditions. The development will not only include the Scripps Research facility, and its related spin-off businesses, but also residential units, schools, recreational facilities, and general commercial areas.

Phase I of the Scripps Florida development has been completed and included the construction of the Scripps Florida headquarters. The campus includes three buildings with 350,000 square feet of laboratory and administrative space. Germany's Max Planck Society building has also been completed on a 100,000 square foot biomedical research facility located next to Scripps Florida on six acres at Florida Atlantic University in Jupiter.

Phase II of the Scripps Florida development is a proposed multi-use master plan community within the City of Palm Beach Gardens located on approximately 683 acres of the Briger site. The proposed project includes 2,600,000 square feet of industrial/research, 1,200,000 square feet of office space, 500,000 square feet of retail space, 300 hotel rooms and 2,700 dwelling units. The proposed Scripps-Florida Phase II will generate 8,652 permanent full time jobs and 9,478 new full time and part time jobs for the local economy over the next two decades.

The City of Palm Beach Gardens as of 2010 had an employed labor force of approximately 23,200 out of a total labor force of about 24,680, for an unemployment rate of 6.0%. This rate compares favorably to the national unemployment rate of 7.8%. With the prospect of a major biotech medical research facility locating in Palm Beach County, future employment within the City appears more than stable.

Long-term financial planning. As mentioned previously, the Scripps Research Institute will be located at the parcel of land known as the Briger site. Phase I of the Scripps project has recently been completed and encompasses 350,000 square feet of building within the Town of Jupiter on 30 acres on the Abacoa FAU campus. The remainder of the Scripps Florida program or 1.6 million square feet will be accommodated on 70 acres of the Briger site which is located within the City of Palm Beach Gardens.

The Scripps Florida development presents many opportunities for the future financial stability of the City. However, there are also many challenges that will need to be dealt with. There will be quality of life issues

that the City must face, such as transportation, roads, education, recreation, public safety and general government levels of services that must not be compromised for either existing or future residents.

Unassigned fund balance in the general fund (32% of total general fund expenditures) exceeds the policy guideline of a minimum of 17%. Due to future uncertainties related to the current economic and financial crisis along with changes to tax reform, the City is dedicated to maintaining a strong fund balance position throughout the coming fiscal years.

Major Initiatives. During 2012, there were several projects that will further enhance the City's parks, facilities, and roadways. Two major projects included PGA Park improvements and the Emergency Operations and Communications Center.

The PGA Park expansion project was completed during the fiscal year and included improvements to multi-purpose fields, field lighting, expansion of the playground area and equipment, and construction of a pavilion and other amenities to meet the needs of a growing community. The project also included parking, security lighting, site enhancements, and sports turf enhancements. The total project cost was approximately \$2.2 million, with \$200,000 funded from the Florida Department of Environmental Protection.

The Emergency Operations and Communications Center is being used to house the information technology department and equipment, police dispatch operations, acts as the emergency operations center for hurricanes and any other City emergencies, and hosts City-wide and inter-jurisdictional training. The total project cost is approximately \$4.3 million of which \$2.3 million was funded by police and fire impact fees and the remaining \$2 million funded by a transfer from the general fund to the police impact fund. The project was 97% complete as of September 30, 2012.

Awards and Acknowledgements

The Government Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Palm Beach Gardens for its comprehensive annual financial report ("CAFR") for the year ended September 30, 2011. This was the seventeenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

The GFOA also awarded the Award for Distinguished Budget Presentation to the City of Palm Beach Gardens for its operating and capital improvements budget for the year ended September 30, 2012. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. In addition to receiving the award, the City's budget received Special Recognition Awards for both Capital and Performance Measures, and was the only entity in the United States to receive both of these prestigious special recognitions.

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

Respectfully submitted,



Ron Ferris
City Manager



Allan Owens, CPA, CGFO
Finance Administrator

City of Palm Beach Gardens, Florida
Principal City Officials
As of September 30, 2012

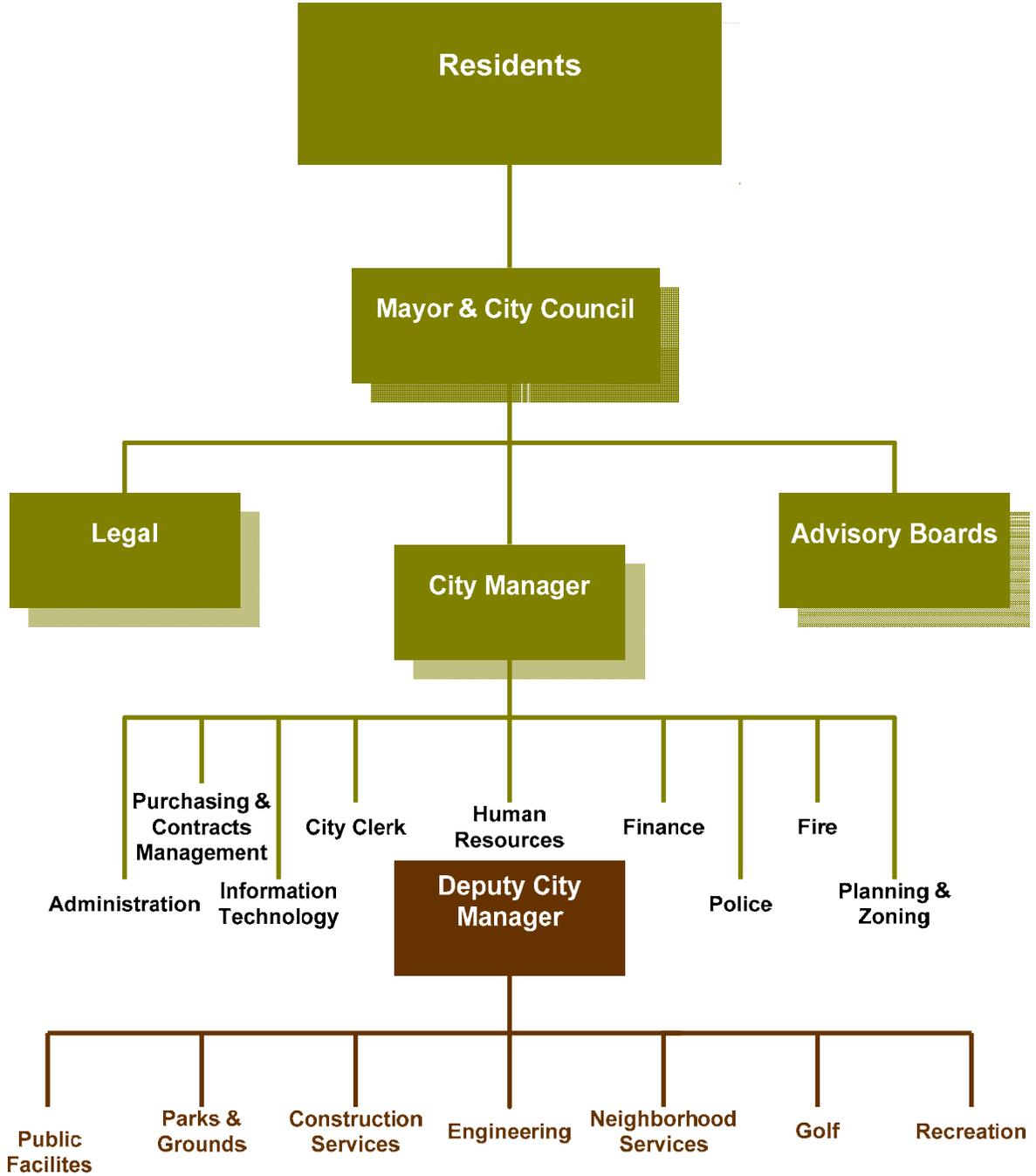
TITLE

Mayor
Vice-Mayor
Council Member
Council Member
Council Member
City Manager
Deputy City Manager
City Attorney
City Clerk
Finance Administrator
Human Resources Administrator
Information Technology Administrator
Chief of Police
Fire Chief

NAME

David Levy
Bert Premuroso
Joseph Russo
Eric Jablin
Marcie Tinsley
Ronald M. Ferris
Jack Doughney
Corbett & White, P.A.
Patricia Snider
Allan Owens
Sheryl Stewart
Eric Holdt
Stephen Stepp
Pete Bergel

**City of Palm Beach Gardens, Florida
Organization Chart**



Certificate of Achievement for Excellence in Financial Reporting

Presented to
City of Palm Beach Gardens
Florida

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

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



Christopher P. Moirrell

President

Jeffrey R. Emer

Executive Director



FINANCIAL SECTION

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Palm Beach Gardens, Florida as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Palm Beach Gardens, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Palm Beach Gardens, Florida's Police Officers' Pension Fund and the City of Palm Beach Gardens, Florida's Firefighters' Pension Fund (collectively, the Pension Trust Funds), which represents 98% of the total assets and total additions of the Fiduciary Funds of the City of Palm Beach Gardens, Florida. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pension Trust Funds, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

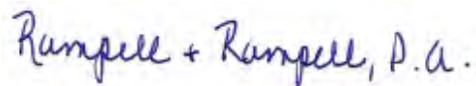
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Palm Beach Gardens, Florida as of September 30, 2012, and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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2013, on our consideration of the City of Palm Beach Gardens, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedules of funding progress and employer contributions for the defined benefit pension plans, and the schedule of funding progress for other postemployment benefits on pages 9 through 19 and 70 through 78 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 consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Palm Beach Gardens, Florida's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in blue ink that reads "Rampell + Rampell, P.A.".

Rampell & Rampell, P.A.
Palm Beach, Florida

March 7, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Palm Beach Gardens, Florida Management's Discussion and Analysis

As management of the City of Palm Beach Gardens, Florida (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended September 30, 2012. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found on pages iii to vi of this report.

Financial Highlights

- The assets of the City of Palm Beach Gardens exceeded its liabilities at the close of the most recent fiscal year by \$105.7 million (*net assets*). Of this amount, \$28.5 million (*unrestricted net assets*) may be used to meet the ongoing obligations to citizens and creditors. During the year ended September 30, 2012, the City's net assets decreased by approximately \$415,000.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$37.2 million, an increase of approximately \$325,000 in comparison with the prior year. 70.1% of this total amount is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance of the general fund was \$26.1 million, or 38.7% of total general fund expenditures for financial reporting purposes. This amount includes the \$4 million budget stabilization fund.
- The City's total governmental debt decreased by \$2.1 million (8.1%) during the current fiscal year.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both the government-wide and fund financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the City include public safety, physical environment, transportation, culture and recreation, and general government services. The City does not operate any business-type activities.

The government-wide financial statements can be found on pages 23 – 25 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over

resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Road Impact Fee funds, of which both are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 82 – 103 of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget (pages 70 – 73).

The basic governmental fund financial statements can be found on pages 26 – 33 of this report.

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

The basic proprietary fund financial statements can be found on pages 34 – 37 of this report. Combining and individual fund statements for the internal service funds can be found on pages 100 – 103 of this report.

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

The basic fiduciary fund financial statements can be found on pages 38 – 39 of this report. Combining and individual fund statements for the fiduciary funds can be found on pages 104 – 105 of this report.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

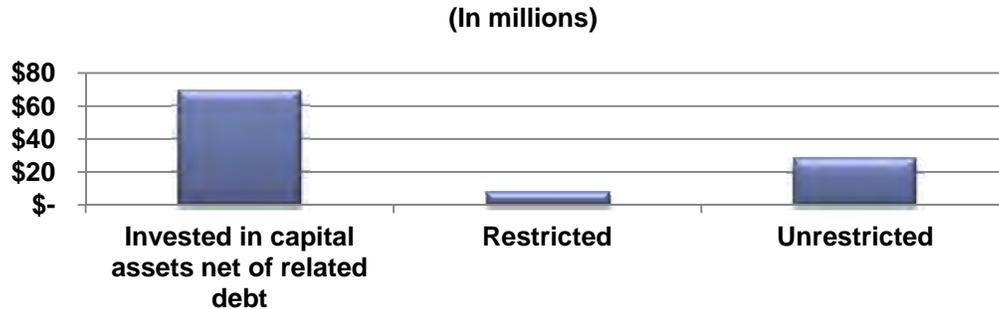
The notes to the basic financial statements can be found on pages 43 – 66 of this report.

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

Required supplementary information can be found on pages 70 – 78 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City of Palm Beach Gardens, assets exceeded liabilities by \$105.7 million at the close of the most recent fiscal year. By far the largest portion of the City's net assets (65.5%) represents investment in capital assets (e.g., land, buildings and improvements, roadways, machinery and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, they are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.



As the chart shown above illustrates, an additional portion of the City's net assets, \$7.9 million (7.5%), represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$28.5 million (27%) may be used to meet the City's ongoing obligations to citizens and creditors.

City of Palm Beach Gardens Net Assets September 30, 2012 and 2011

The following table illustrates a summary of net assets by Governmental activities:

	Governmental Activities	
	2012	2011
Current and other assets	\$ 49,925,796	\$ 48,809,342
Capital assets, net	91,828,868	95,932,022
Total assets	\$ 141,754,664	\$ 144,741,364
Long-term liabilities	\$ 23,544,259	\$ 26,573,395
Other liabilities	12,536,087	12,078,381
Total liabilities	\$ 36,080,346	\$ 38,651,776
Invested in capital assets, net of related debt	\$ 69,245,447	\$ 70,503,248
Restricted	7,934,680	9,383,210
Unrestricted	28,494,191	26,203,130
Total net assets	\$ 105,674,318	\$ 106,089,588

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

There was an overall decrease in the City's assets of \$3 million or 2% during the current fiscal year. The decrease is a result of depreciation expense on existing capital assets.

The City's liabilities decreased by \$2.6 million or 6.6% during the current fiscal year. The decrease is caused by a reduction in debt of approximately \$3 million.

**City of Palm Beach Gardens
Changes in Net Assets
September 30, 2012 and 2011**

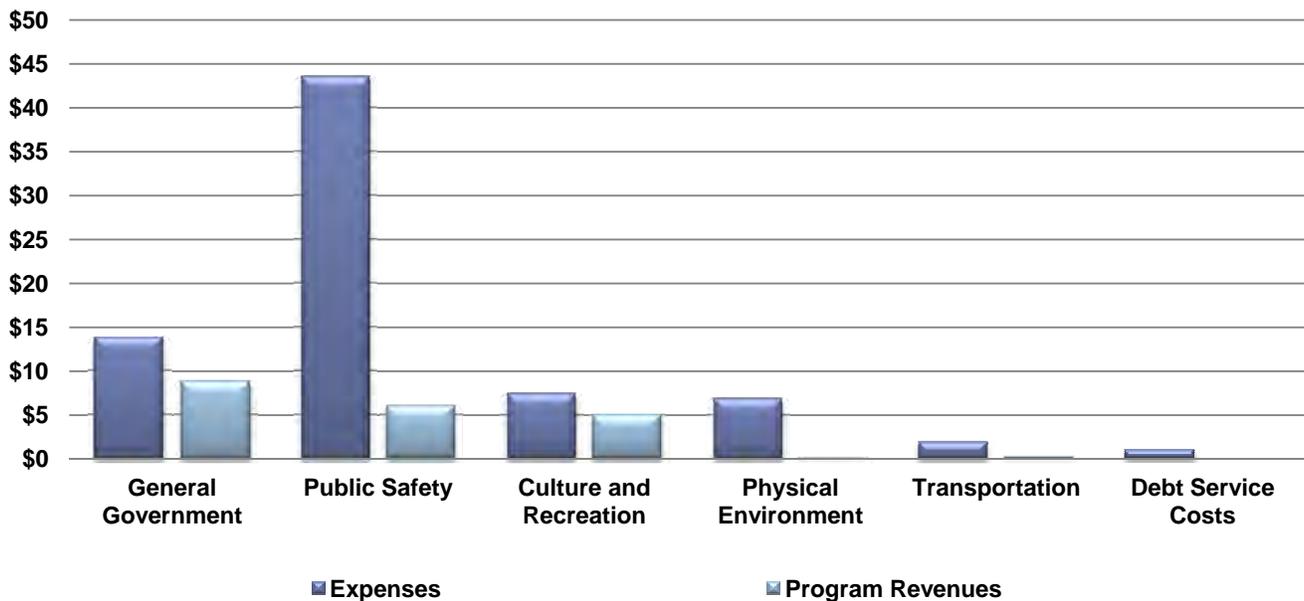
	Governmental Activities	
	2012	2011
Revenues:		
Program revenues:		
Charges for services	\$ 18,211,246	\$ 16,112,950
Operating grants and contributions	1,650,949	1,458,831
Capital grants and contributions	167,897	579,543
General revenues:		
Taxes:		
Property taxes	44,232,540	45,755,279
Local business tax	1,370,720	1,421,834
Public service taxes	1,829,028	1,005,079
Unrestricted intergovernmental:		
Sales tax and local option gas tax	3,850,419	3,864,850
State shared revenue	1,236,054	1,195,559
Local shared revenue	119,452	188,040
Unrestricted investment earnings	299,589	348,553
Gain/(loss) on disposal of capital assets	(7,165)	32,867
Miscellaneous	1,294,975	1,251,286
Total revenues	74,255,704	73,214,671
Expenses:		
General government	13,772,084	13,637,124
Public safety	43,586,151	43,117,470
Culture/recreation	7,470,717	7,586,300
Physical environment	6,876,606	6,688,611
Transportation	1,927,567	2,558,809
Interest on long-term debt	945,926	1,148,800
Other debt service costs	91,923	-
Total expenses	74,670,974	74,737,114
Change in net assets	(415,270)	(1,522,443)
Net assets – beginning	106,089,588	107,612,031
Net assets - ending	\$ 105,674,318	\$ 106,089,588

Governmental Activities As illustrated in the table on the previous page, net assets of the City's governmental activities decreased by less than 1% (\$415,000), from \$106.1 million in last fiscal year to \$105.7 million in the current fiscal year. Key elements of this decrease are:

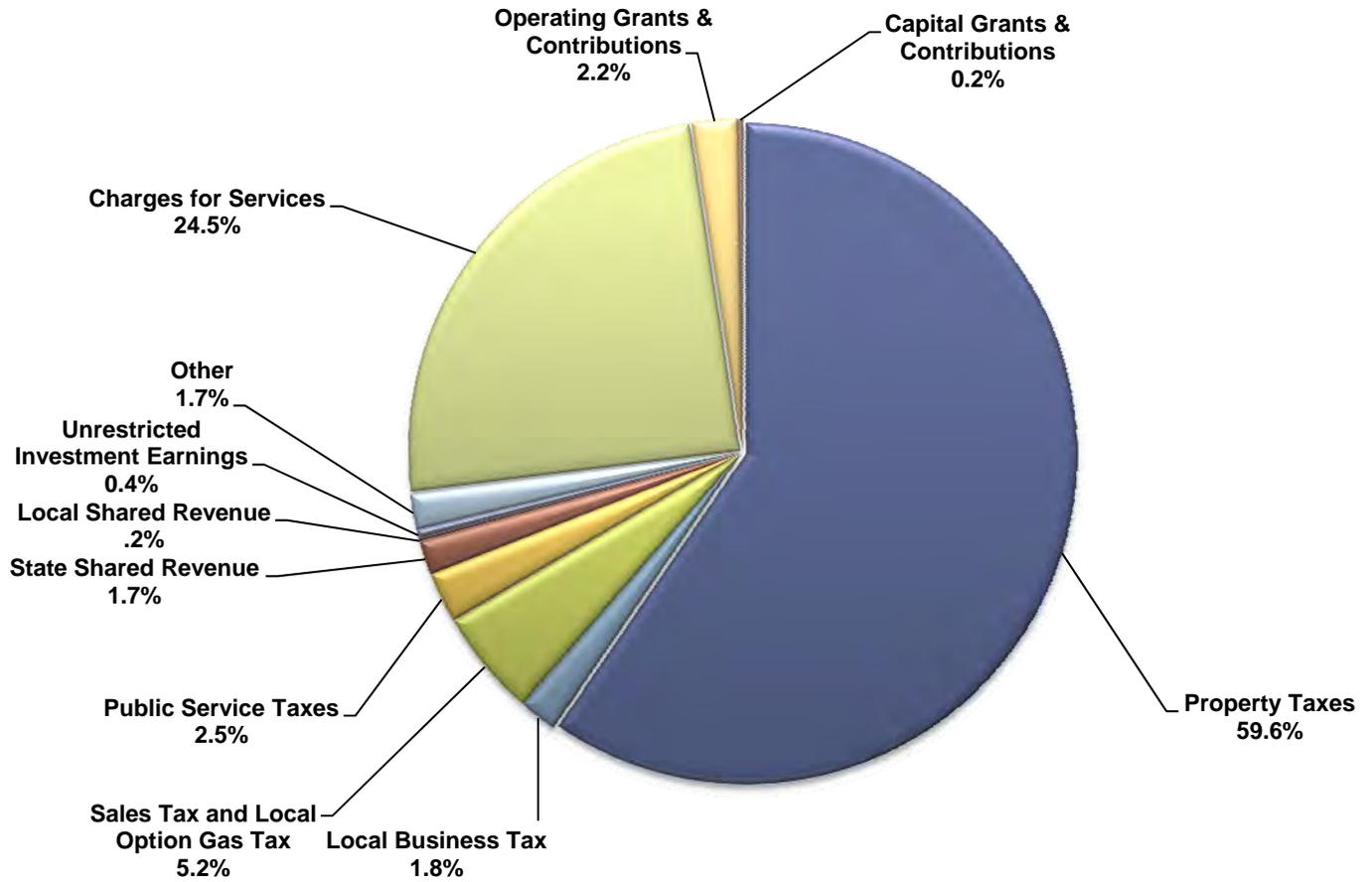
- Charges for services increased by \$2.1 million (13%), mostly due to the following three reasons: the first full year of dispatch service charges to the Town of Jupiter and the Town of Juno Beach to operate the Northern Municipal Regional Communications Center (NMRCC) resulting in an increase of \$793,000; a change in the method FPL uses to calculate electric franchise fees resulting in an increase of \$385,000 (8.2%); an increase in new construction activity resulting in an increase of approximately \$362,000 (20%) in building permit revenue and \$219,000 (41%) in impact fee collections.
- Total revenues increased \$1 million as a net result of the increase in charges for services listed above, an increase in the public service tax rate from 1.5% to 3.5% resulting in an 82% (\$823,000) increase and a reduction in property taxes of \$1.5 million (3.3%) due to declining property values.
- Total expenses remained consistent with the prior year. Transportation expenses decreased by \$631,000 (24.7%) mostly due to prior year costs relating to the installation of a traffic signal at Hyatt Drive and Northlake Boulevard. Public safety expenses increased by \$469,000 due to a full year of dispatch call taker salaries as part of the NMRCC described above.

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

**City of Palm Beach Gardens
Expenses & Program Revenues - Governmental Activities (in millions)
Year Ended September 30, 2012**



**City of Palm Beach Gardens
Revenues by Source - Governmental Activities
Year Ended September 30, 2012**



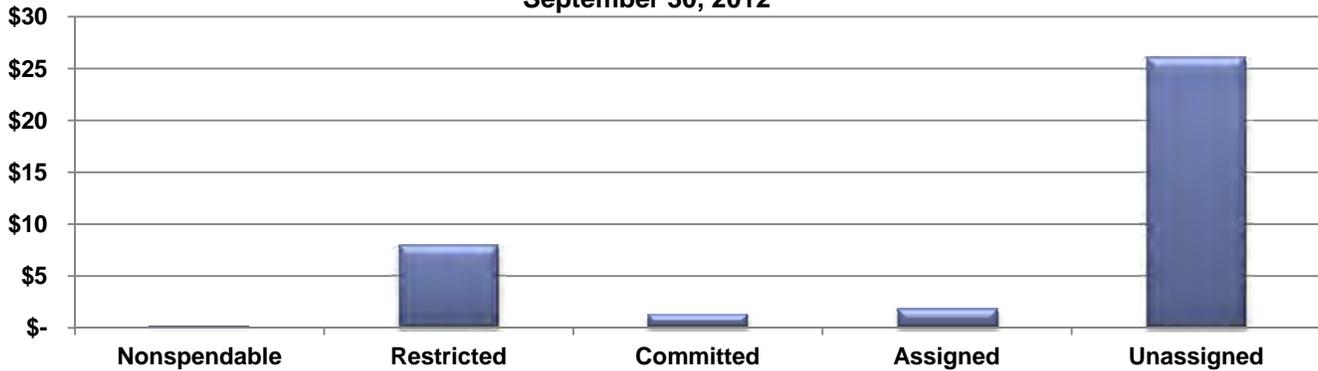
As illustrated in the chart above, property taxes comprise 59.6% of total governmental activity revenues.

Financial Analysis of the City's Funds

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

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

**City of Palm Beach Gardens
Governmental Fund Balances (in millions)
September 30, 2012**



As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$37.2 million, an increase of \$325,000 in comparison with the prior year.

Approximately 70.1% of this total amount (\$26.1 million) represents unassigned fund balance, which includes the budget stabilization fund and amounts available for spending at the City's discretion. The remainder of fund balance was restricted, committed, assigned, or nonspendable for a variety of purposes, such as construction projects, economic development, and law enforcement.

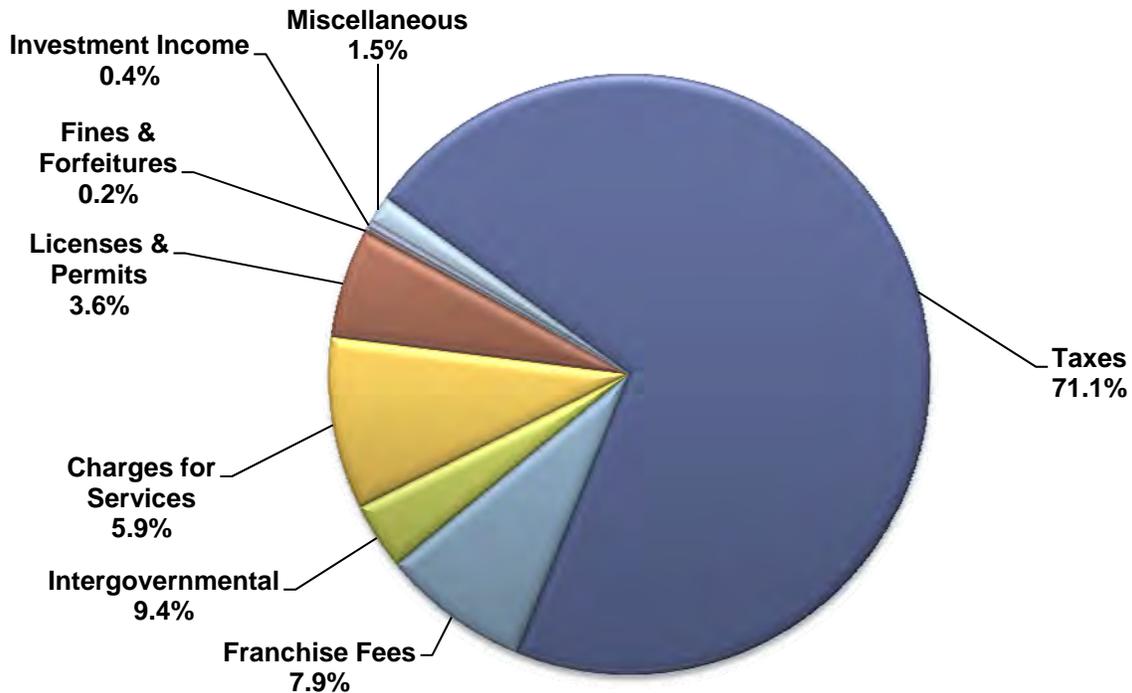
The General Fund is the chief operating fund of the City. General tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs not paid through other funds are paid from this fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$26.1 million, nonspendable fund balance was approximately \$1.14 million, restricted fund balance was approximately \$626,000, committed fund balance was approximately \$1.3 million, and assigned fund balance was \$787,000 for a total fund balance of \$28.8 million. The amount of General Fund revenues by type, their percent of the total and the amount of change compared to last fiscal year are shown in the following schedule:

Revenue Sources	2012 Amount	Percent of Total	2011 Amount	Percent of Total	Increase (Decrease) From 2011	Percentage of Increase (Decrease)
Taxes	\$ 47,432,288	71.1%	\$ 48,182,192	73.1%	\$ (749,904)	(1.6)%
Franchise fees	5,327,897	7.9%	4,946,864	7.5%	381,033	7.7 %
Licenses and permits	2,414,586	3.6%	2,066,521	3.1%	348,065	16.8 %
Intergovernmental	6,214,031	9.4%	6,477,409	9.9%	(263,378)	(4.1)%
Charges for services	3,910,601	5.9%	2,896,908	4.4%	1,013,693	35.0 %
Fines and forfeitures	150,291	0.2%	169,484	0.2%	(19,193)	(11.3)%
Investment income	297,271	0.4%	339,329	0.5%	(42,058)	(12.4)%
Miscellaneous	988,550	1.5%	830,085	1.3%	158,465	19.1 %
Total revenues	\$ 66,735,515	100.0%	\$ 65,908,792	100.0%	\$ 826,723	1.3 %

As illustrated above, General Fund revenues increased by approximately \$827,000, or 1.3%, in fiscal year 2012.

Taxes decreased by \$750,000 or 1.6% as a result of a decline in property values. Charges for services increased by \$1 million or 35% due to the first full year of dispatch services provided to the Town of Jupiter and the Town of Juno Beach as part of the NMRCC.

**City of Palm Beach Gardens
General Fund Revenues
Year Ended September 30, 2012**



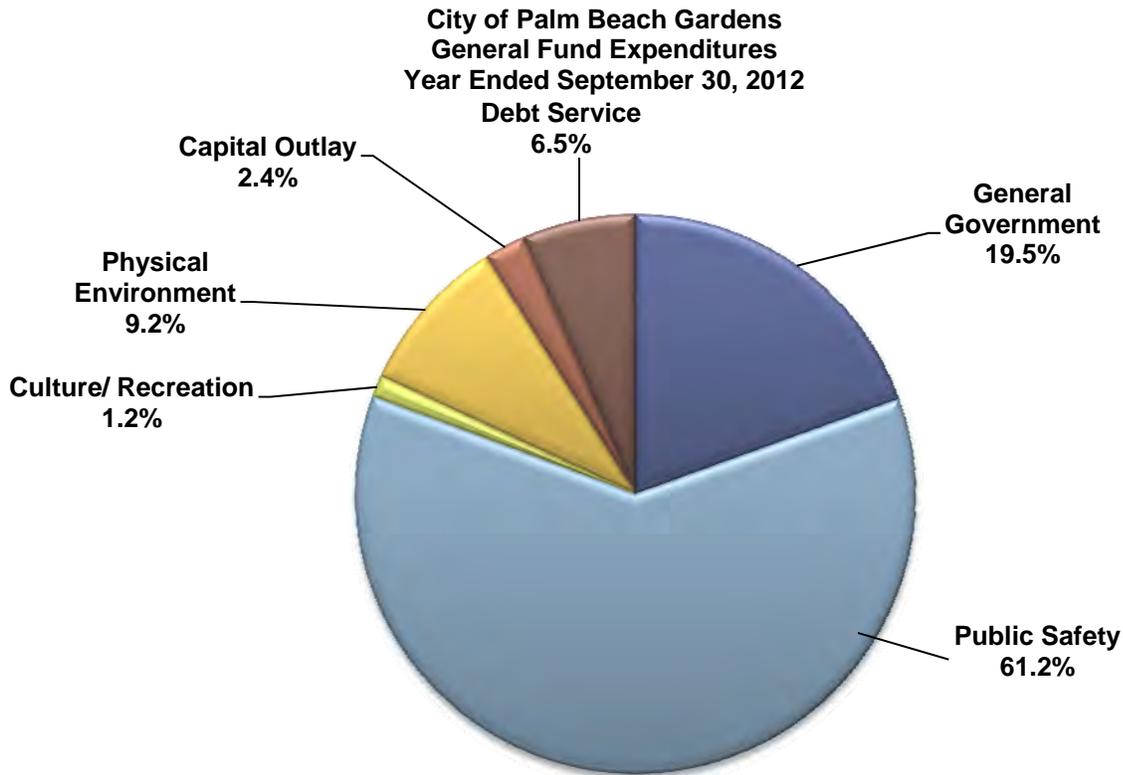
The graph above illustrates the percentage composition of General Fund revenues by type. As can be seen, Taxes comprise the majority of General Fund revenues, with the next largest sources of revenues being Intergovernmental revenues and Franchise Fees.

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

Expenditures	2012 Amount	Percent of Total	2011 Amount	Percent of Total	Increase (Decrease) From 2011	Percentage of Increase (Decrease)
General government	\$ 13,101,603	19.5%	\$ 12,820,887	19.5%	\$ 280,716	2.2 %
Public safety	41,127,279	61.2%	40,274,501	61.3%	852,778	2.1 %
Culture and recreation	832,609	1.2%	1,295,934	2.0%	(463,325)	(35.8)%
Physical environment	6,151,650	9.2%	6,081,652	9.2%	69,998	1.2 %
Capital outlay	1,615,525	2.4%	2,009,172	3.1%	(393,647)	(19.6)%
Debt Service	4,388,564	6.5%	3,228,874	4.9%	1,159,690	35.9 %
Total expenditures	\$ 67,217,230	100.0%	\$ 65,711,020	100.0%	\$ 1,506,210	2.3 %

In fiscal year 2012, total General Fund expenditures increased \$1.5 million or 2.3% compared to the prior year. The increase is due to an increase in public safety and debt service costs. The public safety increase is due to the first full year of dispatch call taker salaries that were hired as part of the NMRCC with the Town of Jupiter and the Town of Juno Beach. Debt service increased by \$1.1 million as a result of the General Fund accounting for activity that was included in separate funds in the prior year. Debt payments previously recorded in the PGA Flyover and Burns Road capital project funds were transferred to the General Fund to comply with latest government accounting standards.

As illustrated in the graph below, Public Safety expenditures account for 61.2% of total General Fund expenditures.



Road Impact Fund: The City's Road Impact Fund is a capital project fund established to account for the receipt and disbursement of developer paid impact fees restricted for the purpose of providing increased traffic service levels. Road Impact Fund revenues consisted of approximately \$110,000 from impact fees and \$800 from investment income. Capital outlay expenditures of \$76,000 were for traffic signals installed throughout the City. At the end of the current fiscal year, fund balance was \$1,821,853.

General Fund Budgetary Highlights

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

- Adjust the carryover of funds by the amounts restricted, committed, or assigned for purchase orders and projects from the previous fiscal year.
- Adjust fund balance carryovers to actual amounts per the fiscal year 2011 audit.
- When the fiscal year 2012 budget was prepared, it was anticipated that negotiations would be completed and new contracts in place beginning January 1, 2012 for both the Police Benevolent Association and the International Association of Firefighters. In anticipation of proposed contractual changes, certain personnel costs were reduced. The amendment increased public safety expenditures to adjust for the proposed contract negotiation changes.
- Establish two full time positions to create the purchasing and contract management department in response to demands brought about by the new Palm Beach County Office of Inspector General.

Actual revenue exceeded final budgeted revenue by approximately \$2.2 million mostly due to favorable variances in building permit activity of \$650,000 and changes in the method FPL uses to calculate electric franchise fees that resulted in a favorable variance of \$485,000.

Expenditures were \$2.2 million less than the final budget. The variance is mostly attributed to unspent capital projects and purchase orders that will be included in the next fiscal year's budget amendment to carryover funds.

Capital Assets and Debt Administration

Capital Assets: The following table illustrates the City's capital assets for its governmental activities as of September 30, 2012, which amount to \$91.8 million (net of accumulated depreciation). These assets include land, buildings, roadways, drainage and structures, improvements other than buildings and machinery and equipment. The total decrease in the City's capital assets for the current fiscal year was 4.3%.

	Governmental Activities	
	2012	2011
Land	\$ 14,852,345	\$ 14,852,345
Construction in progress	2,325,137	4,500,828
Buildings	20,529,813	21,524,333
Roadways	25,974,469	27,240,156
Drainage and structures	13,765,900	13,965,007
Machinery and equipment	6,048,881	6,276,173
Improvements other than buildings	8,332,323	7,573,180
Total	\$ 91,828,868	\$ 95,932,022

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

- PGA Park improvements totaling approximately \$2.2 million.
- Emergency Operation Communications Center (EOCC) equipment totaling approximately \$625,000.
- Purchase of vehicles including three cargo vans, fifteen police vehicles, and a special response vehicle totaling approximately \$560,000.

Additional information on the City's capital assets can be found in Note 5 starting on page 51 of this report.

Long-term Debt: The following table illustrates the City's governmental activity long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$24.4 million. All of the City's outstanding debt is secured by specified revenue sources.

	Governmental Activities	
	2012	2011
Debt payable:		
General obligation	\$ 7,489,697	\$ 8,579,140
Non ad valorem bonds payable	16,080,348	17,187,201
Capital leases payable	801,213	762,039
Total	\$ 24,371,258	\$ 26,528,380

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

Additional information on the City's long-term debt can be found in Note 6 starting on page 52 of this report.

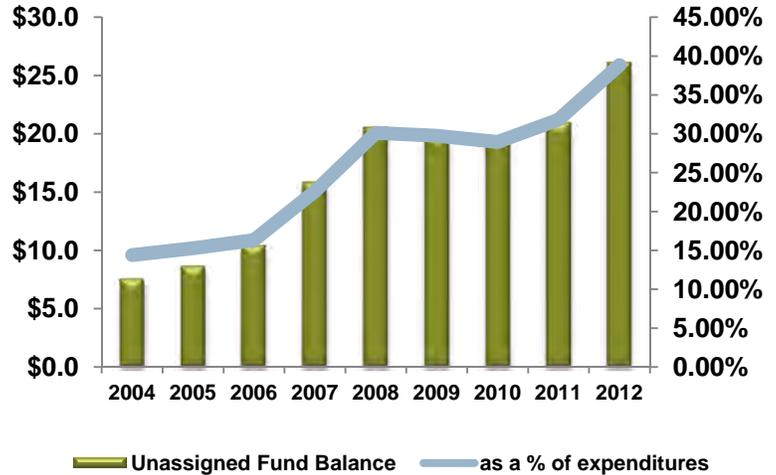
Economic Factors and Next Year's Budgets and Rates

The City's local economy is primarily based upon construction, retail and service activities. The unemployment rate for the City is currently 6.0%. The City's current economic condition continues to improve as new construction increased to \$209 million (11%) in permit valuation issued during the fiscal year.

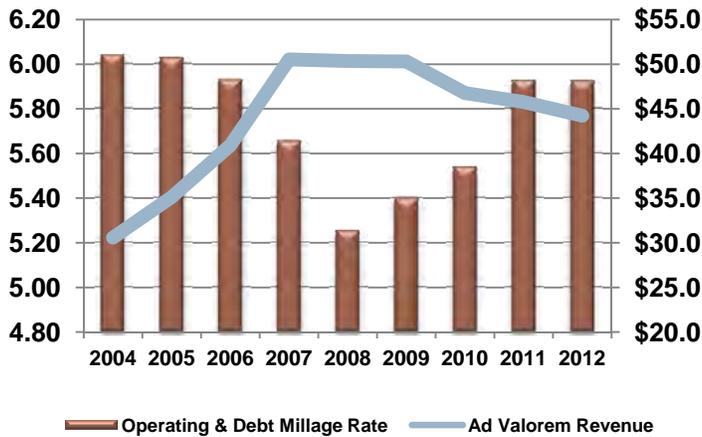
These factors were considered in preparing the City of Palm Beach Gardens' budget for the year ending September 30, 2013.

During the current fiscal year, unassigned fund balance in the General Fund was \$26.1 million. It is approximately equal to four and a half months of the General Fund expenditures. The current year balance includes approximately \$4 million as part of the budget stabilization fund. Over the last nine years, the City has been able to increase its unassigned fund balance not only in dollar value but as a percentage of expenditures as shown in the graph to the right.

**Fiscal Years 2004 through 2012
(in millions)**



**Fiscal Years 2004 through 2012
(in millions)**



In 1995, the State of Florida limited increases in homesteaded property taxable values in any given year to 3% or cost of living, whichever is lower. The graph to the left indicates the property tax revenue collected and millage rate trends over the last nine years. The left axis refers to the millage rate and the right axis refers to the dollar value (millions) of revenue collected. The millage rate will fluctuate from year to year depending on the total taxable value of the City and the required amount of revenue needed to maintain current levels of service. Since 2007, as property values have fallen, the City, just like many cities across the country, has had to face the challenge of keeping taxes and service charges as low as possible while providing residents with the level of service they have come to expect.

Requests for Information

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

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



BASIC FINANCIAL STATEMENTS

City of Palm Beach Gardens, Florida
Statement of Net Assets
September 30, 2012

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 14,128,241
Investments	32,045,299
Receivables (net of allowance for doubtful accounts of \$1,733,299)	1,654,186
Due from other governments	407,231
Inventories	118,654
Prepaid expenses	138,228
Net pension asset	145,745
Deferred charges	153,204
Investment in Joint Venture	1,135,008
Capital assets not being depreciated	17,177,482
Capital assets being depreciated, net	74,651,386
Total assets	\$ 141,754,664
Liabilities:	
Accounts payable	\$ 2,117,207
Accrued liabilities	1,981,495
Claims payable	798,950
Unearned revenue	3,241,790
Accrued interest payable	232,882
Noncurrent liabilities:	
Due within one year	4,163,763
Due in more than one year	23,544,259
Total liabilities	\$ 36,080,346
Net assets:	
Invested in capital assets, net of related debt	\$ 69,245,447
Restricted for:	
Capital improvements	2,312,242
Road improvements	3,956,732
Other purposes	1,665,706
Unrestricted	28,494,191
Total net assets	\$ 105,674,318

See notes to basic financial statements.

City of Palm Beach Gardens, Florida
Statement of Activities
Year Ended September 30, 2012

Functions/Programs Programs Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 13,772,084	\$ 8,749,869	\$ -	\$ -
Public safety	43,586,151	4,321,215	1,523,374	167,897
Culture and recreation	7,470,717	5,030,609	-	-
Physical environment	6,876,606	-	46,383	-
Transportation	1,927,567	109,553	81,192	-
Interest on long-term debt	945,926	-	-	-
Other debt service costs	91,923			
Total governmental activities	\$ 74,670,974	\$ 18,211,246	\$ 1,650,949	\$ 167,897

General revenues:

Taxes:

Property taxes

Local business tax

Public service taxes

Unrestricted intergovernmental:

Sales tax and local option gas tax

State shared revenue

Local shared revenue

Unrestricted investment earnings

Loss on disposal of capital assets

Miscellaneous

Total general revenues

Change in net assets

Net assets, beginning

Net assets, ending

See notes to basic financial statements.

**Net (Expense)
Revenue and
Change in
Net Assets**

**Governmental
Activities**

\$ (5,022,215)
(37,573,665)
(2,440,108)
(6,830,223)
(1,736,822)
(945,926)
(91,923)

\$ (54,640,882)

44,232,540
1,370,720
1,829,028

3,850,419
1,236,054
119,452
299,589
(7,165)
1,294,975

54,225,612

(415,270)

106,089,588

\$ 105,674,318

City of Palm Beach Gardens, Florida
 Balance Sheet
 Governmental Funds
 September 30, 2012

	General Fund	Road Impact Fund	Other Governmental Funds
Assets:			
Cash and cash equivalents	\$ 4,981,902	\$ 2,102,729	\$ 4,655,692
Investments	26,695,299	1,500,000	2,200,000
Receivables:			
Accounts (net of allowance for doubtful accounts of \$1,733,299)	310,422	-	42,457
Franchise fees	1,082,481	-	-
Utility taxes	184,982	-	-
Interest	33,844	-	-
Due from other governments	352,977	-	54,254
Inventory	-	-	36,357
Prepaid expenditures	114,228	-	-
Total assets	\$ 33,756,135	\$ 3,602,729	\$ 6,988,760
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 1,582,065	\$ 429	\$ 353,395
Accrued liabilities	1,976,933	-	4,562
Unearned revenue	1,357,484	1,780,447	103,859
Total liabilities	4,916,482	1,780,876	461,816
Fund Balances:			
Nonspendable:			
Prepaid expenditures	114,228	-	-
Inventory	-	-	36,357
Restricted for:			
Capital improvements	-	-	2,312,242
Road improvements	-	1,821,853	2,134,879
Law enforcement	626,283	-	189,047
Art improvements	-	-	850,376
Committed to:			
Economic development	1,253,889	-	-
Assigned to:			
Capital improvement and replacement	442,863	-	-
Special projects	246,651	-	-
Other purposes	97,179	-	1,004,043
Unassigned	26,058,560	-	-
Total fund balances	28,839,653	1,821,853	6,526,944
Total liabilities and fund balances	\$ 33,756,135	\$ 3,602,729	\$ 6,988,760

See notes to basic financial statements.

**Total
Governmental
Funds**

**\$ 11,740,323
30,395,299**

**352,879
1,082,481
184,982
33,844
407,231
36,357
114,228**

\$ 44,347,624

**\$ 1,935,889
1,981,495
3,241,790**

7,159,174

**114,228
36,357**

**2,312,242
3,956,732
815,330
850,376**

1,253,889

**442,863
246,651
1,101,222
26,058,560**

37,188,450

\$ 44,347,624

City of Palm Beach Gardens, Florida
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
September 30, 2012

Total fund balances – governmental funds (page 27)		\$ 37,188,450
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. (Excludes internal service fund capital assets.)		90,534,886
Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these are deferred and amortized in the statement of activities.		
Deferred charges		153,204
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Excludes internal service fund liabilities.) Long-term liabilities at year-end consist of:		
Bonds payable	\$ (21,935,412)	
Capital leases payable	(801,213)	
Net other postemployment benefit obligation	(1,906,000)	
Accrued interest payable	(232,882)	
Compensated absences	<u>(2,750,457)</u>	
		(27,625,964)
The internal service funds are used by management to charge the cost of fleet maintenance activities and insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		4,142,989
Other long term assets are not available to pay for current period expenditures, and therefore, are not recognized in the funds.		
Investment in joint venture		1,135,008
Net pension asset		<u>145,745</u>
Total net assets of governmental activities (page 23)		<u><u>\$ 105,674,318</u></u>

See notes to basic financial statements.

City of Palm Beach Gardens, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2012

	General Fund	Road Impact Fund	Other Governmental Funds
Revenues:			
Taxes:			
Ad valorem taxes	\$ 44,232,540	\$ -	\$ -
Local business taxes	1,370,720	-	-
Utility taxes	1,829,028	-	-
Franchise fees	5,327,897	-	-
Licenses and permits	2,414,586	-	-
Intergovernmental	6,214,031	-	680,533
Impact fees	-	109,553	645,300
Charges for services	3,910,601	-	4,516,973
Fines and forfeitures	150,291	-	12,785
Investment income	297,271	809	1,124
Miscellaneous	988,550	-	632,936
Total revenues	66,735,515	110,362	6,489,651
Expenditures:			
Current:			
General government	13,101,603	-	-
Public safety	41,127,279	-	488,929
Culture and recreation	832,609	-	4,673,306
Physical environment	6,151,650	-	-
Transportation	-	4,382	586,707
Capital outlay	1,615,525	76,240	389,332
Debt service:			
Principal	3,328,573	-	-
Interest	850,124	-	-
Bond issuance costs	117,944	-	-
Other debt service costs	91,923	-	-
Total expenditures	67,217,230	80,622	6,138,274
Excess (deficiency) of revenues over (under) expenditures	(481,715)	29,740	351,377
Other financing sources (uses):			
Transfers in	803,596	-	-
Transfers out	-	(700,490)	(42,970)
Capital lease	136,451	-	-
Proceeds of refunding bonds	16,190,000	-	-
Premium on refunding bonds	101,429	-	-
Payment to refunded bond escrow agent	(16,062,364)	-	-
Total other financing sources (uses)	1,169,112	(700,490)	(42,970)
Net change in fund balances	687,397	(670,750)	308,407
Fund balances, beginning	28,152,256	2,492,603	6,218,537
Fund balances, ending	\$ 28,839,653	\$ 1,821,853	\$ 6,526,944

See notes to basic financial statements.

**Total
Governmental
Funds**

\$ 44,232,540
1,370,720
1,829,028
5,327,897
2,414,586
6,894,564
754,853
8,427,574
163,076
299,204

1,621,486

73,335,528

13,101,603
41,616,208
5,505,915
6,151,650
591,089
2,081,097

3,328,573
850,124
117,944
91,923

73,436,126

(100,598)

803,596
(743,460)
136,451
16,190,000
101,429

(16,062,364)

425,652

325,054

36,863,396

\$ 37,188,450

City of Palm Beach Gardens, Florida
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of the Governmental Funds to the Statement of Activities
Year Ended September 30, 2012

Net change in fund balances— total governmental funds (page 31) \$ 325,054

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. The amount is less than the total capital outlay since capital outlay includes amounts that are under the capitalization threshold, and therefore, were not capitalized.

Expenditures for capital assets	\$ 1,555,952	
Less current year depreciation	<u>(5,644,131)</u>	
		(4,088,179)

In the statement of activities, the net effect of various miscellaneous transactions involving capital assets (disposals and donations) is to increase net assets, whereas in the governmental funds these items have no effect on current financial resources:

Donation of capital assets	83,155	
Loss on disposal of capital assets	<u>(7,165)</u>	
		75,990

Debt proceeds provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Capital lease financing	(136,451)	
Bonds issued	(16,190,000)	
Premium on bonds issued	(101,429)	
Payment to escrow agent	16,062,364	
Principal payments on debt	3,328,573	
Bond issuance costs	117,944	
Amortization of issuance costs	(24,898)	
Amortization of deferred charges	(225,390)	
Amortization of premium	<u>14,639</u>	
		2,845,352

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:

Decrease in accrued interest payable	139,847	
Decrease in compensated absences	59,016	
Increase in net other postemployment benefit obligation	(540,000)	
Decrease in net pension benefit asset	<u>(55,228)</u>	
		(396,365)

City of Palm Beach Gardens, Florida
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of the Governmental Funds to the Statement of Activities (continued)
Year Ended September 30, 2012

Governmental funds report the investment in joint venture as expenditures. However, the cost of the investment in joint venture is recorded as an asset in the statements of net assets.

\$ 88,849

Internal service funds are used by management to charge the cost of fleet maintenance and self-insurance activities to individual funds. The net revenues of the internal service funds are reported with governmental activities.

734,029

Change in net assets of governmental activities (page 25)

\$ (415,270)

See notes to basic financial statements.

City of Palm Beach Gardens, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2012

	Governmental Activities
	Internal Service Funds
Assets:	
Current assets:	
Cash and cash equivalents	\$ 2,387,918
Investments	1,650,000
Inventory	82,297
Prepaid expenses	24,000
Total current assets	<u>4,144,215</u>
Noncurrent assets:	
Capital assets being depreciated, net	<u>1,293,982</u>
Total noncurrent assets	<u>1,293,982</u>
Total assets	<u>\$ 5,438,197</u>
Liabilities:	
Current liabilities:	
Accounts payable	\$ 181,318
Claims payable	798,950
Total current liabilities	<u>980,268</u>
Noncurrent liabilities:	
Claims payable	284,984
Compensated absences payable	29,956
Total noncurrent liabilities	<u>314,940</u>
Total liabilities	<u>\$ 1,295,208</u>
Net Assets:	
Invested in capital assets	\$ 1,293,982
Unrestricted	2,849,007
Total net assets	<u>\$ 4,142,989</u>

See notes to basic financial statements.

City of Palm Beach Gardens, Florida
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended September 30, 2012

	Governmental Activities
	Internal Service Funds
Operating revenues:	
Charges for service	\$2,397,685
Employer contributions	6,167,260
Employee contributions	749,919
Miscellaneous	93,882
Total operating revenues	9,408,746
Operating expenses:	
Personnel expenses	844,419
Claims expense	4,786,484
Insurance premiums	481,351
Repair and maintenance	318,236
Fuel and chemicals	797,839
Operating supplies	146,586
Other professional and contractual	761,426
Other expenses	4,029
Depreciation	474,596
Total operating expenses	8,614,966
Operating income	793,780
Nonoperating revenues:	
Investment income	385
Total nonoperating revenues	385
Income before transfers	794,165
Transfers out	(60,136)
Change in net assets	734,029
Net assets, beginning	3,408,960
Net assets, ending	\$4,142,989

See notes to basic financial statements.

City of Palm Beach Gardens, Florida
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2012

	Governmental Activities
	<u>Internal Service Funds</u>
Cash flows from operating activities:	
Receipts for interfund services provided	\$ 9,392,788
Payments to suppliers for goods and services	(2,334,296)
Payments to employees for services	(849,941)
Payments for claims	(5,230,758)
Other operating revenues	93,882
Net cash provided by operating activities	<u>1,071,675</u>
Cash flows from noncapital financing activities:	
Transfers to other funds	(60,136)
Net cash used in noncapital financing activities	<u>(60,136)</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(383,632)
Net cash used in capital and related financing activities	<u>(383,632)</u>
Cash flows from investing activities:	
Purchases of investments	(1,650,000)
Interest earned	385
Net cash used in investing activities	<u>(1,649,615)</u>
Net decrease in cash and cash equivalents	(1,021,708)
Cash and cash equivalents, beginning of year	<u>3,409,626</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,387,918</u></u>

Continued on next page.

City of Palm Beach Gardens, Florida
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended September 30, 2012

	Governmental Activities
	Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 793,780
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	474,596
Changes in operating assets and liabilities:	
Accounts receivable	77,923
Inventory	107,950
Prepaid expenses	19,824
Accounts payable	47,398
Claims payable	(444,274)
Compensated absences	(5,522)
Total adjustments	277,895
Net cash provided by operating activities	\$ 1,071,675

See notes to basic financial statements.

City of Palm Beach Gardens, Florida
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2012

	Pension Trust Funds
Assets:	
Cash and cash equivalents	\$ 7,854,052
Investments, at fair values:	
U.S. Government obligations	2,875,671
Mortgage backed securities	8,734,234
Fixed income funds	811,742
Corporate obligations	15,186,121
Equity securities	31,107,862
Equity funds	27,556,999
International funds	8,069,507
International bond funds	1,545,948
Real estate funds	4,225,475
Total investments	<u>100,113,559</u>
Receivables:	
Interest	240,628
State of Florida	133,940
Employees	45,694
Total receivables	<u>420,262</u>
Prepaid expenses	<u>138,599</u>
Total assets	<u>\$ 108,526,472</u>
Liabilities:	
Accounts payable	\$ 115,513
Pending trades payable	322,083
Due to DROP Account	945,148
Total liabilities	<u>\$ 1,382,744</u>
Net assets:	
Net assets held in trust for pension benefits	<u>\$ 107,143,728</u>

See notes to basic financial statements.

City of Palm Beach Gardens, Florida
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended September 30, 2012

	Pension Trust Funds
Additions:	
Contributions:	
Employer	\$ 7,885,299
Insurance premium taxes collected by the State of Florida on behalf of the City of Palm Beach Gardens	1,191,787
Employee	<u>1,135,168</u>
Total contributions	<u>10,212,254</u>
Investment earnings:	
Net appreciation in fair value of investments	14,620,030
Interest and dividends	<u>2,211,779</u>
Total investment earnings	16,831,809
Less investment expense	<u>(425,285)</u>
Net investment earnings	<u>16,406,524</u>
Total additions	<u>26,618,778</u>
Deductions:	
Pension benefits	3,335,009
Refund of participant contributions	24,061
Administrative expenses	<u>215,247</u>
Total deductions	<u>3,574,317</u>
Change in net assets	23,044,461
Net assets, beginning	<u>84,099,267</u>
Net assets, ending	<u><u>\$ 107,143,728</u></u>

See notes to basic financial statements.



NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

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

A. Financial Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial

Note 1. Summary of Significant Accounting Policies (continued)

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

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

The City reports the following major governmental funds:

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

The **Road Impact Fund** – This capital projects fund accounts for the cost of acquiring, constructing and placing into service improvements using impact fees collected for the purpose of improving roads within the City.

Additionally, the City reports the following fund types:

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed in both the government-wide and proprietary fund type financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

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

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

Note 1. Summary of Significant Accounting Policies (continued)

fund are charges to other funds for usage. Operating expenses for the internal service fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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 reported at fair value. Money market mutual funds are reported at cost which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price or exchange rates. Quoted market prices are used to value investments. Net appreciation (depreciation) in fair value of investments includes the difference between cost and fair value of investments held as well as the net realized gains and losses for securities which are sold. Interest and dividend income are recognized on the accrual basis when earned. Purchases and sales of investments are recorded on a trade basis.

Interfund receivables and payables: Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

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

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

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

Unearned revenue: Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, unearned revenues consist of local business taxes, impact fees, and charges for recreation programs that were collected by the end of the fiscal year that relate to and will be earned in the subsequent fiscal year.

Capital assets: Capital assets, which include property, plant, equipment and infrastructure (e.g., streets, sidewalks, drainage or similar items) are reported in governmental activities in the government-wide financial statements and proprietary fund financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date of donation. Lease agreements that qualify as capital leases are recorded at the present value of their future minimum lease payments as of the inception date.

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

On-behalf payments: The City receives on-behalf payments from the State of Florida to be used for Police and Fire-Rescue pension benefits. Such payments are recorded as intergovernmental revenue and public safety expenditures in the GAAP basis government-wide and general fund financial statements, but are not budgeted and therefore are not included in the general fund budgetary comparison schedule. On-behalf payments paid to the City by the State totaled \$1,191,787 for the year ended September 30, 2012. Pursuant to City Ordinance, the Fire Pension deducts 2% of the total compensation for participants from the Chapter 175 taxes received during the fiscal year and allocates this amount as Employee Contributions in lieu of increasing the members’ contribution rate.

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

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

Net other postemployment benefit obligations: The City is required to calculate and recognize a net other postemployment benefit obligation at September 30, 2012. The net other postemployment benefit obligation is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since October 1, 2011. Net other postemployment benefit obligations have typically been liquidated in the general fund.

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Committed – Represents amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances approved by the City Council.

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

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

The goal of the City's fund balance policy is to achieve and maintain an Unassigned Fund Balance in the General Fund at fiscal year-end of not less than 17% of expenditures, which represents approximately two (2) months' operating expenditures. If the Unassigned Fund Balance at fiscal year-end falls below the goal, the City shall develop a restoration plan to achieve and maintain the minimum fund balance. At the end of the fiscal year, the City's unassigned fund balance equaled 38.7% of expenditures.

When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

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

Note 2. Cash and Cash Equivalents and Investments

Cash and Cash Equivalents: Cash and cash equivalents at September 30, 2012, excluding amounts held by Fiduciary Funds, include petty cash of \$3,855 and deposits with financial institutions with a carrying value of \$10,835,368 and a bank balance of \$10,687,027 and money market mutual funds with a carrying value of

Note 2. Cash and Cash Equivalents and Investments (continued)

\$3,289,018. Cash and short term investments of the Fiduciary Funds at September 30, 2012, consist of money market mutual funds with a carrying value of \$7,854,052.

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. Accordingly, all deposits with financial institutions are considered fully insured. The money market mutual fund deposits are uninsured and uncollateralized.

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

The carrying value (fair value) of investments at September 30, 2012, was as follows:

	Primary Government	Fiduciary Funds
U.S. Government obligations	\$ 10,192,202	\$ 2,875,671
Mortgage backed securities	13,859,537	8,734,234
Commercial paper	7,993,560	-
Fixed income funds	-	811,742
Corporate obligations	-	15,186,121
Municipal obligations	-	315,180
Equity securities	-	31,107,862
Equity funds	-	27,556,999
International funds	-	8,069,507
International bond funds	-	1,545,948
Real estate funds	-	4,225,475
Total Investments	\$ 32,045,299	\$ 100,113,559

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.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk disclosures are required for debt investment pools—such as bond mutual funds

Note 2. Cash and Cash Equivalents and Investments (continued)

and external bond investment pools—that do not meet the requirements to be reported as a 2a7-like pool. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Cash equivalents have a weighted average maturity of ninety days or less, resulting in minimal interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s investment policy states that on any given date, at least 40% of the investment portfolio shall mature within one year, not more than 20% of the investment portfolio shall mature beyond five (5) years, and no security may have a maturity (or expected life) of greater than fifteen (15) years. Although the Fiduciary Funds’ investment policies do not provide limitations as to maturities, the Funds minimize the risk of fair value losses in fixed income portfolios due to rising interest rates by structuring the investment portfolio so that securities mature to meet ongoing cash requirements, thereby avoiding the need to sell securities on the open market prior to maturity; and by investing operating funds primarily in shorter-term securities or by cash flow projections. The table below summarizes the scheduled maturities of fixed income investments at September 30, 2012:

Investment Types	Investment Maturities				
	Fair Value	Less Than One Year	One to Five Years	Six to Ten Years	More Than Ten Years
Primary Government					
U.S. Government obligations	\$10,192,202	\$ -	\$10,192,202	\$ -	\$ -
Mortgage backed securities	13,859,537	518,870	13,340,667	-	-
Commercial paper	7,993,560	7,993,560	-	-	-
Total Primary Government	\$32,045,299	\$8,512,430	\$23,532,869	\$ -	\$ -
Fiduciary Funds					
U.S. Government obligations	\$ 2,875,671	\$ 65,300	\$ 1,129,878	\$ 613,580	\$1,066,913
Mortgage backed securities	8,734,234	-	878,987	1,117,301	6,737,946
Fixed income funds	811,742	-	811,742	-	-
Corporate obligations	15,186,121	212,735	5,357,098	8,702,481	913,807
Total Fiduciary Funds	\$27,607,768	\$ 278,035	\$ 8,177,705	\$10,433,362	\$ 8,718,666

Credit Risk: Credit risk is the risk that an issuer will not fulfill its obligations. The City’s investment policy minimizes credit risk by limiting investments to the safest types of securities and diversifying the investment portfolio. Investments in short-term corporate obligations are limited to corporations with assets exceeding \$500,000,000, and whose obligations are rated at the time of purchase at one of three highest classifications established by at least two Nationally Recognized Statistical Rating Organizations (NRSRO), which mature not later than 180 days from date of purchase, and do not exceed 10% of the corporation’s obligations. In addition to the previously mentioned investments, the Police Pension Plan’s investment policy limits corporate obligations to only those holding a rating of one of the three highest classifications by an NRSRO. Neither the Fire Pension nor the General Employee Pension Plans’ investment policies limit corporate obligations to those with one of the three highest classifications by an NRSRO. The NRSRO ratings for the City’s investments at September 30, 2012, are summarized below.

Investment Type	NRSRO Rating	Fair Value
Fixed income funds	AA/V4	\$ 811,742
U.S. Gov’t bonds & notes	AAA...AA+	2,048,738
U.S. Gov’t bonds & notes	Aaa...AA+	10,192,202
U.S. Gov’t securities	Aaa	826,933
U.S. Gov’t agency securities	AAA...AA+	2,635,572
U.S. Gov’t agency securities	Aaa	6,098,662
U.S. Gov’t agency securities	Aaa...AA+	13,859,537
Commercial paper	A-1+	7,993,560
Corporate obligations	AAA...BBB+	9,463,540
Corporate obligations	Aaa...Ba1	5,407,401

Note 2. Cash and Cash Equivalents and Investments (continued)

Investment Type	NRSRO Rating	Fair Value
Municipal obligations	AAA...AA-	\$ 315,180
Equity securities	Unrated	31,107,862
Equity funds	Unrated	1,235,441
Pooled equity trust funds	Unrated	24,762,007
Int'l equity mutual funds	Unrated	5,751,155
Int'l bond mutual funds	Unrated	3,105,499
Int'l equity common trust funds	Unrated	2,318,352
Real estate common trust funds	Unrated	557,928
Comingled real estate funds	Unrated	3,667,547

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

Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. The City 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 City’s pension plans’ investment policies limit investments in the stock of any one issuing company to 5% of the Plans’ assets and to 5% of the outstanding capital stock of any issuing company. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement. As of September 30, 2012, none of the City’s general investments or pension plan investments exceeded 5% of plan net assets.

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 City’s investments at September 30, 2012, the City’s Police and Fire fiduciary funds invest in international equity mutual, international bond and international common trust funds that had a fair value of \$11,175,006 at September 30, 2012.

Note 3. Accounts Receivable

Accounts receivable and the related allowance for doubtful accounts at September 30, 2012, are summarized as follows:

	Gross Accounts Receivable	Allowance For Doubtful Accounts	Net Accounts Receivable
Governmental Activities			
Due from EMS	\$ 1,916,153	\$ (1,655,228)	\$ 260,925
Franchise fees	1,082,481	-	1,082,481
Utility taxes	184,982	-	184,982
Interest	33,844	-	33,844
Extra police services	32,875	-	32,875
Other miscellaneous services	137,149	(78,071)	59,079
Total governmental activities	\$ 3,387,484	\$ (1,733,299)	\$ 1,654,186

Note 4. Property Taxes

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

The tax levy of the City is established by the Council prior to October 1st of each year during the budget process. The Palm Beach County Property Appraiser incorporates the City's millage into the total tax levy, which includes the County, County School Board, and special district tax requirements. The millage rate assessed by the City for the year ended September 30, 2012, was 5.9225 (\$5.9225 for each \$1,000 of assessed valuation).

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

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

Note 5. Capital Assets

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

	Balance October 1, 2011	Additions/ Transfers	Retirements/ Transfers	Balance September 30, 2012
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 14,852,345	\$ -	\$ -	\$ 14,852,345
Construction in progress	4,500,828	1,038,012	(3,213,703)	2,325,137
Total capital assets not being depreciated	19,353,173	1,038,012	(3,213,703)	17,177,482
Capital assets being depreciated:				
Buildings	35,272,839	362,688	(12,000)	35,623,527
Roadways	65,632,413	-	-	65,632,413
Drainage and structures	17,760,417	-	-	17,760,417
Machinery and equipment	23,364,777	2,229,946	(127,130)	25,467,593
Improvements other than buildings	15,423,486	1,605,795	(185,025)	16,844,256
Total capital assets being depreciated	157,453,932	4,198,429	(324,155)	161,328,206
Less accumulated depreciation:				
Buildings	(13,748,506)	(1,357,208)	12,000	(15,093,714)
Roadways	(38,392,257)	(1,265,687)	-	(39,657,944)
Drainage and structures	(3,795,410)	(199,107)	-	(3,994,517)
Machinery and equipment	(17,088,604)	(2,450,073)	119,965	(19,418,712)
Improvements other than buildings	(7,850,306)	(846,652)	185,025	(8,511,933)
Total accumulated depreciation	(80,875,083)	(6,118,727)	316,990	(86,676,820)
Total capital assets being depreciated, net	76,578,849	(1,920,298)	(7,165)	74,651,386
Governmental activities capital assets, net	\$ 95,932,022	\$ (882,286)	\$ (3,220,868)	\$ 91,828,868

Note 5. Capital Assets (Continued)

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 544,213
Public safety	1,714,616
Culture and recreation	1,932,366
Physical environment	546,071
Transportation	1,381,461
Total depreciation expense – governmental activities	\$ 6,118,727

Note 6. Long-Term Debt

Changes in Long-Term Liabilities

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

	Balance October 1, 2011	Additions	Reductions	Balance September 30, 2012	Due Within One Year
Governmental activities:					
Capital leases payable	\$ 762,039	\$ 136,451	\$ (97,277)	\$ 801,213	\$ 296,094
Compensated absences	2,844,951	2,825,957	(2,890,495)	2,780,413	187,004
General obligation bonds payable	8,579,140	-	(1,089,443)	7,489,697	1,124,584
Public improvement and refunding bonds payable	15,155,000	16,190,000	(16,920,000)	14,425,000	1,880,000
Add premium on revenue bonds	320,246	101,428	(330,955)	90,719	-
Less deferred loss on bonds	(1,141,446)	(1,752,598)	1,168,692	(1,725,352)	-
Public improvement bonds payable	2,032,201	-	(376,853)	1,655,348	391,097
Claims payable	561,853	4,468,885	(4,745,754)	284,984	284,984
Net OPEB obligation	1,366,000	675,000	(135,000)	1,906,000	-
Total governmental activities	\$ 30,479,984	\$22,645,123	\$(25,417,085)	\$ 27,708,022	\$ 4,163,763

Capital Leases Payable

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

Assets acquired through capital leases are as follows:

	Governmental Activities
Assets:	
Machinery and equipment	\$ 1,553,439
Less accumulated depreciation	(1,139,213)
Total	\$ 414,225

Note 6. Long-Term Debt (continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2012 were as follows:

Year Ending September 30,	Governmental Activities
2013	\$ 336,634
2014	111,355
2015	111,355
2016	98,819
2017	73,749
2018	184,400
Total minimum lease payments	916,312
Less amount representing interest	(115,099)
Present value of minimum lease payments	<u>\$ 801,213</u>

**Outstanding
Balance**

Bonds Payable

General Obligation Bonds

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

Series 2000

The City issued \$1,200,000 General Obligation Bonds, Series 2000 on July 28, 2000. Interest on the bonds is 5.23% and is payable semi-annually on January 1 and July 1 commencing on January 2, 2001. Principal payments will be due July 1 each year beginning July 1, 2001 through July 1, 2015. Debt service payments will be made from the general fund.

\$ 318,689

Series 2005

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

3,670,440

Series 2010

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

3,500,568

Total general obligation bonds

\$ 7,489,697

Note 6. Long-Term Debt (continued)

Public Improvement Bonds

Series 2005

On December 15, 2005, the City approved, through adoption of Resolution 170, 2005, the issuance of Public Improvement Bond, Series 2005, in the amount of \$1,155,200 for the purpose of financing the cost of improvements to the City's Golf Course. Interest at the rate of 3.78% is payable semi-annually on June 1 and December 1. Principal is payable in annual installments of \$98,809 to \$135,533, with the final payment due December 1, 2015. Debt service payments will be made from the general fund.

\$ 513,226

Series 2006

On April 6, 2006, the City approved, through adoption of Resolution 37, 2006, the issuance of Public Improvement Bond, Series 2006, in the amount of \$2,600,000 for the purpose of financing the cost of improvements to the City's Parks and Public Safety Facilities. Interest at the rate of 3.78% is payable semi-annually on June 1 and December 1. Principal is payable in annual installments of \$224,151 to \$301,613, with the final payment due December 1, 2015. Debt service payments will be made from the general fund.

1,142,122

Series 2011

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

\$ 14,425,000

Total public improvement bonds

\$ 16,080,348

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

Year Ending September 30	General Obligation Bonds		Public Improvement Bonds		Total All Bonds		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2013	\$ 1,124,584	\$ 221,330	\$ 2,271,097	\$ 406,239	\$ 3,395,681	\$ 627,569	\$ 4,023,250
2014	1,161,067	184,689	1,950,881	364,329	3,111,948	549,018	3,660,966
2015	1,198,790	146,804	1,991,224	326,117	3,190,014	472,921	3,662,935
2016	1,120,300	109,138	2,042,146	280,395	3,162,446	389,533	3,551,979
2017	1,154,419	74,845	1,645,000	237,309	2,799,419	312,154	3,111,573
2018-2022	1,730,537	54,406	5,835,000	499,190	7,565,537	553,596	8,119,133
2023	-	-	345,000	12,937	345,000	12,937	357,937
	\$ 7,489,697	\$ 791,212	\$ 16,080,348	\$ 2,126,516	\$ 23,570,045	\$ 2,917,728	\$ 26,487,773

Series 2011 Public Improvement Refunding Bonds – Current Year

On November 8, 2011, the City issued Public Improvement Refunding Bonds, Series 2011A in the amount of \$4,235,000 and Taxable Public Improvement Refunding Bonds, Series 2011B in the amount of \$11,955,000. The bonds were issued for the purpose of advance refunding all of the City's outstanding Public Improvement and Refunding Bonds, Series 2003. The refunding resulted in a present value economic gain of \$272,950 and reduced required debt service payments by \$297,355. The refunding also resulted in the release of bond covenant restrictions on \$2,395,707 of fund balance that was restricted for debt service requirements.

The outstanding portion of the refunded bonds is being held in an irrevocable trust fund. As of September 30, 2012, the amount of defeased debt outstanding, but removed from the City's government-wide financial statements is \$13,550,000.

In-Substance Defeasance – Prior Years

In 2003, the City defeased a bond issue (Florida Intergovernmental Finance Commission Capital Revenue Bonds,

Note 6. Long-Term Debt (continued)

2001 Series B) by creating a separate irrevocable trust fund. New debt was issued and the proceeds of the new debt were used to purchase U.S. government securities that were placed in an irrevocable trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of September 30, 2012, the amount of defeased debt outstanding, but removed from the City's government-wide financial statements is \$11,365,000.

Note 7. Interfund Transfers

The following is a summary of transfers by fund type for the year ended September 30, 2012:

Transfer Out	Transfer In	
	General Fund	Total
Other governmental funds	\$743,460	\$743,460
Internal service funds	60,136	60,136
	\$803,596	\$803,596

Transfers were made to move funds to the general fund as part of budget authorizations to reclassify a position from the internal service fund and to transfer a project from other governmental funds to the general fund. A transfer to the general fund from the road impact fund was made for scheduled debt service payments.

Note 8. Pension Plans

Florida Retirement System – Defined Benefit Plan

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

The FRS is a cost-sharing, multiple employer defined benefit pension plan. FRS was created by the Florida Legislature and is administered by the State of Florida, Department of Management Services, Division of Retirement. FRS provides retirement, disability or death benefits for retirees or their designated beneficiaries. All retirement legislation must comply with Article X, Section 14 of the State Constitution and Part VII, Chapter 112 Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis.

FRS issues a publicly available financial report that includes statements of financial condition, investment objectives and policy, an actuarial report, historical and statistical information on active members, annuitants, and benefit payments, as well as a description of the retirement plans. The report may be obtained by writing to the Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000.

Employees in the Florida Retirement System Pension Plan and Investment Plan are required to contribute 3% of their income as part of SB 2100 FRS reform measures that passed in the 2011 Florida legislative session. Contribution percentage amounts are subject to change each year based on legislative law changes, investment experience and the actuarial experience of the trust fund. As of September 30, 2012, the City's required annual

Note 8. Pension Plans (continued)

contribution is 5.18% of the covered salary for general employees, 6.30% for senior management, and 10.23% for elected officials. The City's contributions to FRS for the years ended September 30, 2012, 2011, and 2010 were \$620,532, \$1,127,214, and \$1,222,317, respectively, equal to 100% of the required contributions for each year.

City Sponsored – Defined Benefit Plans

Plan Descriptions:

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

At the election of the Pension Boards, separate audited financial statements are produced for the Police Pension and the Fire Pension. The General Employees Pension does not issue separate statements. The stand-alone statements for the Police Pension and the Fire Pension can be obtained from the respective pension boards.

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

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

Basis of Accounting:

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

Investments:

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

Note 8. Pension Plans (continued)

Actuarial Assumptions:

The following schedule is derived from the respective actuarial reports and City information for the three pension plans as part of the actuarial valuation pertaining to the year ended September 30, 2012.

	General Employees'	Police	Fire
Asset Valuation:			
Reporting	Fair value	Fair value	Fair value
Actuarial Valuation	4-year smoothed	(1)	4-year smoothed
Legal Reserves	None	None	None
Long-Term Receivable	None	None	None
Internal/Participant Loans	None	None	None
Membership and Plan Provisions:			
Members:			
Active Participants	2	93	114
Retirees and Beneficiaries	13	45	11
Terminated Vested	2	1	2
Normal Retirement Benefits:			
Retirement Age	62	52	52
Years of Service (minimum)	None	10	10
Accrual	2.50%	3.50%	3.00%
Maximum	None	100.00%	99.00%
Years to Vest	10	10	10
Contributions:			
Actuarial Rate:			
City	107.18%	42.42%	36.75%
State	N/A	4.62%	1.91%
Participants	6.00%	8.60%	6.00%
Actuarial Valuation Date	10/1/2011	10/1/2010	09/30/2010
Asset Valuation Method	4-year smoothed market	(1)	4-year smoothed market
Actuarial Methods:			
Actuarial Cost Method	Aggregate Cost	Entry age Normal	Projected Unit Credit
Amortization Method	Level percent of pay, open	Level percent of pay, closed	Level percent of pay, closed
Amortization Period	30 years	26 years	25 years
Significant Actuarial Assumptions:			
Investment return	7.25%	7.50%	8.25%
Projected salary increases	5.00%	7.50%	4.50%
Inflation	(3)	3.00%	4.50%
Cost of living adjustments	(3)	N/A	1%-3%(2)

(1) Effective October 1, 2006, the asset valuation method was changed from the five year smoothed method to a method that recognizes 20% of the difference between market value of assets and expected actuarial asset value.

(2) 1.0% for age 53, 2% for age 54, and 3% over age 55.

(3) Included in projected salary increases.

Note 8. Pension Plans (continued)

Annual Pension Cost and Net Pension Asset

The City's annual pension cost and net pension (obligation)/asset for the General Employees' Pension and the Police Pension for the current year were as follows:

	General Employees' Pension	Police Pension
Annual Required Contributions (ARC)	\$ 130,810	\$ 4,198,183
Interest on net pension obligation/(asset)	3,370	(14,872)
Adjustment to annual required contribution	(3,581)	23,829
Annual Pension Cost (APC)	130,599	4,207,140
Contributions made	130,810	4,198,183
Decrease in net pension (obligation)/asset	(211)	8,957
Net pension obligation/(asset), beginning of year	46,482	(200,973)
Net pension obligation/(asset), end of year	\$ 46,271	\$ (192,016)

Three Year Trend Information:

The City's annual required contribution and actual contributions for each plan for the last three fiscal years ended September 30, is shown below. The 2012 required contributions were determined as part of the actuarial valuation pertaining to year ended September 30, 2012, for each plan:

	Three Year Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Obligation) Asset
General Employees' Pension:			
2010	\$ 121,807	64.0%	\$ (44,054)
2011	127,701	98.0%	(46,482)
2012	130,599	100.2%	(46,271)
Police Pension:			
2010	\$4,380,133	99.7%	\$ 211,435
2011	4,308,678	99.7%	200,973
2012	4,207,140	99.7%	192,016
Fire Pension:			
2010	3,550,238	100.0%	-
2011	3,745,497	100.0%	-
2012	3,974,487	100.0%	-

Funded Status:

The schedule of funding progress presents information about the actuarial value of plan assets relative to the actuarial accrued liability for the year ended September 30, 2012.

Note 8. Pension Plans (continued)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
General Employees' Pension						
10/1/2011	\$ 2,081,483	\$ 3,143,437	\$ 1,061,954	66.22%	\$ 122,051	870.09%
Police Pension						
10/1/2010	41,948,009	71,341,740	29,393,731	58.80%	8,499,722	345.82%
Fire Pension						
09/30/2010	31,110,381	49,208,059	18,097,678	63.22%	10,072,000	179.68%

The required Schedule of Funding Progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The General Employees Pension does not issue separate stand-alone financial statements, therefore, included below is the financial information for the Plan as of and for the year ended September 30, 2012:

General Employees Pension Trust Fund

Assets:	
Cash and cash equivalents	\$ 50,341
Investments	2,047,183
Receivables	224
Total assets	<u>2,097,748</u>
Liabilities:	
Accounts payable	1,049
Net assets held in trust for pension benefits	<u>\$ 2,096,699</u>
Additions:	
Contributions:	
Employer	\$ 125,273
Employees	9,788
Total contributions	<u>135,061</u>
Investment earnings (loss):	
Net appreciation in the fair value of investments	\$ 320,991
Less investment expenses	(4,096)
Net investment earnings	<u>316,895</u>
Total additions	<u>451,956</u>
Deductions:	
Pension benefits	262,250
Administrative expenses	6,506
Total deductions	<u>268,756</u>
Change in net assets	<u>183,200</u>
Net assets, beginning	<u>1,913,499</u>
Net assets, ending	<u>\$ 2,096,699</u>

Note 8. Pension Plans (continued)

Defined Contribution Plan

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

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

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

The City's contributions were calculated using the base salary amount of \$1,329,953 for the General Plan and \$227,499 for the Executive Plan. The City made its required contributions of \$132,199 for the General Plan and \$34,914 for the Executive Plan and employees made their required contributions of \$50,129 to the General Plan.

Deferred Compensation Plan

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

Note 9. Other Postemployment Benefits

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

Plan Description

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

Benefits Provided

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

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

Note 9. Other Postemployment Benefits (continued)

Membership

As of September 30, 2012, membership consisted of:

Membership September 30, 2012	
Active Employees	424
Retirees	15
Total	439

Funding Policy

The City establishes the individual premium to be paid by the retired employees. The State of Florida prohibits the City from separately rating retired employees and active employees. As a result, the City's premium charges to retired employees can be no more than the premium cost applicable to active employees. Generally accepted accounting principles, however, require that the actuarial information presented below be calculated using age adjusted premiums approximating claims costs for retirees separate from the active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. For the year ended September 30, 2012, retired employees contributed \$164,805 to the plan. For those employees, through its Self Insurance Fund, the City paid \$215,098 in claims and administrative costs resulting in a net cost of \$50,293. Active employees do not contribute 100% of the premium cost to the plan until retirement.

Annual OPEB Cost and Annual OPEB Obligation

The City's actuarial valuation was performed for the plan as of October 1, 2011 and determined the employer's annual required contribution (ARC) for the year ended September 30, 2012. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, benefit payments made, and the changes in the net OPEB obligation.

Annual Required Contribution (ARC)	\$ 673,000
Interest on net OPEB obligation	55,000
Adjustment to annual required contribution	(53,000)
Annual OPEB cost	675,000
Benefit payments made	(135,000)
Increase in net OPEB obligation	540,000
Net OPEB obligation, beginning of year	1,366,000
Net OPEB obligation, end of year	\$1,906,000

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

Fiscal Year Ended	Beginning Net OPEB Obligation	Annual OPEB Cost	Benefit Payments	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2010	\$ 327,000	\$ 678,000	\$ 141,000	20.80%	\$ 864,000
9/30/2011	864,000	631,000	129,000	20.44%	1,366,000
9/30/2012	1,366,000	675,000	135,000	20.00%	1,906,000

Note 9. Other Postemployment Benefits(continued)

Funded Status

The funded status of the plan at October 1, 2011, the most recent actuarial valuation date, was as follows:

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2011	\$ -	\$ 7,208,000	\$ 7,208,000	0.00%	\$ 28,366,590	25.41%

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

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projections do not explicitly incorporate the potential effects of legal or contractual funding limitations. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2011 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included 4% investment rate of return (net of administrative expenses), a discount rate of 4%, an annual healthcare cost trend rate of 8.76% decreasing until it reaches 4.90%, and salary scale growth of 4%. Life expectancies were based upon data found in the RP-2000 healthy and disability tables. The actuarial value of assets was not determined as the City has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at September 30, 2012 was twenty-seven years.

Note 10. Contingent Liabilities

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

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

Note 11. Commitments

Commitments on major construction contracts consist of the following:

<u>Project</u>	<u>Total Project Authorization</u>	<u>Expended at September 30, 2012</u>	<u>Balance to Complete</u>
Bridge Refurbishment Project	\$ 1,367,000	\$ 95,863	\$ 1,271,137
Plant/Lilac Park Expansion	500,000	34,860	465,140
Municipal Complex Civic Enhancement	818,000	610,904	207,096
Emergency Operations Center	4,338,847	4,143,556	195,291
PGA Park Improvements	1,974,260	1,820,744	153,516
	<u>\$ 8,998,107</u>	<u>\$ 6,705,927</u>	<u>\$ 2,292,180</u>

Solid Waste, Recycling, and Vegetative Waste Collection Services

On February 17, 2006, the City entered into an agreement with Waste Management, Inc. of Florida granting an exclusive solid waste, recycling and vegetative waste collection services franchise. The City renewed a five year option for the agreement on April 5, 2012 which will terminate on March 30, 2018. The cost of the contract totaled \$2,612,427 for the year ended September 30, 2012.

Note 12. Jointly Governed Organization

The City, through an interlocal agreement with certain other municipalities and Palm Beach County, created the Seacoast Utility Authority ("Seacoast") which provides water and sewer service to the citizens of each of the participating municipalities and a portion of Palm Beach County. Seacoast's governing board is comprised of one member from each participating entity. Seacoast is an independent authority organized under the laws of the State of Florida and the City has no participating equity ownership in Seacoast. The City paid \$104,557 to Seacoast during the fiscal year for water and sewer service.

Note 13. Risk Management and Health Insurance

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

Self-Insurance Fund

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

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

Note 13. Risk Management and Health Insurance (continued)

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

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

Year Ended September 30,	Claims Payable Beginning of Year as Restated	Claims and Changes in Estimates	Claim Payments	Claims Payable End of Year as Restated
2010	\$ 576,801	\$ 4,370,094	\$ (4,390,185)	\$ 556,710
2011	556,710	4,336,082	(4,330,939)	561,853
2012	561,853	4,468,885	(4,745,754)	284,984

Note 14. Investment in Joint Venture

The City entered into an interlocal agreement with two other municipalities in Palm Beach County to purchase and operate a county-wide public safety communications system. The interlocal agreement established the Municipal Public Safety Communications Consortium of Palm Beach County (“MPSCC”) whose purpose is to provide its members with expanded radio communications services (via the 800MHz trunked radio system) to aid in public safety over a larger geographical region. The MPSCC is a cost sharing organization. Its annual budget is prepared by the Executive Director and approved by the Board of Directors. The member municipalities of the MPSCC are obligated for the debt incurred by the consortium and each municipality is responsible for their respective portion of costs incurred by the MPSCC. The City’s initial investment in this joint venture was \$676,200, which represents 13.8% of the total consortium investment. During the current fiscal year, the City had expenditures of \$88,849 relating to the consortium. The City’s investment in the Joint Venture is \$1,135,008 as of September 30, 2012. Separate financial statements for the MPSCC may be obtained from, Palm Beach Gardens Police Commander, Attention: Ernie Carr, 10500 Military Trail, Palm Beach Gardens, Florida 33410.

Note 15. Interlocal Agreement

On September 30, 2010, the City adopted Resolution 74, 2010, entering into an agreement with two other municipalities (the Town of Jupiter and Town of Juno Beach) to provide consolidated police dispatch operations in Palm Beach County. The Northern Municipal Regional Communications Center’s (NMRCC) budget for the fiscal year was \$2,593,507 which was offset by \$41,335 in Palm Beach County 911 reimbursements. In addition, each participating municipality was responsible for its pro-rata share of administrative service fees totaling \$389,307.

The allocation of expenditures to the three municipalities is based on population with the City’s share at 48%, the Town of Jupiter at 48% and the Town of Juno Beach at 4%. The City received payments from the Town of Jupiter and the Town of Juno Beach for dispatch services totaling \$1,527,235, which included an administrative services fee of \$202,131. The City was responsible for \$1,227,068. Actual expenditures were less than the dispatch operations budget during the fiscal year by \$74,548. This amount is shown as restricted to law enforcement on the governmental funds balance sheet.

Note 16. Pronouncements Issued, But Not Yet Adopted

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* issued November 2010, is effective for the City beginning with its fiscal year ending September 30, 2013. The objective of this

Note 16. Pronouncements Issued, But Not Yet Adopted (continued)

Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties.

Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* issued November 2010, is effective for the City beginning with its fiscal year ending September 30, 2013. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No.14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* issued December 2010, is effective for the City beginning with its fiscal year ending September 30, 2013. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* issued June 2011, is effective for the City beginning with its fiscal year ending September 30, 2013. The objective of this Statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.

Statement No. 65, *Items Previously Reported as Assets and Liabilities* issued March 2012, is effective for the City beginning with its fiscal year ending September 30, 2014. The objective of this Statement is to improve financial reporting by establishing accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62* issued March 2012, is effective for the City beginning with its fiscal year ending September 30, 2014. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25* issued June 2012, is effective for the City beginning with its fiscal year ending September 30, 2014. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of

Note 16. Pronouncements Issued, But Not Yet Adopted (continued)

Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* issued June 2012, is effective for the City beginning with its fiscal year ending September 30, 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter period equity, and creating additional transparency.

The City's management has not yet determined the effect these Statements will have on the City's financial statements.



REQUIRED SUPPLEMENTARY INFORMATION

City of Palm Beach Gardens, Florida
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 Year Ended September 30, 2012

	Original Adopted Budget	Legally Adopted Budget Amendments	Final Revised Budget
Revenues:			
Taxes:			
Ad valorem taxes	\$ 44,064,536	\$ -	\$ 44,064,536
Local business taxes	1,430,000	-	1,430,000
Utility taxes	1,753,205	-	1,753,205
Franchise fees	4,845,000	-	4,845,000
Licenses and permits	1,709,700	-	1,709,700
Intergovernmental	4,673,000	-	4,673,000
Charges for services	3,559,296	-	3,559,296
Fines and forfeitures	247,000	-	247,000
Investment income	507,500	-	507,500
Miscellaneous	575,450	-	575,450
Total revenues	63,364,687	-	63,364,687
Expenditures:			
General Government:			
City Council	377,726	(75,000)	302,726
Administration	502,267	-	502,267
Purchasing and Contract Management	-	142,450	142,450
Information Technology	1,325,605	9,647	1,335,252
City Clerk	393,061	-	393,061
Legal Services	336,695	-	336,695
Engineering Services	271,676	-	271,676
Human Resources	597,544	-	597,544
Finance	881,062	-	881,062
General Services	5,665,688	75,000	5,740,688
Planning and Zoning:			
Administration	417,845	81,219	499,064
Development Compliance	435,634	-	435,634
Planning	244,382	-	244,382
GIS	152,478	-	152,478
Construction Services - Building	1,492,502	-	1,492,502
Code Enforcement	639,984	-	639,984
Total general government	13,734,149	233,316	13,967,465
Public safety:			
Police	21,790,901	478,362	22,269,263
Fire and Emergency Services	17,862,612	469,560	18,332,172
Total public safety	39,653,513	947,922	40,601,435

	Variance With Final Budget	
Actual	Positive	(Negative)
\$ 44,232,540	\$ 168,004	
1,370,720	(59,280)	
1,829,028	75,823	
5,327,897	482,897	
2,414,586	704,886	
5,022,244	349,244	
3,910,601	351,305	
150,291	(96,709)	
297,271	(210,229)	
988,550	413,100	
65,543,728	2,179,041	
266,989	35,737	
511,755	(9,488)	
63,146	79,304	
1,238,753	96,499	
360,785	32,276	
348,781	(12,086)	
217,231	54,445	
612,970	(15,426)	
872,996	8,066	
5,505,065	235,623	
272,493	226,571	
437,891	(2,257)	
272,670	(28,288)	
144,767	7,711	
1,420,134	72,368	
555,177	84,807	
13,101,603	865,862	
21,489,075	780,188	
18,446,417	(114,245)	
39,935,492	665,943	

Continued on next page.

City of Palm Beach Gardens, Florida
Required Supplementary Information
Budgetary Comparison Schedule (continued)
General Fund
Year Ended September 30, 2012

	Original Adopted Budget	Legally Adopted Budget Amendments	Final Revised Budget
Culture and Recreation:			
Administrative Services	\$ 249,324	\$ -	\$ 249,324
Athletics	76,458	-	76,458
Seniors and Wellness	40,880	-	40,880
Aquatics	362,143	-	362,143
Tennis	122,837	-	122,837
Programs	97,540	-	97,540
Total cultural and recreation	949,182	-	949,182
Physical Environment:			
Administrative Services	515,967	88,312	604,279
Facilities Maintenance	1,468,218	83,537	1,551,755
Stormwater and Street Maintenance	1,302,633	(31,274)	1,271,359
Parks and Grounds	3,063,454	27,761	3,091,215
Total physical environment	6,350,272	168,336	6,518,608
Capital outlay	1,195,000	590,494	1,785,494
Debt Service:			
Principal	3,157,454	10,876	3,168,330
Interest	1,020,403	1,910	1,022,313
Bond Issuance Costs	-	137,142	137,142
Other Debt Service Costs	-	91,923	91,923
Total debt service	4,177,857	241,851	4,419,708
Total expenditures	66,059,973	2,181,919	68,241,892
Excess (deficiency) of revenues over (under) expenditures	(2,695,286)	(2,181,919)	(4,877,205)
Other financing sources/(uses):			
Transfers in	700,490	103,106	803,596
Transfers out	-	-	-
Capital lease	-	-	-
Proceeds of refunding bonds	-	16,190,000	16,190,000
Premium on refunding bonds	-	101,429	101,429
Payment to refunded bond escrow agent	-	(16,062,364)	(16,062,364)
Total other financing sources/(uses)	700,490	332,171	1,032,661
Net change in fund balances	(1,994,796)	(1,849,748)	(3,844,544)
Fund balance, beginning	21,864,542	6,287,714	28,152,256
Fund balance, ending	\$ 19,869,746	\$ 4,437,966	\$ 24,307,712

See notes to required supplementary information.

		Variance With Final Budget Positive (Negative)	
Actual			
\$ 210,527	\$	38,797	
62,104		14,354	
26,954		13,926	
338,867		23,276	
118,193		4,644	
75,964		21,576	
832,609		116,573	
494,875		109,404	
1,476,545		75,210	
1,200,928		70,431	
2,979,302		111,913	
6,151,650		366,958	
1,615,525		169,969	
3,328,573		(160,243)	
850,124		172,189	
117,944		19,198	
91,923		-	
4,388,564		31,144	
66,025,443		2,216,449	
(481,715)		4,395,490	
803,596		-	
-		-	
136,451		136,451	
16,190,000		-	
101,429		-	
(16,062,364)		-	
1,169,112		136,451	
687,397		4,531,941	
28,152,256		-	
\$ 28,839,653	\$	4,531,941	

City of Palm Beach Gardens, Florida
Required Supplemental Information
Schedule of Funding Progress
Defined Benefit Pension Plans
Year Ended September 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
General Employees' Pension						
10/1/2005	\$ 2,590,706	\$ 3,213,215	\$ 622,509	80.63%	\$ 258,902	240.44%
10/1/2006	2,665,022	3,282,189	617,167	81.20%	273,962	225.27%
10/1/2007	2,761,142	3,242,068	480,926	85.17%	130,793	367.70%
10/1/2008	2,823,246	3,304,981	481,735	85.42%	149,940	321.29%
10/1/2009	(2) 2,501,664	3,188,958	687,294	78.45%	157,437	436.55%
10/1/2011	2,081,483	3,143,437	1,061,954	66.22%	122,051	870.09%
Police Pension						
10/1/2005	\$18,950,104	\$35,004,203	\$16,054,099	54.14%	\$ 7,332,448	218.95%
10/1/2006	22,740,838	46,503,218	23,762,380	48.90%	8,322,332	285.53%
10/1/2007	27,799,386	52,230,511	24,431,125	53.22%	8,915,563	274.03%
10/1/2008	32,261,274	60,450,441	28,189,167	53.37%	9,842,874	286.39%
10/1/2009	36,834,622	65,550,027	28,715,405	56.20%	9,290,829	309.07%
10/1/2010	41,948,009	71,341,740	29,393,731	58.80%	8,499,722	345.82%
Fire Pension						
10/1/2005	\$10,791,299	\$28,083,380	\$17,292,081	38.43%	\$ 8,774,107	197.08%
10/1/2006	(1) 13,973,768	29,845,862	15,872,094	46.82%	9,205,470	172.42%
10/1/2007	18,247,947	33,826,082	15,578,135	53.95%	9,549,000	163.14%
10/1/2008	22,307,415	39,302,237	16,994,822	56.76%	9,852,960	172.48%
10/1/2009	26,483,794	44,357,377	17,873,583	59.71%	9,994,000	178.84%
10/1/2010	31,110,381	49,208,059	18,097,678	63.22%	10,072,000	179.68%

(1) Effective October 1, 2006, the Fire Pension plan changed its actuarial cost method from the frozen entry age actuarial cost method to the projected unit credit actuarial cost method.

(2) Effective October 1, 2009, the General Employees Pension plan changed its actuarial cost method from the entry age actuarial cost method to the aggregate actuarial cost method.

See notes to required supplementary information.

City of Palm Beach Gardens, Florida
Required Supplementary Information
Schedule of Employer Contributions
Defined Benefit Pension Plans
Year Ended September 30, 2012

Year Ended September 30,	Annual Required Contribution	City Contribution	Percentage Contributed
General Employees' Pension			
2007	\$ 90,703	\$ 90,703	100.00%
2008	91,488	91,488	100.00%
2009	60,503	60,503	100.00%
2010	77,437	77,437	100.00%
2011	125,273	125,273	100.00%
2012	130,810	130,810	100.00%
Police Pension			
2007	\$ 3,176,791	\$ 3,176,791	100.00%
2008	3,556,548	3,556,548	100.00%
2009	3,762,323	3,762,323	100.00%
2010	4,368,612	4,368,612	100.00%
2011	4,298,216	4,298,216	100.00%
2012	4,198,183	4,198,183	100.00%
Fire Pension			
2007	\$ 2,247,828	\$ 2,247,828	100.00%
2008	3,055,991	3,055,991	100.00%
2009	3,180,731	3,180,731	100.00%
2010	3,550,238	3,550,238	100.00%
2011	3,745,497	3,745,497	100.00%
2012	3,974,487	3,974,487	100.00%

See notes to required supplementary information.

City of Palm Beach Gardens, Florida
Required Supplemental Information
Schedule of OPEB Funding Progress
Other Postemployment Benefits
Year Ended September 30, 2012

Actuarial Valuation Date	Actuarial Value of of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2008	\$ -	\$ 5,912,000	\$ 5,912,000	0.00%	\$ 29,593,635	19.98%
10/1/2010	-	6,693,000	6,693,000	0.00%	27,872,696	24.01%
10/1/2011	-	7,208,000	7,208,000	0.00%	28,366,590	25.41%

Note: Data not available prior to fiscal year 2009 implementation of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

See notes to required supplementary information.

City of Palm Beach Gardens, Florida
Notes to Required Supplementary Information
September 30, 2012

Note 1. Budgetary Information

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

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

The Council holds public meetings to obtain taxpayer comments.

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

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

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

Encumbrances

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

Note 2. Budget and Actual Comparisons

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

	<u>Revenue</u>	<u>Expenditures</u>
Budgetary basis	\$ 65,543,728	\$ 66,025,443
State on-behalf payments for Police and Fire-Rescue pension contributions not included in budgetary basis	1,191,787	1,191,787
	<u>\$ 66,735,515</u>	<u>\$ 67,217,230</u>

Note 3. Pension Plans

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation was as follows:

	General Employees' Pension	Police Pension	Fire Pension
Actuarial Valuation Date	10/1/2011	10/1/2010	09/30/2010
Asset Valuation Method	4-year smoothed market	(1)	4-year smoothed market
Actuarial Methods:			
Actuarial Cost Method	Aggregate Cost	Entry age Normal	Projected Unit Credit
Amortization Method	Level percent of pay, open	Level percent of pay, closed	Level percent of pay, closed
Amortization Period	30 years	26 years	25 years
Actuarial Assumptions:			
Investment rate of return	7.25%	7.5%	8.25%
Projected salary increase	5.0%	7.5%	4.50%
Inflation	(3)	3.0%	4.50%
Cost of living adjustments	(3)	N/A	1%-3% ⁽²⁾

⁽¹⁾ Effective October 1, 2006, the asset valuation method was changed from the five year smoothed method to a method that recognizes 20% of the difference between market value of assets and expected actuarial asset value.

⁽²⁾ 1.0% for age 53, 2% for age 54, and 3% over age 55.

⁽³⁾ Included in projected salary increases.

Note 4. Other Postemployment Benefit Plan

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation was as follows:

Actuarial Valuation Date:	October 1, 2011
Actuarial Cost Method:	Projected Unit Credit Method
Amortization Method:	Level Percentage
Amortization Period:	27 years
Actuarial Assumptions:	
Discount rate	4.00%



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

OTHER GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

Police Grant Fund – This fund is established to comply with Federal guidelines governing the accounting for Department of Justice Law Enforcement grants.

CAPITAL PROJECTS FUNDS

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

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

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

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

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

City of Palm Beach Gardens, Florida
 Combining Balance Sheet
 Other Governmental Funds
 September 30, 2012

	Special Revenue Funds				
	Police Training	Recreation Programs	Golf	Extra Duty Police	Local Option Gas Tax
Assets:					
Cash and cash equivalents	\$ 22,500	\$ 803,620	\$ 81,695	\$ 23,291	\$ 1,854,548
Investments	-	100,000	200,000	100,000	500,000
Receivables	-	-	709	41,748	-
Due from other governments	1,687	-	-	-	52,567
Inventory	-	2,410	33,947	-	-
Total assets	\$ 24,187	\$ 906,030	\$ 316,351	\$ 165,039	\$ 2,407,115
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ -	\$ 32,982	\$ 40,578	\$ 179	\$ 272,236
Accrued liabilities	-	2,388	2,174	-	-
Unearned revenue	-	94,295	9,564	-	-
Total liabilities	-	129,665	52,316	179	272,236
Fund balances:					
Nonspendable:					
Inventory	-	2,410	33,947	-	-
Restricted for:					
Capital improvements	-	-	-	-	-
Road improvements	-	-	-	-	2,134,879
Law enforcement	24,187	-	-	164,860	-
Art improvements	-	-	-	-	-
Assigned	-	773,955	230,088	-	-
Total fund balances	24,187	776,365	264,035	164,860	2,134,879
Total liabilities and fund balances	\$ 24,187	\$ 906,030	\$ 316,351	\$ 165,039	\$ 2,407,115

Police	
Grant	
Fund	Total
\$ -	\$ 2,785,654
-	900,000
-	42,457
-	54,254
-	36,357
\$ -	\$ 3,818,722

\$ -	\$ 345,975
-	4,562
-	103,859
-	454,396

-	36,357
-	-
-	2,134,879
-	189,047
-	-
-	1,004,043
-	3,364,326
\$ -	\$ 3,818,722

Continued on next page.

City of Palm Beach Gardens, Florida
Combining Balance Sheet
Other Governmental Funds (continued)
September 30, 2012

	Capital Projects Funds			
	Recreation Impact	Police Impact	Fire Impact	Art Impact
Assets:				
Cash and cash equivalents	\$ 1,329,909	\$ 188,433	\$ 101,320	\$ 250,376
Investments	500,000	200,000	-	600,000
Receivables	-	-	-	-
Due from other governments	-	-	-	-
Inventory	-	-	-	-
Total assets	\$ 1,829,909	\$ 388,433	\$ 101,320	\$ 850,376
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 2,481	\$ 4,638	\$ 301	\$ -
Accrued liabilities	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	2,481	4,638	301	-
Fund balances:				
Nonspendable:				
Inventory	-	-	-	-
Restricted for:				
Capital improvements	1,827,428	383,795	101,019	-
Road improvements	-	-	-	-
Law enforcement	-	-	-	-
Art improvements	-	-	-	850,376
Assigned	-	-	-	-
Total fund balances	1,827,428	383,795	101,019	850,376
Total liabilities and fund balances	\$ 1,829,909	\$ 388,433	\$ 101,320	\$ 850,376

	Total Other Governmental Funds
Total	
\$ 1,870,038	\$ 4,655,692
1,300,000	2,200,000
-	42,457
-	54,254
-	36,357
\$ 3,170,038	\$ 6,988,760

\$ 7,420	\$ 353,395
-	4,562
-	103,859
7,420	461,816

-	36,357
2,312,242	2,312,242
-	2,134,879
-	189,047
850,376	850,376
-	1,004,043
3,162,618	6,526,944
\$ 3,170,038	\$ 6,988,760

City of Palm Beach Gardens, Florida
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
Year Ended September 30, 2012

	Special Revenue Funds				
	Police Training	Recreation Programs	Golf	Extra Duty Police	Local Option Gas Tax
Revenues:					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 680,533
Impact fees	-	-	-	-	-
Charges for services	-	3,124,116	1,392,857	-	-
Fines and forfeitures	12,785	-	-	-	-
Investment income	-	151	96	-	254
Miscellaneous	-	29,993	93,921	427,831	81,191
Total revenues	12,785	3,154,260	1,486,874	427,831	761,978
Expenditures:					
Current:					
Public safety	14,210	-	-	437,915	-
Culture and recreation	-	3,209,912	1,430,676	-	-
Transportation	-	-	-	-	586,707
Capital outlay	-	-	20,405	-	32,548
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	14,210	3,209,912	1,451,081	437,915	619,255
Excess (deficiency) of revenues over (under) expenditures	(1,425)	(55,652)	35,793	(10,084)	142,723
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	(1,425)	(55,652)	35,793	(10,084)	142,723
Fund balances, beginning	25,612	832,017	228,242	174,944	1,992,156
Fund balances, ending	\$ 24,187	\$ 776,365	\$ 264,035	\$ 164,860	\$ 2,134,879

Police	
Grant	Total
\$ -	\$ 680,533
-	-
-	4,516,973
-	12,785
-	501
-	632,936
-	5,843,728

-	452,125
-	4,640,588
-	586,707
-	52,953

-	-
-	-

-	5,732,373
---	-----------

-	111,355
---	---------

-	-
-	-

-	-
---	---

-	111,355
-	3,252,971
\$ -	\$ 3,364,326

Continued on next page.

City of Palm Beach Gardens, Florida
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds (continued)
Year Ended September 30, 2012

	Capital Projects Funds			
	Recreation Impact	Police Impact	Fire Impact	Art Impact
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Impact fees	494,635	68,774	62,891	19,000
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	308	108	34	173
Miscellaneous	-	-	-	-
Total revenues	494,943	68,882	62,925	19,173
Expenditures:				
Current:				
Public safety	-	2,751	34,053	-
Culture and recreation	19,785	-	-	12,933
Transportation	-	-	-	-
Capital outlay	259,050	64,059	9,994	3,276
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	278,835	66,810	44,047	16,209
Excess (deficiency) of revenues over (under) expenditures	216,108	2,072	18,878	2,964
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	(42,970)
Total other financing sources (uses)	-	-	-	(42,970)
Net change in fund balances	216,108	2,072	18,878	(40,006)
Fund balances, beginning	1,611,320	381,723	82,141	890,382
Fund balances, ending	\$ 1,827,428	\$ 383,795	\$ 101,019	\$ 850,376

	Total Other Governmental Total	Funds
\$	-	\$ 680,533
	645,300	645,300
	-	4,516,973
	-	12,785
	623	1,124
	-	632,936
	645,923	6,489,651
	36,804	488,929
	32,718	4,673,306
	-	586,707
	336,379	389,332
	-	-
	-	-
	405,901	6,138,274
	240,022	351,377
	-	-
	(42,970)	(42,970)
	(42,970)	(42,970)
	197,052	308,407
	2,965,566	6,218,537
\$	3,162,618	\$ 6,526,944

City of Palm Beach Gardens, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Police Training – Special Revenue Fund
Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Fines and forfeitures	\$ 10,000	\$ 10,000	\$ 12,785	\$ 2,785
Miscellaneous	-	-	-	-
Total revenues	10,000	10,000	12,785	2,785
Expenditures:				
Current:				
Public Safety	12,000	12,000	14,210	(2,210)
Total expenditures	12,000	12,000	14,210	(2,210)
Net change in fund balances	(2,000)	(2,000)	(1,425)	575
Fund balances, beginning	19,620	25,612	25,612	-
Fund balances, ending	\$ 17,620	\$ 23,612	\$ 24,187	\$ 575

City of Palm Beach Gardens, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Recreation Programs – Special Revenue Fund
Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ 2,884,940	\$ 2,884,940	\$ 3,124,116	\$ 239,176
Investment income	750	750	151	(599)
Miscellaneous	15,000	15,000	29,993	14,993
Total revenues	2,900,690	2,900,690	3,154,260	253,570
Expenditures:				
Current:				
Culture and recreation	3,309,664	3,309,664	3,209,912	99,752
Capital outlay	-	-	-	-
Total expenditures	3,309,664	3,309,664	3,209,912	99,752
Net change in fund balances	(408,974)	(408,974)	(55,652)	353,322
Fund balances, beginning	707,684	832,017	832,017	-
Fund balances, ending	\$ 298,710	\$ 423,043	\$ 776,365	\$ 353,322

City of Palm Beach Gardens, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Golf Course – Special Revenue Fund
Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ 1,363,000	\$ 1,421,000	\$ 1,392,857	\$ (28,143)
Investment income	1,000	1,000	96	(904)
Miscellaneous	136,000	78,000	93,921	15,921
Total revenues	1,500,000	1,500,000	1,486,874	(13,126)
Expenditures:				
Current:				
Culture and recreation	1,421,321	1,421,321	1,430,676	(9,355)
Capital outlay	25,000	25,000	20,405	4,595
Total expenditures	1,446,321	1,446,321	1,451,081	(4,760)
Net change in fund balances	53,679	53,679	35,793	(17,886)
Fund balances, beginning	216,289	228,242	228,242	-
Fund balances, ending	\$ 269,968	\$ 281,921	\$ 264,035	\$ (17,886)

City of Palm Beach Gardens, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Local Option Gas Tax – Special Revenue Fund
Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 650,000	\$ 650,000	\$ 680,533	\$ 30,533
Investment income	1,000	1,000	254	(746)
Miscellaneous	93,750	93,750	81,191	(12,559)
Total revenues	744,750	744,750	761,978	17,228
Expenditures:				
Current:				
Transportation	640,912	698,461	586,707	111,754
Capital outlay	250,000	1,303,685	32,548	1,271,137
Total expenditures	890,912	2,002,146	619,255	1,382,891
Net change in fund balances	(146,162)	(1,257,396)	142,723	1,400,119
Fund balances, beginning	860,661	1,992,156	1,992,156	-
Fund balances, ending	\$ 714,499	\$ 734,760	\$ 2,134,879	\$ 1,400,119

City of Palm Beach Gardens, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Police Grant – Special Revenue Fund
Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances, beginning	10,000	-	-	-
Fund balances, ending	\$ 10,000	\$ -	\$ -	\$ -

City of Palm Beach Gardens, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Recreation Impact – Capital Projects Fund
Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Impact fees	332,734	332,734	494,635	161,901
Investment income	800	800	308	(492)
Total revenues	333,534	333,534	494,943	161,409
Expenditures:				
Current:				
Culture and recreation	-	-	19,785	(19,785)
Capital outlay	500,000	1,385,603	259,050	1,126,553
Total expenditures	500,000	1,385,603	278,835	1,106,768
Net change in fund balances	(166,466)	(1,052,069)	216,108	1,268,177
Fund balances, beginning	661,428	1,611,320	1,611,320	-
Fund balances, ending	\$ 494,962	\$ 559,251	\$ 1,827,428	\$ 1,268,177

City of Palm Beach Gardens, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Road Impact – Capital Projects Fund
Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Impact fees	\$ 267,216	\$ 267,216	\$ 109,553	\$ (157,663)
Investment income	7,500	7,500	809	(6,691)
Total revenues	274,716	274,716	110,362	(164,354)
Expenditures:				
Current:				
Transportation	-	-	4,382	(4,382)
Capital outlay	-	1,145,470	76,240	1,069,230
Total expenditures	-	1,145,470	80,622	1,064,848
Excess (deficiency) of revenues over (under) expenditures	274,716	(870,754)	29,740	900,494
Other financing uses:				
Transfers out	(700,490)	(700,490)	(700,490)	-
Net change in fund balances	(425,774)	(1,571,244)	(670,750)	900,494
Fund balances, beginning	1,134,422	2,492,603	2,492,603	-
Fund balances, ending	\$ 708,648	\$ 921,359	\$ 1,821,853	\$ 900,494

City of Palm Beach Gardens, Florida
 Schedule of Revenues, Expenditures and Changes in Fund Balances –
 Budget and Actual
 Police Impact – Capital Projects Fund
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Impact fees	\$ 61,742	\$ 61,742	\$ 68,774	\$ 7,032
Investment income	1,200	1,200	108	(1,092)
Miscellaneous	-	-	-	-
Total revenues	62,942	62,942	68,882	5,940
Expenditures:				
Current:				
Public safety	-	-	2,751	(2,751)
Capital outlay	-	259,350	64,059	195,291
Total expenditures	-	259,350	66,810	192,540
Excess (deficiency) of revenues over (under) expenditures	62,942	(196,408)	2,072	198,480
Other financing sources:				
Transfers in	-	-	-	-
Net change in fund balances	62,942	(196,408)	2,072	198,480
Fund balances, beginning	132,143	381,724	381,723	(1)
Fund balances, ending	\$ 195,085	\$ 185,316	\$ 383,795	\$ 198,479

City of Palm Beach Gardens, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual
Fire Impact – Capital Projects Fund
Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Impact fees	\$ 126,132	\$ 126,132	\$ 62,891	\$ (63,241)
Investment income	500	500	34	(466)
Total revenues	126,632	126,632	62,925	(63,707)
Expenditures:				
Current:				
Public safety	20,250	20,250	34,053	(13,803)
Capital outlay	50,000	50,000	9,994	40,006
Total expenditures	70,250	70,250	44,047	26,203
Net change in fund balances	56,382	56,382	18,878	(37,504)
Fund balances, beginning	52,948	82,141	82,141	-
Fund balances, ending	\$ 109,330	\$ 138,523	\$ 101,019	\$ (37,504)

City of Palm Beach Gardens, Florida
 Schedule of Revenues, Expenditures and Changes in Fund Balances –
 Budget and Actual
 Art Impact – Capital Projects Fund
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Impact fees	\$ -	\$ -	\$ 19,000	\$ 19,000
Investment income	700	700	173	(527)
Miscellaneous	-	-	-	-
Total revenues	700	700	19,173	18,473
Expenditures:				
Current:				
Culture and recreation	-	128,044	12,933	115,111
Capital outlay	-	-	3,276	(3,276)
Total expenditures	-	128,044	16,209	111,835
Excess (deficiency) of revenues over (under) expenditures	700	(127,344)	2,964	130,308
Other financing uses:				
Transfers out	-	(42,970)	(42,970)	-
Net change in fund balances	700	(170,314)	(40,006)	130,308
Fund balances, beginning	703,894	890,382	890,382	-
Fund balances, ending	\$ 704,594	\$ 720,068	\$ 850,376	\$ 130,308

City of Palm Beach Gardens, Florida
Internal Service Funds
Combining Statement of Net Assets
September 30, 2012

	Fleet Management	Self Insurance	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 27,305	\$ 2,360,613	\$ 2,387,918
Investments	250,000	1,400,000	1,650,000
Inventory	82,297	-	82,297
Prepaid expenses	-	24,000	24,000
Total current assets	359,602	3,784,613	4,144,215
Noncurrent assets:			
Capital assets being depreciated, net	1,251,589	42,393	1,293,982
Total noncurrent assets	1,251,589	42,393	1,293,982
Total assets	\$ 1,611,191	\$ 3,827,006	\$ 5,438,197
Liabilities:			
Current liabilities:			
Accounts payable	\$ 79,748	\$ 101,570	\$ 181,318
Claims payable	-	798,950	798,950
Total current liabilities	79,748	900,520	980,268
Noncurrent liabilities:			
Claims payable	-	284,984	284,984
Compensated absences payable	29,956	-	29,956
Total noncurrent liabilities	29,956	284,984	314,940
Total liabilities	\$ 109,704	\$ 1,185,504	\$ 1,295,208
Net Assets:			
Invested in capital assets	\$ 1,251,589	\$ 42,393	\$ 1,293,982
Unrestricted	249,898	2,599,109	2,849,007
Total net assets	\$ 1,501,487	\$ 2,641,502	\$ 4,142,989

City of Palm Beach Gardens, Florida
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Year Ended September 30, 2012

	Fleet Management	Self Insurance	Total
Operating revenues:			
Charges for service	\$ 2,397,685	\$ -	\$ 2,397,685
Employer contributions	-	6,167,260	6,167,260
Employee contributions	-	749,919	749,919
Miscellaneous	10,880	83,002	93,882
Total operating revenues	2,408,565	7,000,181	9,408,746
Operating expenses:			
Personnel expenses	844,419	-	844,419
Claims expense	-	4,786,484	4,786,484
Insurance premiums	-	481,351	481,351
Repair and maintenance	318,236	-	318,236
Fuel and chemicals	797,839	-	797,839
Operating supplies	109,728	36,858	146,586
Other professional and contractual	11,729	749,697	761,426
Other expenses	4,029	-	4,029
Depreciation	471,475	3,121	474,596
Total operating expenses	2,557,455	6,057,511	8,614,966
Operating income (loss)	(148,890)	942,670	793,780
Nonoperating revenues:			
Investment income	7	378	385
Total nonoperating revenues	7	378	385
Income (loss) before transfers	(148,883)	943,048	794,165
Transfers out	(60,136)	-	(60,136)
Change in net assets	(209,019)	943,048	734,029
Net assets, beginning	1,710,506	1,698,454	3,408,960
Net assets, ending	\$ 1,501,487	\$ 2,641,502	\$ 4,142,989

City of Palm Beach Gardens, Florida
Internal Service Funds
Combining Statement of Cash Flows
Year Ended September 30, 2012

	Fleet Management	Self Insurance	Total
Cash flows from operating activities:			
Receipts for interfund services provided	\$ 2,428,535	\$ 6,964,253	\$ 9,392,788
Payments to suppliers for goods and services	(1,116,694)	(1,217,602)	(2,334,296)
Payments to employees for services	(849,941)	-	(849,941)
Payments for claims	-	(5,230,758)	(5,230,758)
Other operating revenues	10,880	83,002	93,882
Net cash provided by operating activities	472,780	598,895	1,071,675
Cash flows from noncapital financing activities:			
Transfers to other funds	(60,136)	-	(60,136)
Net cash used in noncapital financing activities	(60,136)	-	(60,136)
Cash flows from capital and related financing activities:			
Purchases of capital assets	(383,632)	-	(383,632)
Net cash used in capital and related financing activities	(383,632)	-	(383,632)
Cash flows from investing activities:			
Purchases of investments	(250,000)	(1,400,000)	(1,650,000)
Interest earned	7	378	385
Net cash used in investing activities	(249,993)	(1,399,622)	(1,649,615)
Net decrease in cash and cash equivalents	(220,981)	(800,727)	(1,021,708)
Cash and cash equivalents, beginning of year	248,286	3,161,340	3,409,626
Cash and cash equivalents, end of year	\$ 27,305	\$ 2,360,613	\$ 2,387,918

Continued on next page.

City of Palm Beach Gardens, Florida
Internal Service Funds
Combining Statement of Cash Flows (Continued)
Year Ended September 30, 2012

	Fleet Management	Self Insurance	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (148,890)	\$ 942,670	\$ 793,780
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	471,475	3,121	474,596
Changes in operating assets and liabilities:			
Accounts receivable	30,850	47,073	77,923
Inventory	107,950	-	107,950
Prepaid expenses	-	19,824	19,824
Accounts payable	16,917	30,481	47,398
Claims payable	-	(444,274)	(444,274)
Compensated absences	(5,522)	-	(5,522)
Total adjustments	621,670	(343,775)	277,895
Net cash provided by operating activities	\$ 472,780	\$ 598,895	\$ 1,071,675

City of Palm Beach Gardens, Florida
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2012

	Pension Trust Funds			
	General Employees	Police	Fire	Total
Assets:				
Cash and cash equivalents	\$ 50,341	\$ 4,784,616	\$ 3,019,095	\$ 7,854,052
Investments, at fair values:				
U.S. Government obligations	-	2,048,738	826,933	2,875,671
Mortgage backed securities	-	2,635,572	6,098,662	8,734,234
Fixed income funds	811,742	-	-	811,742
Corporate bonds	-	9,778,720	5,407,401	15,186,121
Equity securities	-	5,565,752	25,542,110	31,107,862
Equity funds	1,235,441	24,762,007	1,559,551	27,556,999
International equity funds	-	3,680,875	4,388,632	8,069,507
International bond funds	-	1,545,948	-	1,545,948
Real estate funds	-	557,928	3,667,547	4,225,475
Total investments	2,047,183	50,575,540	47,490,836	100,113,559
Receivables:				
Interest	-	102,462	138,166	240,628
State of Florida	-	-	133,940	133,940
Employees	224	34,753	10,717	45,694
Total receivables	224	137,215	282,823	420,262
Prepaid expenses	-	137,949	650	138,599
Total assets	\$ 2,097,748	\$ 55,635,320	\$ 50,793,404	\$ 108,526,472
Liabilities:				
Accounts payable	\$ 1,049	\$ 52,085	\$ 62,379	\$ 115,513
Pending trades payable	-	322,083	-	322,083
Due to DROP account	-	-	945,148	945,148
Total liabilities	\$ 1,049	\$ 374,168	\$ 1,007,527	\$ 1,382,744
Net assets:				
Net assets held in trust for pension benefits	\$ 2,096,699	\$ 55,261,152	\$ 49,785,877	\$ 107,143,728

City of Palm Beach Gardens, Florida
Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended September 30, 2012

	Pension Trust Funds			
	General Employees	Police	Fire	Total
Additions:				
Contributions:				
Employer	\$ 125,273	\$ 3,785,539	\$ 3,974,487	\$ 7,885,299
Insurance premium taxes collected by the State of Florida on behalf of the City of Palm Beach Gardens	-	445,534	746,253	1,191,787
Employees	9,788	559,305	566,075	1,135,168
Total contributions	135,061	4,790,378	5,286,815	10,212,254
Investment earnings (loss):				
Net appreciation in fair value of investments	320,991	7,589,148	6,709,891	14,620,030
Interest and dividends	-	773,887	1,437,892	2,211,779
Total investment earnings	320,991	8,363,035	8,147,783	16,831,809
Less investment expenses	(4,096)	(152,703)	(268,486)	(425,285)
Net investment earnings	316,895	8,210,332	7,879,297	16,406,524
Total additions	451,956	13,000,710	13,166,112	26,618,778
Deductions:				
Pension benefits	262,250	1,907,026	1,165,733	3,335,009
Refund of participant contributions	-	-	24,061	24,061
Administrative expenses	6,506	111,916	96,825	215,247
Total deductions	268,756	2,018,942	1,286,619	3,574,317
Change in net assets	183,200	10,981,768	11,879,493	23,044,461
Net assets, beginning	1,913,499	44,279,384	37,906,384	84,099,267
Net assets, ending	\$ 2,096,699	\$ 55,261,152	\$ 49,785,877	\$ 107,143,728



STATISTICAL SECTION

Statistical Section Index

This part of the City of Palm Beach Gardens' 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 City's overall financial health.

Page

Financial Trends

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

Net Assets by Component	110
Changes in Net Assets	112
Fund Balances of Governmental Funds	116
Changes in Fund Balances of Governmental Funds	118

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Net Assessed Value and Estimated Actual Value of Taxable Property	120
Property Tax Rates – Direct and Overlapping Governments	122
Principal Property Taxpayers	124
Property Tax Levies and Collections	125

Debt Capacity

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

Ratios of Outstanding Debt by Type	126
Ratios of General Bonded Debt Outstanding	128
Direct and Overlapping Governmental Activities Debt	129
Pledged Revenue Coverage	130

Demographic and Economic Information

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

Demographic and Economic Statistics	132
Principal Employers	133

Operating Information

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

Full-Time Equivalent City Government Employees by Function	134
Operating Indicators by Function/Program	136
Capital Asset Statistics by Function/Program	138

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

City of Palm Beach Gardens, Florida
Net Assets by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 41,678,672	\$ 47,266,504	\$ 52,524,730	\$ 55,645,259
Restricted	8,912,604	15,671,654	18,706,997	14,898,785
Unrestricted	16,961,768	14,361,514	11,839,633	19,024,256
Total governmental activities net assets	67,553,044	77,299,672	83,071,360	89,568,300
Business-type activities:				
Invested in capital assets, net of related debt	(2,236,869)	(1,391,784)	(1,377,423)	-
Restricted	611,313	-	-	-
Unrestricted	421,708	221,741	220,103	-
Total business-type activities net assets	(1,203,848)	(1,170,043)	(1,157,320)	-
Primary government:				
Invested in capital assets, net of related debt	39,441,803	45,874,720	51,147,307	55,645,259
Restricted	9,523,917	15,671,654	18,706,997	14,898,785
Unrestricted	17,383,476	14,583,255	12,059,736	19,024,256
Total primary government net assets	\$ 66,349,196	\$ 76,129,629	\$ 81,914,040	\$ 89,568,300

Table 1

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 62,235,884	\$ 63,743,178	\$ 67,009,120	\$ 67,825,780	\$ 70,503,248	\$ 69,245,447
14,083,021	12,679,885	13,449,860	12,950,242	9,383,210	7,934,680
20,235,445	25,149,412	25,731,157	26,836,009	26,203,130	28,494,191
96,554,350	101,572,475	106,190,137	107,612,031	106,089,588	105,674,318
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
62,235,884	63,743,178	67,009,120	67,825,780	70,503,248	69,245,447
14,083,021	12,679,885	13,449,860	12,950,242	9,383,210	7,934,680
20,235,445	25,149,412	25,731,157	26,836,009	26,203,130	28,494,191
\$ 96,554,350	\$ 101,572,475	\$ 106,190,137	\$ 107,612,031	\$ 106,089,588	\$ 105,674,318

City of Palm Beach Gardens, Florida
Changes in Net Assets
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year		
	2003	2004	2005
Expenses:			
Governmental activities:			
General Government	\$ 7,912,852	\$ 13,899,785	\$ 13,548,562
Public Safety	22,860,109	26,944,280	30,419,891
Culture/Recreation	5,353,104	5,927,344	7,139,745
Physical Environment	3,128,692	4,639,930	4,568,664
Transportation	3,105,384	2,962,465	2,758,280
Interest on long-term debt	1,576,511	1,095,103	1,254,477
Other debt service costs	-	-	-
Total governmental activities expenses	43,936,652	55,468,907	59,689,619
Business-type activities:			
Golf Course	1,729,909	1,677,140	1,896,021
Total business-type activities expenses	1,729,909	1,677,140	1,896,021
Total primary government expenses	\$ 45,666,561	\$ 57,146,047	\$ 61,585,640
Program revenues:			
Governmental activities:			
Charges for services:			
General Government	\$ 4,167,758	\$ 6,048,502	\$ 5,599,809
Public Safety	1,940,783	1,995,627	2,039,879
Culture/Recreation	1,367,552	1,265,684	1,902,858
Transportation	17,037	-	-
Operating grants and contributions	-	1,762,120	114,005
Capital grants and contributions	6,204,026	3,758,850	2,168,711
Total governmental activities program revenues	13,697,156	14,830,783	11,825,262
Business-type activities:			
Charges for services:			
Golf Course	1,254,384	1,246,536	1,377,545
Total business-type activities program revenues	1,254,384	1,246,536	1,377,545
Total primary government program revenues	\$ 14,951,540	\$ 16,077,319	\$ 13,202,807

Table 2

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
\$ 11,413,853	\$ 15,695,350	\$ 14,954,447	\$ 15,136,680	\$ 14,021,839	\$ 13,637,124	\$ 13,772,084
33,064,986	37,209,988	39,223,990	41,112,818	43,008,415	43,117,470	43,586,151
10,071,747	10,178,475	8,784,481	9,151,914	10,140,073	7,586,300	7,470,717
9,036,996	7,059,139	6,067,686	5,771,316	3,962,941	6,688,611	6,876,606
2,121,258	2,262,265	3,860,350	3,954,595	2,613,051	2,558,809	1,927,567
1,834,969	1,557,260	1,662,578	1,492,723	1,396,709	1,148,800	945,926
-	-	-	-	-	-	91,923
67,543,809	73,962,477	74,553,532	76,620,046	75,143,028	74,737,114	74,670,974
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ 67,543,809	\$ 73,962,477	\$ 74,553,532	\$ 76,620,046	\$ 75,143,028	\$ 74,737,114	\$ 74,670,974
\$ 6,690,824	\$ 3,751,106	\$ 8,518,696	\$ 8,594,096	\$ 8,409,479	\$ 8,006,806	\$ 8,749,869
2,344,719	2,816,679	2,438,907	2,423,564	2,587,741	3,267,903	4,321,215
4,284,306	4,756,464	4,650,101	4,168,677	4,459,166	4,717,578	5,030,609
2,400,886	924,325	580,406	237,674	446,235	120,663	109,553
348,059	223,287	1,483,394	1,296,236	2,576,479	1,458,831	1,650,949
4,011,982	1,219,771	557,820	3,551,406	744,438	579,543	167,897
20,080,776	13,691,632	18,229,324	20,271,653	19,223,538	18,151,324	20,030,092
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ 20,080,776	\$ 13,691,632	\$ 18,229,324	\$ 20,271,653	\$ 19,223,538	\$ 18,151,324	\$ 20,030,092

Continued on next page.

City of Palm Beach Gardens, Florida
Changes in Net Assets (continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2003	2004	2005	2006
Net (expense) revenue:				
Governmental activities	\$(30,239,496)	\$(40,638,124)	\$(47,864,357)	\$(47,463,033)
Business-type activities	(475,525)	(430,604)	(518,476)	-
Total primary government net expense	\$(30,715,021)	\$(41,068,728)	\$(48,382,833)	\$(47,463,033)
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Property taxes	\$ 26,979,019	\$ 30,581,316	\$ 35,118,504	\$ 40,923,938
Local business tax	-	-	-	-
Franchise taxes	3,049,795	3,370,103	3,832,276	4,964,878
Public service taxes	739,827	675,624	721,730	796,705
Unrestricted intergovernmental:				
Sales tax and local option gas tax	3,636,355	3,378,464	3,597,796	4,062,558
State shared revenue	170,428	850,494	1,115,490	1,252,205
Impact fees	5,357,006	6,260,509	6,812,932	-
Unrestricted investment earnings	657,101	554,197	1,129,469	2,548,250
Gain/(loss) on disposal of capital assets	-	-	-	-
Miscellaneous	405,875	1,573,389	1,803,848	1,374,851
Transfers	(451,416)	(422,889)	(496,000)	(1,157,320)
Cumulative effect of change in accounting principle	-	-	-	(806,092)
Special item - change in retirement plans	-	-	-	-
Total governmental activities	\$ 40,543,990	\$ 46,821,207	\$ 53,636,045	\$ 53,959,973
Business-type activities:				
Investment earnings	\$ 38,048	\$ 15,904	\$ 11,199	\$ -
Miscellaneous	24,000	25,616	24,000	-
Transfers	451,416	422,889	496,000	1,157,320
Total business-type activities	513,464	464,409	531,199	1,157,320
Total primary government	\$ 41,057,454	\$ 47,285,616	\$ 54,167,244	\$ 55,117,293
Change in net assets:				
Governmental activities	\$ 10,304,494	\$ 6,183,083	\$ 5,771,688	\$ 6,496,940
Business-type activities	37,939	33,805	12,723	1,157,320
Total primary government	\$ 10,342,433	\$ 6,216,888	\$ 5,784,411	\$ 7,654,260

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ (60,270,845)	\$ (56,324,208)	\$ (56,348,393)	\$ (55,919,490)	\$ (56,585,790)	\$ (54,640,882)
-	-	-	-	-	-
\$ (60,270,845)	\$ (56,324,208)	\$ (56,348,393)	\$ (55,919,490)	\$ (56,585,790)	\$ (54,640,882)
\$ 50,541,564	\$ 50,362,460	\$ 50,314,207	\$ 46,762,961	\$ 45,755,279	\$ 44,232,540
-	1,531,977	1,540,700	1,464,400	1,421,834	1,370,720
5,380,778	-	-	-	-	-
860,052	956,919	1,278,766	1,087,582	1,005,079	1,829,028
4,060,521	4,039,597	3,726,391	3,754,372	3,864,850	3,850,419
1,265,548	1,193,969	1,076,977	1,802,019	1,195,559	1,236,054
-	-	-	121,564	188,040	119,452
3,159,845	1,741,515	1,415,326	764,799	348,553	299,589
55,284	242,496	17,141	43,748	32,867	(7,165)
1,601,212	1,273,400	1,596,547	1,539,939	1,251,286	1,294,975
-	-	-	-	-	-
-	-	-	-	-	-
332,091	-	-	-	-	-
\$ 67,256,895	\$ 61,342,333	\$ 60,966,055	\$ 57,341,384	\$ 55,063,347	\$ 54,225,612
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
\$ 67,256,895	\$ 61,342,333	\$ 60,966,055	\$ 57,341,384	\$ 55,063,347	\$ 54,225,612
\$ 6,986,050	\$ 5,018,125	\$ 4,617,662	\$ 1,421,894	\$ (1,522,443)	\$ (415,270)
-	-	-	-	-	-
\$ 6,986,050	\$ 5,018,125	\$ 4,617,662	\$ 1,421,894	\$ (1,522,443)	\$ (415,270)

City of Palm Beach Gardens, Florida
Fund Balances of Governmental Funds
Last Two Fiscal Years
(Modified Accrual Basis of Accounting)

Table 3

	Fiscal Year	
	2011	2012
General fund:		
Nonspendable	\$ 47,033	\$ 114,228
Restricted	3,050,763	626,283
Committed	1,253,889	1,253,889
Assigned	2,836,036	786,693
Unassigned	20,964,535	26,058,560
Total general fund	28,152,256	28,839,653
All other governmental funds:		
Nonspendable	25,662	36,357
Restricted	7,650,881	7,308,397
Committed	-	-
Assigned	1,034,597	1,004,043
Total all other governmental funds	8,711,140	8,348,797
Total governmental funds	\$ 36,863,396	\$ 37,188,450

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

City of Palm Beach Gardens, Florida
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year		
	2003	2004	2005
Revenues:			
Ad valorem taxes	\$26,979,019	\$30,581,316	\$35,118,504
Local business tax	-	-	-
Utility taxes	739,827	675,624	721,730
Franchise fees	3,049,795	3,370,103	3,832,276
Licenses and permits	3,955,167	5,654,010	5,599,810
Intergovernmental	8,977,875	6,979,749	6,996,002
Impact fees	5,357,006	6,260,509	6,812,932
Charges for services	3,046,124	3,063,717	3,942,738
Fines and forfeitures	368,171	535,148	312,599
Investment income	652,658	550,916	1,125,900
Miscellaneous	1,775,169	4,313,325	1,544,895
Total revenues	54,900,811	61,984,417	66,007,386
Expenditures:			
Current:			
General Government	7,539,311	12,910,353	12,703,284
Public Safety	21,708,478	25,566,510	29,250,972
Culture and Recreation	5,127,967	5,593,314	6,764,046
Physical Environment	2,927,775	4,310,982	4,434,178
Transportation	1,684,572	1,634,307	1,233,738
Capital outlay	11,661,632	5,844,148	7,542,442
Debt service:			
Principal	885,267	1,993,273	1,926,679
Interest	1,553,386	1,328,080	1,234,078
Bond issuance costs	-	329,811	30,475
Other debt service costs	-	-	123,775
Total expenditures	53,088,388	59,510,778	65,243,667
Excess (deficiency) of revenues over (under) expenditures	1,812,423	2,473,639	763,719
Other financing sources (uses):			
Transfers in	683,717	1,021,177	1,584,962
Transfers out	(1,083,908)	(1,391,304)	(2,028,200)
Capital leases	-	-	-
Sale of capital assets	-	-	-
Bonds and notes issued	584,387	5,359,401	-
Refunding bonds issued	-	15,515,000	6,901,176
Premium on bond issuance	-	424,476	-
Refunded bonds redeemed	-	-	-
Payment to refunded bond escrow agent	-	(16,629,633)	(6,870,701)
Total other financing sources (uses)	184,196	4,299,117	(412,763)
Special items:			
Proceeds from defined contribution plan	-	-	-
Payment to defined benefit plan	-	-	-
Total special items	-	-	-
Net change in fund balances	\$ 1,996,619	\$ 6,772,756	\$ 350,956
Debt service as a percentage of noncapital expenditures	5.89%	6.80%	5.75%

Table 4

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
\$40,923,938	\$50,541,564	\$50,362,460	\$50,314,207	\$46,762,961	\$45,755,279	\$44,232,540
-	-	-	1,540,700	1,464,400	1,421,834	1,370,720
796,705	860,052	956,919	1,278,766	1,087,582	1,005,079	1,829,028
4,964,878	5,380,778	5,516,091	5,702,964	5,040,183	4,946,864	5,327,897
3,988,155	3,718,105	4,364,095	2,020,336	2,363,552	2,066,521	2,414,586
9,597,521	6,757,761	6,906,638	6,454,771	8,693,914	7,250,927	6,894,564
4,508,074	2,270,519	1,467,356	567,498	1,024,537	535,700	754,853
3,998,671	5,502,144	5,641,891	5,865,175	6,263,022	7,306,291	8,427,574
2,079,227	524,216	320,944	436,227	301,780	184,221	163,076
2,548,247	3,159,847	1,740,605	1,414,745	763,632	348,002	299,204
2,653,313	1,858,214	2,028,842	2,070,220	1,738,946	1,537,789	1,621,486
76,058,729	80,573,200	79,305,841	77,665,609	75,504,509	72,358,507	73,335,528
10,343,003	15,293,318	14,613,265	14,592,013	13,579,416	12,820,887	13,101,603
32,321,657	35,103,794	37,695,130	39,078,675	41,375,382	40,678,920	41,616,208
9,125,769	8,775,280	7,354,317	7,363,738	8,360,697	5,688,357	5,505,915
6,294,347	6,892,190	5,848,500	5,375,753	3,602,222	6,081,652	6,151,650
762,383	890,103	818,837	809,220	685,673	827,068	591,089
13,831,316	9,026,003	6,305,054	5,239,712	3,940,814	5,974,920	2,081,097
2,364,709	2,787,745	2,848,158	2,929,195	2,948,742	3,113,455	3,328,573
1,478,670	1,573,958	1,488,484	1,398,206	1,304,010	1,066,464	850,124
39,500	-	-	-	-	28,000	117,944
-	-	-	-	-	-	91,923
76,561,354	80,342,391	76,971,745	76,786,512	75,796,956	76,279,723	73,436,126
(502,625)	230,809	2,334,096	879,097	(292,447)	(3,921,216)	(100,598)
1,488,139	1,845,332	1,373,777	4,291,078	1,454,187	2,338,257	803,596
(1,333,704)	(1,787,528)	(1,321,015)	(4,238,316)	(1,454,187)	(2,338,257)	(743,460)
-	-	712,418	-	-	-	136,451
-	-	206,000	7,278	-	-	-
3,755,200	-	-	-	-	-	-
-	-	-	-	-	4,440,997	16,190,000
-	-	-	-	-	-	101,429
-	-	-	-	-	(4,412,997)	-
-	-	-	-	-	-	(16,062,364)
3,909,635	57,804	971,180	60,040	-	28,000	425,652
-	3,642,218	-	-	-	-	-
-	(3,310,127)	-	-	-	-	-
-	332,091	-	-	-	-	-
\$ 3,407,010	\$ 620,704	\$ 3,305,276	\$ 939,137	\$ (292,447)	\$ (3,893,216)	\$ 325,054
6.19%	6.08%	6.10%	5.88%	5.87%	5.96%	5.84%

City of Palm Beach Gardens, Florida
Net Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Year Ended September 30,	Real Property					Total
	Residential Property	Commercial Property	Industrial Property	Other Property		
2003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,180,491,898
2004	-	-	-	-	-	4,924,323,436
2005	4,560,597,118	1,068,583,139	31,022,658	58,639,528		5,718,842,443
2006	5,556,032,957	1,150,418,815	51,770,706	57,740,577		6,815,963,055
2007	7,175,984,136	1,584,435,691	67,918,360	67,073,542		8,895,411,729
2008	7,633,899,238	1,760,317,064	76,620,371	65,923,845		9,536,760,518
2009	7,229,265,998	1,871,391,912	81,429,357	57,716,346		9,239,803,613
2010	6,420,991,961	1,669,597,264	187,362,285	54,338,191		8,332,289,701
2011	5,848,513,461	1,449,291,192	159,894,950	46,154,142		7,503,853,745
2012	5,845,989,740	1,356,197,434	158,956,614	46,668,841		7,407,812,629

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

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

The City does not have information on the assessed value per category prior to September 30, 2005, therefore, only total taxable property assessed value is presented.

Source: Palm Beach County Property Appraiser's Office

N/A - Information not available

Table 5

Personal Property	Centrally Assessed	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
\$ 320,720,228	\$ 944,192	\$ 4,502,156,318	6.2500	\$ N/A	N/A
322,568,279	1,071,152	5,247,962,867	6.0400	N/A	N/A
326,789,276	1,116,960	6,046,748,679	6.0260	N/A	N/A
353,028,500	1,118,109	7,170,109,664	5.9280	N/A	N/A
407,846,639	1,263,926	9,304,522,294	5.6550	11,805,444,204	78.82%
431,242,245	1,287,840	9,969,290,603	5.2540	12,266,508,331	81.27%
445,097,893	2,302,570	9,687,204,076	5.3990	11,905,455,511	81.37%
435,423,487	1,525,288	8,769,238,476	5.5390	10,584,957,812	82.85%
419,393,252	1,530,479	7,924,777,476	5.9258	9,478,563,840	83.61%
355,387,197	1,580,454	7,764,780,280	5.9225	9,524,962,077	81.52%

City of Palm Beach Gardens, Florida
Property Tax Rates – Direct and Overlapping Governments
Last Ten Fiscal Years

City of Palm Beach Gardens					
Fiscal Year	Operating Millage	Debt Service Millage	Total City Millage	Palm Beach County School District	Palm Beach County
2003	5.9067	0.3433	6.2500	8.7790	4.8084
2004	5.7450	0.2950	6.0400	8.5710	4.7910
2005	5.7680	0.2580	6.0260	8.4320	4.7677
2006	5.7080	0.2200	5.9280	8.1060	4.7192
2007	5.4950	0.1600	5.6550	7.8720	4.4775
2008	5.1050	0.1490	5.2540	7.3560	3.9813
2009	5.2500	0.1490	5.3990	7.2510	3.9656
2010	5.3900	0.1490	5.5390	7.9830	4.5614
2011	5.7404	0.1854	5.9258	8.1540	4.9960
2012	5.7404	0.1821	5.9225	8.1800	4.9925

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

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

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

Table 6

Overlapping Rates ⁽¹⁾					
Palm Beach County Health Care District	Palm Beach County Library System	South Florida Water Management District	Children's Services Council	Florida Inland Navigation District	Total Direct and Overlapping Rates
1.1300	0.5403	0.6970	0.6228	0.0385	22.8660
1.1300	0.5833	0.6970	0.6902	0.0385	22.5410
1.1000	0.5807	0.6970	0.6902	0.0385	22.3321
1.0800	0.6250	0.6970	0.6887	0.0385	21.8824
0.9700	0.5989	0.6970	0.6199	0.0385	20.9288
0.8900	0.5441	0.6240	0.5823	0.0345	19.2662
0.9975	0.5427	0.6240	0.6009	0.0345	19.4152
1.1451	0.5518	0.6240	0.6898	0.0345	21.1286
1.1451	0.5491	0.6240	0.7513	0.0345	22.1798
1.1250	0.6081	0.4363	0.7475	0.0345	22.0464

**City of Palm Beach Gardens, Florida
Principal Property Taxpayers
September 30, 2012**

Table 7

Taxpayer	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value ⁽¹⁾
Landry, Lawrence L.	\$ 205,000,000	1	2.64%
Florida Power & Light	79,926,052	2	1.03%
GLL US Retail LP	75,000,034	3	0.97%
Realty Associates Fund IX LP	60,963,354	4	0.79%
3801 PGA Acquisition Co	50,622,243	5	0.65%
Northlake Blvd LLC	43,721,685	6	0.56%
Devonshire at PGA National LLC	40,702,679	7	0.52%
Old Palm Holdings LP	33,273,000	8	0.43%
Downtown at the Gardens LLC	30,000,000	9	0.39%
Mirasol Club Inc.	15,852,845	10	0.20%
	<u>\$ 635,061,892</u>		<u>8.18%</u>

Note: Information is not available prior to 2006. Therefore, the 10 year comparison is not included.

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

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

City of Palm Beach Gardens, Florida
Property Tax Levies and Collections
Last Ten Fiscal Years
September 30, 2012

Table 8

Year Ended September 30,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percentage of Levy
2003	\$ 28,138,476	\$ 26,947,136	95.77%	\$ 31,106	\$ 26,978,242	95.88%
2004	31,697,696	30,542,942	96.36%	59,393	30,602,335	96.54%
2005	36,437,708	35,080,464	96.28%	23,068	35,103,532	96.34%
2006	42,572,206	40,896,417	96.06%	12,127	40,908,544	96.09%
2007	52,521,899	50,475,571	96.10%	139,399	50,614,970	96.37%
2008	52,378,653	50,382,769	96.19%	629,371	51,012,140	97.39%
2009	52,198,753	49,743,531	95.30%	265,478	50,009,009	95.80%
2010	48,572,811	46,500,965	95.73%	550,316	47,051,281	96.87%
2011	46,934,495	45,094,498	96.08%	-	45,094,498	96.08%
2012	45,986,911	44,142,070	95.99%	-	44,142,070	95.99%

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

City of Palm Beach Gardens, Florida
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Year Ended September 30,	Governmental Activities					
	Revenue Bonds	General		Capital Leases	Notes	Loans
		Obligation Bonds				
2003	\$ -	\$ 15,179,154	\$ 1,386,119	\$3,538,375	\$11,985,000	
2004	19,320,000	14,421,071	1,173,370	364,401	-	
2005	18,090,000	13,970,914	850,515	291,521	-	
2006	26,355,200	13,342,497	515,637	218,641	-	
2007	24,582,260	12,451,896	388,260	145,761	-	
2008	22,802,384	11,527,046	996,465	72,881	-	
2009	20,980,228	10,567,106	922,247	-	-	
2010	19,110,327	9,566,340	844,172	-	-	
2011	17,187,201	8,579,140	762,039	-	-	
2012	16,080,348	7,489,697	801,213	-	-	

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

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

Table 9

Business-Type Activities			Total	Percentage	Per
Revenue	Capital		Primary	of Personal	Capita ⁽¹⁾
Bonds	Leases	Loans	Government	Income ⁽¹⁾	
\$ -	\$ 98,677	\$ 6,775,000	\$ 38,962,325	0.0730%	\$ 988
6,410,000	66,008	-	41,754,850	0.0755%	985
6,090,000	33,116	-	39,326,066	0.0617%	863
-	-	-	40,431,975	0.0569%	839
-	-	-	37,568,177	0.0504%	761
-	-	-	35,398,776	0.0478%	704
-	-	-	32,469,581	0.0441%	650
-	-	-	29,520,839	N/A	590
-	-	-	26,528,380	N/A	548
-	-	-	24,371,258	N/A	503

City of Palm Beach Gardens, Florida
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Table 10

Year Ended September 30,	General Obligation Bonds	Percentage of Estimated Actual Taxable Value ⁽¹⁾	Per Capita ⁽²⁾
2003	\$ 15,179,154	0.34%	\$ 385
2004	14,421,071	0.27%	340
2005	13,970,914	0.23%	306
2006	13,342,497	0.19%	277
2007	12,451,896	0.13%	252
2008	11,527,046	0.12%	229
2009	10,567,106	0.11%	212
2010	9,566,340	0.11%	191
2011	8,579,140	0.11%	177
2012	7,489,697	0.10%	155

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

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

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

City of Palm Beach Gardens, Florida
Direct and Overlapping Governmental Activities Debt
As of September 30, 2012

Table 11

Government Unit	Net Debt Outstanding	Percentage Applicable to the City of Palm Beach Gardens ⁽¹⁾	Amount Applicable to the City of Palm Beach Gardens
Debt repaid with property taxes:			
Palm Beach County	\$ 207,340,000	5.22%	\$ 10,823,148
Palm Beach County School Board	-	5.21%	-
Other debt:			
Palm Beach County	802,634,310	5.22%	41,897,511
Palm Beach County School Board	1,862,653,000	5.21%	97,044,221
Subtotal, Overlapping Debt			<u>149,764,880</u>
City of Palm Beach Gardens Direct Debt			<u>24,371,258</u>
Total Direct and Overlapping Debt			<u><u>\$ 174,136,138</u></u>

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

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

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

City of Palm Beach Gardens, Florida
Pledged Revenue Coverage
Last Seven Fiscal Years

2011 Public Improvement and Refunding Bonds

Year Ended September 30,	Local Business Tax	Franchise Fees	Utility Taxes	Licenses and Permits	Inter-governmental
2006	\$ -	\$ 4,964,878	\$ 796,705	\$ 3,988,155	\$ 8,597,198
2007	-	5,380,778	860,052	3,718,105	6,757,761
2008	-	5,516,091	956,919	4,364,095	6,906,638
2009	1,540,700	5,702,964	1,278,766	2,020,336	6,454,771
2010	1,464,400	5,040,183	1,087,582	2,363,552	8,693,914
2011	1,421,834	4,946,864	1,005,079	2,066,521	7,250,927
2012	1,370,720	5,327,897	1,829,028	2,414,586	6,894,564

	Non Ad Valorem Revenue Available		Debt Service		Coverage
	for Debt Coverage		Principal	Interest	
2006	\$ 24,759,337	\$ 2,020,874	\$ 916,835		8.43
2007	27,761,117	1,973,197	1,042,338		9.21
2008	27,476,025	1,923,309	992,714		9.42
2009	26,783,904	1,969,256	943,136		9.20
2010	27,717,011	1,947,976	887,781		9.77
2011	26,067,528	2,005,259	828,446		9.20
2012	28,348,135	2,239,130	593,622		10.01

Note: The City's 2011 Public Improvement Revenue Bonds are obligations of the City payable solely from and secured solely by non ad valorem revenue. The original bonds were issued in November 2003 to refund certain prior obligations of the City. Additional bonds were issued in 2005 and 2006 to finance the cost of improvements to the City's golf course, parks, and public safety facilities.

Data not available prior to fiscal year 2006.

Source: City of Palm Beach Gardens Finance Department

Table 12

Charges for Services	Fines and Forfeitures	Investment Income	Miscellaneous	Non Ad Valorem Revenue Available for Debt Coverage
\$ 1,285,282	\$ 2,078,519	\$ 1,538,635	\$ 1,509,965	\$ 24,759,337
5,502,144	524,216	3,159,847	1,858,214	27,761,117
5,641,891	320,944	1,740,605	2,028,842	27,476,025
5,865,175	436,227	1,414,745	2,070,220	26,783,904
6,263,022	301,780	763,632	1,738,946	27,717,011
7,306,291	184,221	348,002	1,537,789	26,067,528
8,427,574	163,076	299,204	1,621,486	28,348,135

Year	Population ⁽¹⁾	Palm Beach		School Enrollment ⁽³⁾	Unemployment Rate ⁽⁴⁾
		County Personal Income ⁽²⁾ (In Thousands)	Palm Beach County Per Capita Income ⁽²⁾		
2003	39,423	\$53,357,809	\$44,050	\$ 9,010	3.2%
2004	42,384	55,310,321	44,518	8,985	3.1%
2005	45,584	63,756,287	50,371	8,854	2.2%
2006	48,176	71,061,748	55,311	8,764	3.7%
2007	49,387	74,548,299	59,147	8,417	3.7%
2008	50,282	74,099,427	52,725	9,933	4.3%
2009	49,941	73,546,909	57,461	10,338	7.3%
2010	50,075	N/A	N/A	10,549	7.8%
2011	48,452	N/A	N/A	11,234	7.2%
2012	48,452	N/A	N/A	10,937	6.0%

Sources:

- (1) U.S. Census 2010
- (2) U.S. Department of Commerce, Bureau of Economic Analysis
- (3) Palm Beach County School Board Budget Office
- (4) U.S. Bureau of Labor Statistics

N/A: Information not available

**City of Palm Beach Gardens, Florida
Principal Employers
September 30, 2012**

Table 14

Employer	2012		
	Employees	Rank	Percentage of Total City Employment
G4S (Headquarters)	3,000	1	12.16%
Palm Beach County School Board	1,193	2	4.83%
Westport Senior Living Investment Fund	1,000	3	4.05%
Tenet Healthcare Corp	855	4	3.46%
PGA National Resort & Spa	700	5	2.84%
TBC Corporation (Headquarters)	600	6	2.43%
Biomet 3i, Inc.	476	7	1.93%
City of Palm Beach Gardens	455	8	1.84%
Belcan Corporation	329	9	1.33%
Anspach Companies	256	10	1.04%
	<u>8,864</u>		<u>35.92%</u>

Note: Information is not available prior to 2006. Therefore, the 10 year comparison is not included.

Source: 2012 Business Development Board of Palm Beach County

City of Palm Beach Gardens, Florida
Full-Time Equivalent City Government Employees by Function
Last Seven Fiscal Years

Table 15

	Fiscal Year						
	2006	2007	2008	2009	2010	2011	2012
Number of Employees:							
General Government	82	73	97	95	80	66	69
Public Safety	277	286	282	272	272	280	278
Culture and Recreation	74	75	65	64	72	38	38
Physical Environment	68	80	57	53	40	66	65
Total Number of Employees	501	514	501	484	464	450	450

Note: Indicators are not available prior to 2006.

Source: City of Palm Beach Gardens Finance Department

City of Palm Beach Gardens, Florida
Operating Indicators by Function/Program
Last Seven Fiscal Years

Function/Program:	Fiscal Year		
	2006	2007	2008
General Government:			
Information Technology:			
Number of online inspections scheduled	7,000	10,000	7,808
City Clerk:			
Public records request	1,478	520	486
Finance:			
A/P checks issued	6,328	6,793	6,366
Growth Management:			
Number of projects completed	12	35	25
Public Safety:			
Police personnel and officers	158	158	157
Fire personnel	128	128	125
Number of foot patrols			
conducted in business districts	8,500	8,500	11,497
Number of foot patrols conducted in neighborhood communities	36	36	36
Number of fire rescue calls	4,000	7,073	7,155
Culture and Recreation:			
Special event attendees	79,000	60,000	71,600
General program participants	115,048	125,000	126,000
Youth camp registrations	2,729	3,503	3,636
Number of Signature City magazines mailed	84,000	89,000	89,000
Tennis members	278	333	566
Rounds of golf played	29,132	44,977	43,657
General pool admissions	20,393	45,490	36,401
Physical Environment:			
Curb miles swept	2,000	2,100	3,095
Linear feet of storm drains cleaned	1,500	1,600	13,200
Permits issued	8,202	9,191	8,929
Value of permits	\$ 375,192,522	\$ 336,554,569	\$ 343,341,142
Inspections performed	40,000	26,000	23,442

Note: Indicators are not available prior to 2006 and for the transportation function.

Sources: Various City Departments

Table 16

2009	2010	2011	2012
6,188	6,495	12,150	13,300
553	140	110	110
6,829	5,849	4,914	4,051
23	33	35	35
150	150	162	163
122	122	118	118
16,400	13,473	10,874	9,254
36	35	35	35
7,410	8,000	7,836	7,582
75,000	104,100	110,000	144,000
9,220	16,710	17,000	16,500
3,805	3,750	3,775	3,800
5,241	-	-	-
356	360	367	455
43,000	38,835	41,954	39,107
32,144	32,910	37,826	31,723
800	2,560	2,779	2,335
800	4,400	-	-
5,272	6,013	6,315	6,822
\$ 189,340,190	\$ 178,555,009	\$ 188,625,476	\$ 208,997,432
19,250	18,170	18,100	20,000

City of Palm Beach Gardens, Florida
Capital Asset Statistics by Function/Program
Last Seven Fiscal Years

Table 17

Function/Program:	Fiscal Year						
	2006	2007	2008	2009	2010	2011	2012
General Government:							
Number of general government buildings	1	1	1	1	1	1	1
Public Safety:							
Fire stations	5	5	5	5	5	5	5
Transportation:							
Miles of streets	53	53	53	54	54	54	54
Culture and Recreation:							
Parks acreage	168	168	168	168	168	172	172
Parks	9	9	11	11	11	11	11
Golf courses	1	1	1	1	1	1	1
Soccer fields	10	10	10	10	10	11	11
Roller hockey rinks	2	2	2	2	2	2	2
Baseball/softball fields	17	17	15	15	15	15	15
Tennis courts	17	17	19	19	19	19	19
Playgrounds	8	8	9	9	9	9	9
Basketball courts	12	12	12	12	13	13	13
Racquetball courts	2	2	6	6	6	6	6
Skatepark	1	1	1	1	1	1	1
Swimming pools	3	3	3	3	3	3	3

Note: Indicators are not available prior to 2006 and for the physical environment function.

Sources: Various City Departments



COMPLIANCE SECTION



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Palm Beach Gardens, Florida, as of and for the year ended September 30, 2012, which collectively comprise the City of Palm Beach Gardens, Florida's basic financial statements and have issued our report thereon dated March 7, 2013. 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.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted one matter that we reported to management of the City of Palm Beach Gardens, Florida, in a separate letter dated March 7, 2013.

This report is intended solely for the information and use of management, City Council, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Rampell + Rampell, P.A.

Rampell & Rampell, P.A.
Palm Beach, Florida

March 7, 2013



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

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

We have audited the financial statements of the City of Palm Beach Gardens, Florida, as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated March 7, 2013.

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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Disclosures in this report, which is dated March 7, 2013, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Palm Beach Gardens, Florida was not in compliance with Section G, Portfolio Composition of the City's investment policy. Refer to the Schedule of Recommendations and Responses on page 145 of this report for additional information.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, fraud, illegal acts or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statement amounts, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Palm Beach Gardens, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of Palm Beach Gardens, Florida for the fiscal year ended September 30, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2012. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Palm Beach Gardens, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review the financial information provided by same.

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

Rampell + Rampell, P.A.

Rampell & Rampell, P.A.
Palm Beach, Florida

March 7, 2013.

CURRENT YEAR FINDING

RECOMMENDATION 2012-01

INVESTMENT COMPLIANCE

Criteria

The City adopted an investment policy to establish cash management and investment guidelines for City officials responsible for the stewardship of public funds. The policy was designed to insure safety of principal, to provide for sufficient liquidity to enable the City to meet all operating requirements, to maximize investment returns given the limitations imposed by maintaining safety of principal and liquidity, and to diversify investments to avoid incurring unreasonable risks regarding specific security types and/or individual financial institutions.

Condition

The investment policy states that no single issuer of commercial paper shall comprise more than one-third of the total commercial paper portfolio of the City. The City was in compliance with this provision prior to July 2012. Commercial paper consisted of three investments, when purchased, none of which exceeded the composition limits. However, one of the investments matured in July 2012, and a second investment matured in August 2012. The remaining single investment created a situation of noncompliance with the portfolio composition requirements of the investment policy.

Cause

The structuring of the maturity dates of the three investments in commercial paper were reasonably designed to meet the cash flow requirements of the City, however, that structure ultimately put the City in a position of noncompliance after the first two maturities occurred.

Effect

Diversification and composition guidelines within investment policies are designed to avoid incurring unreasonable risks regarding specific security types and/or individual financial institutions. Noncompliance with the guidelines of the investment policy may increase the risk associated with the investment portfolio.

Recommendation

We recommend that management monitor investment activities to ensure compliance with the portfolio composition requirements of the City's investment policy.

Views of Responsible Officials and Planned Corrective Action

The purchase of the commercial paper was part of a strategy to optimize the investment return on the City's short-term portfolio. Two of the investments were structured to mature to meet cash flow requirements during the period of time before the City begins receiving ad valorem tax receipts. When the investments were purchased, the requirements of the investment policy were met; however, as the securities matured, it was not possible to re-invest in commercial paper to meet the language of the policy, and at the same time meet the cash flow requirements of the City. Typically, investment policies limit single investments to a percentage of the entire investment portfolio, rather than to a percentage of the same category of investments. Management recognized the shortcomings of the policy, and is currently reviewing a draft of a new policy that is consistent with the best practices and national standards regarding asset allocation rules. The new policy will eliminate the obvious unworkable language of the current policy, while at the same time providing the level of safety and diversification required of public fund investments. Currently, the City has no investments in commercial paper, and is fully in compliance with the existing investment policy.

