

**CITY OF PALM BEACH GARDENS
POLICE OFFICERS' PENSION FUND**

**A PENSION TRUST FUND OF THE
CITY OF PALM BEACH GARDENS, FLORIDA**

**FINANCIAL STATEMENTS AND
ACCOMPANYING INFORMATION**

For the Years Ended September 30, 2017 and 2016

And Report of Independent Auditor

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
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Report of Independent Auditor

Board of Trustees
City of Palm Beach Gardens Police Officers' Pension Fund
Palm Beach Gardens, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Palm Beach Gardens Police Officers' Pension Fund (the "Fund") which comprise the statements of fiduciary net position as of September 30, 2017 and 2016, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Palm Beach Gardens Police Officers' Pension Fund as of September 30, 2017 and 2016 and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The other supplementary information listed on the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2018 on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.



Orlando, Florida
March 23, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED SEPTEMBER 30, 2017 and 2016

As management of the City of Palm Beach Gardens Police Officers' Pension Fund (the "Fund"), we offer readers of the Fund's financial statements this narrative overview of the financial activities of the Fund for the years ended September 30, 2017 and 2016. This narrative is intended to supplement the Fund's financial statements, and we encourage readers to consider the information presented here in conjunction with these statements, which begin on page 9.

Overview of the financial statements

The following discussion and analysis are intended to serve as an introduction to the Fund's financial statements. The financial statements are:

- Statements of Fiduciary Net Position
- Statements of Changes in Fiduciary Net Position
- Notes to the Financial Statements

This report also contains the following "Required Supplementary Information" to the financial statements:

- Schedule of Changes in Net Pension Liability and Related Ratios
- Schedule of Contributions
- Schedule of Money-Weighted Rate of Return
- Notes to Required Supplementary Information

The financial statements contained in the report are described below:

- The Statements of Fiduciary Net Position are a point-in-time snapshot of account balances at fiscal year-end. It reports the assets available for future payments to retirees and any current liabilities that are owed as of the statement date. The resulting Net Position value (Assets – Liabilities = Net Position) represents the value of assets, net of liabilities, restricted for pension benefits.
- The Statements of Changes in Fiduciary Net Position display the effect of pension fund transactions that occurred during the fiscal years, where Additions – Deductions = Net Increase in Net Position. This Net Increase in Net Position reflects the change in the net asset value of the Statement of Fiduciary Net Position from the prior year to the current year. Both statements are in compliance with Governmental Accounting Standards Board (GASB) Pronouncements.
- The Notes to the Financial Statements are an integral part of the financial statements and provide additional information that is essential to the comprehensive understanding of the data provided in the financial statements. These notes describe the accounting and administrative policies under which the Fund operates and provide additional levels of detail for select financial statement items (See Notes to Financial Statements on pages 11 to 19 of this report.)

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED SEPTEMBER 30, 2017 and 2016

Because of the long-term nature of a defined benefit pension plan, financial statements alone cannot provide sufficient information to properly reflect the ongoing plan perspective. Therefore, in addition to the financial statements explained above, this financial report includes three additional "Required Supplementary Information" schedules with historical trend information.

- The Schedule of Changes in Net Pension Liability and Related Ratios (page 20) includes information about the sources of changes to the net pension liability and to the changes in Fund fiduciary net position. It also provides information regarding the fiduciary net position as a percentage of covered employee payroll and the net pension liability as a percentage of covered payroll.
- The Schedule of Contributions (page 21) presents information regarding the value of total annual contributions required to be paid by the City and the actual performance of the City in meeting this requirement.
- The Schedule of Money-Weighted Rate of Return (page 22) provides information regarding the Fund's rate of return.
- The Notes to the Required Supplementary Information (page 23) provide background information and explanatory detail to aid in understanding the required supplementary schedules.

Financial highlights

- The net position of the Fund exceeded its liabilities at the close of the fiscal years ended September 30, 2017 and 2016 with \$90,176,684 and \$82,113,694 in net position restricted for pension benefits, respectively.
- Net position increased by \$8,062,990 or 9.8% during 2017, primarily due to contributions and investment income.
- Net position increased by \$8,020,798 or 10.8% during 2016, primarily due to contributions and investment income.
- For the year ended September 30, 2017, Fund net position was 85.98% of the total pension liability of \$104,877,295. Net pension liability was \$14,700,611, which was 245.24% of covered payroll.
- For the year ended September 30, 2016, Fund net position was 80.60% of the total pension liability of \$101,877,717. Net pension liability was \$19,764,023, which was 375.69% of covered payroll.
- Additions to fiduciary net position for the year ended September 30, 2017 were \$14,730,604, which include member, employer and State of Florida ("State") contributions of \$3,983,124 and net income from investment activities totaling \$10,747,480.
- Additions to fiduciary net position for the year ended September 30, 2016 were \$12,100,672, which include member, employer and State contributions of \$3,993,434 and net income from investment activities totaling \$8,107,238.

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED SEPTEMBER 30, 2017 and 2016

- Deductions from fiduciary net position totaled \$6,667,614 in 2017, a \$2,587,740 increase from 2016. Most of the increase relates to increased benefit payments made in 2017.
- Deductions from fiduciary net position totaled \$4,079,874 in 2016, a \$666,281 increase from 2015. Most of the increase relates to increased benefit payments made in 2016.

Analysis of financial activities

The Fund's funding objective is to meet long-term benefit obligations through investment income and contributions. Accordingly, the collection of employer and member contributions, and the income from investments provide the reserves needed to finance future retirement benefits.

Contributions from the City of Palm Beach Gardens are made at levels determined by the Fund's actuary. Accordingly, contributions fluctuate with levels of compensation. Net position restricted for pension benefits increased by \$8,062,990 in 2017, compared to an increase of \$8,020,798 in 2016.

Fiduciary Net Position (Table 1)							
As of September 30, 2017, 2016 and 2015							
	2017	2016	2015	Increase (Decrease)		Increase (Decrease)	
				2016 to 2017		2015 to 2016	
				\$	%	\$	%
Current and Other Assets	\$ 2,894,986	\$ 1,509,517	\$ 1,766,589	\$ 1,385,469	91.8%	\$ (257,072)	(14.6%)
Investments, at fair value	88,755,673	80,654,674	72,556,777	8,100,999	10.0%	8,097,897	11.2%
Total Assets	91,650,659	82,164,191	74,323,366	9,486,468	11.5%	7,840,825	10.5%
Total Liabilities	1,473,975	50,497	230,470	1,423,478	2818.9%	(179,973)	(78.1%)
Net Position	\$ 90,176,684	\$ 82,113,694	\$ 74,092,896	\$ 8,062,990	9.8%	\$ 8,020,798	10.8%

As the years roll forward and total assets and liabilities grow, investment income will continue to play an important role in funding future retirement benefits. Therefore, investment return over the long term is critical to the funding status of the retirement Fund.

During 2017, the Fund's investment portfolio returned gains of approximately 13.60%. It is important to remember that a retirement plan's funding is based on a long time horizon, where temporary ups and downs in the market are expected. The more critical factor is that the Fund be able to meet an expected earnings yield of 6.8% annual return on investments.

Based on the latest actuarial analysis for the year ended September 30, 2017, the Fund's total pension liability exceeds its Fund net position by \$14.7 million, producing a Fund net position as a percent of total pension liability of 85.98%.

**CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS**

YEARS ENDED SEPTEMBER 30, 2017 and 2016

Financial analysis – summary

As previously noted, net position viewed over time may serve as a useful indication of the Fund's financial position (See Table 1 above.) At the close of fiscal year 2017, the assets of the Fund exceeded its liabilities by \$90,176,684, representing net position restricted for pension benefits. The fiduciary net position is available to meet the Fund's ongoing obligation to fund participants and their beneficiaries.

Net position

The Fund's net position is established from employer, member, and State contributions, and the accumulation of investment income, net of investment and administrative expenses and benefit payments.

Additions to fund net position

As noted above, net position needed to finance retirement benefits are accumulated through collecting employer, member, and State contributions and through investment earnings (net of investment expenses.) The additions totaled \$14,730,604 for the year ended September 30, 2017. This was \$2,629,932 more than the prior year, primarily due to increased investment returns.

Additions to Net Position (Table 2)							
As of September 30, 2017, 2016 and 2015							
	2017	2016	2015	Increase (Decrease)		Increase (Decrease)	
				2016 to 2017		2015 to 2016	
				\$	%	\$	%
Employer contributions	\$ 2,843,423	\$ 2,897,754	\$ 3,007,780	\$ (54,331)	(1.9%)	\$ (110,026)	(3.7%)
Member contributions	515,513	452,421	422,145	63,092	13.9%	30,276	7.2%
State of Florida contributions	624,188	643,259	524,479	(19,071)	(3.0%)	118,780	22.6%
Net Investment income	10,747,480	8,107,238	925,754	2,640,242	32.6%	7,181,484	775.7%
Total additions	\$ 14,730,604	\$ 12,100,672	\$ 4,880,158	\$ 2,629,932	21.7%	\$ 7,220,514	148.0%

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED SEPTEMBER 30, 2017 and 2016

Deductions from fund net position

The Fund was created to provide retirement, survivor and disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, refunds of contributions to employees who terminate employment, and the cost of administering the Fund.

Deductions from Net Position (Table 3)							
As of September 30, 2017, 2016 and 2015							
	2017	2016	2015	Increase (Decrease)		Increase (Decrease)	
				2016 to 2017		2015 to 2016	
				\$	%	\$	%
Benefit payments	\$ 6,532,546	\$ 3,938,855	\$ 3,297,505	\$ 2,593,691	65.8%	\$ 641,350	19.4%
Refunds of contributions	13,857	8,046	-	5,811	72.2%	8,046	100.0%
Administrative expenses	121,211	132,973	116,088	(11,762)	(8.8%)	16,885	14.5%
Total deductions	\$ 6,667,614	\$ 4,079,874	\$ 3,413,593	\$ 2,587,740	63.4%	\$ 666,281	19.5%

Deductions for the year ended September 30, 2017 totaled \$6,667,614, an increase of 63.4% from 2016. The increase was primarily due to increased benefit payments in 2017. Deductions for the year ended September 30, 2016 totaled \$4,079,874. Further analysis of benefit payments is provided in Table 4 below.

Benefit Payments (Table 4)							
As of September 30, 2017, 2016 and 2015							
	2017	2016	2015	Increase (Decrease)		Increase (Decrease)	
				2016 to 2017		2015 to 2016	
				\$	%	\$	%
Normal retirement payments	\$ 3,846,172	\$ 2,879,396	\$ 2,053,763	\$ 966,776	33.6%	\$ 825,633	40.2%
Disability pension payments	272,822	272,822	272,822	-	0.0%	-	0.0%
DROP account withdrawals	2,413,552	786,637	970,920	1,626,915	206.8%	(184,283)	(19.0%)
Total benefit payments	\$ 6,532,546	\$ 3,938,855	\$ 3,297,505	\$ 2,593,691	65.8%	\$ 641,350	19.4%

The deductions of fund net position of \$6,667,614 and additions to fund net position of \$14,730,604 resulted in an overall increase of \$8,062,990 in net position held in trust for pension benefits for the year ended September 30, 2017. The deductions of fund net position of \$4,079,874 and additions to fund net position of \$12,100,672 resulted in an overall increase of \$8,020,798 in net position held in trust for pension benefits for the year ended September 30, 2016.

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED SEPTEMBER 30, 2017 and 2016

Fiduciary responsibilities

The Board of Trustees is the fiduciary of the pension trust fund. Fiduciaries are charged with the responsibility of assuring that the assets of the Fund are used exclusively for the benefit of fund participants and their beneficiaries and defraying reasonable expenses of administering the Fund.

Requests for information

This financial report is designed to provide the Board of Trustees, our membership, taxpayers and investment managers with an overview of the Fund's finances and accountability for the money received. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Palm Beach Gardens Police Officers' Pension Fund
c/o Resource Centers LLC
4360 Northlake Boulevard, Suite 206
Palm Beach Gardens, FL 33410

BASIC FINANCIAL STATEMENTS

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
STATEMENTS OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 1,783,197	\$ 869,382
Receivables		
State of Florida	624,188	-
Interest and dividends	124,074	126,338
Pending trades	-	118,543
Other receivables	85,752	79,851
Police officers	-	2,753
Total receivables	<u>834,014</u>	<u>327,485</u>
Prepaid expenses	<u>277,775</u>	<u>312,650</u>
Investments		
Money market funds	1,992,143	838,694
Fixed Income		
Corporate obligations	9,549,524	12,384,934
U.S. Government obligations	3,472,564	2,432,691
Mortgage/Asset backed securities	1,272,575	970,789
Municipal obligations	922,611	588,915
Collateralized mortgage obligations	1,595,194	-
Equity securities		
Domestic equities	8,708,688	7,493,473
Foreign equities	196,988	41,049
Other equities	65,172	32,294
Pooled equity trust funds	50,428,386	45,913,612
International bond mutual funds	3,495,094	3,389,879
Commingled real estate funds	7,056,734	6,568,344
Total investments	<u>88,755,673</u>	<u>80,654,674</u>
Total assets	<u>91,650,659</u>	<u>82,164,191</u>
LIABILITIES		
Accounts payable and accrued expenses	53,107	47,564
Pending trades payable	3,403	2,933
Prepaid contributions from the City of Palm Beach Gardens	1,417,465	-
Total liabilities	<u>1,473,975</u>	<u>50,497</u>
Net position restricted for pensions	<u>\$ 90,176,684</u>	<u>\$ 82,113,694</u>

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Additions		
Contributions		
City of Palm Beach Gardens	\$ 2,843,423	\$ 2,897,754
State of Florida	624,188	643,259
Police officers	515,513	452,421
Total contributions	<u>3,983,124</u>	<u>3,993,434</u>
Investment income		
Net appreciation in fair value of investments (realized and unrealized)	10,016,711	7,265,935
Interest and dividends	990,504	1,079,187
Other	1,849	83
	<u>11,009,064</u>	<u>8,345,205</u>
Less investment expenses	261,584	237,967
Net investment income	<u>10,747,480</u>	<u>8,107,238</u>
Total additions	<u>14,730,604</u>	<u>12,100,672</u>
Deductions		
Participant benefit payments	6,532,546	3,938,855
Refunds of participant contributions	13,857	8,046
Administration expenses	121,211	132,973
Total deductions	<u>6,667,614</u>	<u>4,079,874</u>
Net increase in net position restricted for pension benefits	8,062,990	8,020,798
Net position restricted for pensions		
Beginning of year	82,113,694	74,092,896
End of year	<u>\$ 90,176,684</u>	<u>\$ 82,113,694</u>

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2017 and 2016

Note 1 - Summary of significant accounting policies

Reporting entity - The City of Palm Beach Gardens Police Officers' Pension Fund (the "Fund") was established to account for the financial activity of the City of Palm Beach Gardens Police Pension Fund. The Fund is managed by a five member Board of Trustees comprised of two members appointed by the Council of the City of Palm Beach Gardens, Florida (the "City"), two members elected by/from the fund membership and one member elected by the other four members. The Fund is reported in the fiduciary funds (pension trust) in the City's basic financial statements.

Basis of accounting - The Fund's financial statements are prepared using the accrual basis of accounting. Contributions from the Fund's members are recognized as revenue in the period in which the contributions are due. Contributions from the City of Palm Beach Gardens, as calculated by the Fund's actuary, are recognized as revenue when due and when the City is legally required to provide the contributions. Expenses are recognized in the accounting period incurred, if measurable. Benefits and refunds are recognized when due and payable in accordance with the terms of the Fund.

Method used to value investments – Investments, with the exception of money market mutual funds and commingled real estate funds, are reported at fair value. Money market mutual funds are reported at amortized cost, which approximates fair value, and commingled real estate funds are reported at net asset value, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price or exchange rates. Net asset values of the commingled real estate funds are determined by the fund managers using fair market values of the underlying investments of the fund. There are no restrictions or terms and conditions on the Fund in redeeming the commingled real estate investment, and the Fund has no unfunded commitments related to the investment. Real estate values are based upon independent appraisals performed for assets held by the open-end fund annually, with restricted-scope appraisals conducted on a quarterly basis for those assets not receiving a full appraisal. The fair value of real estate is determined as the price that the Fund would expect to receive if the asset was sold to a market participant assuming the highest and best use of each asset at the date of the statement of fiduciary net position. 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 date basis.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Risks and uncertainties - Investment securities, in general, are subject to various risks, such as interest rate, credit and overall market volatility. Due to the levels of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of net assets available for benefits.

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2017 and 2016

Note 2 – Fund description and contribution information

Fund description

The following brief description of the Fund is provided for general information purposes only. Participants should refer to City ordinances for more complete information.

The Fund is a single employer defined benefit pension plan adopted by the City. The Fund is governed by Florida Statutes Chapter 185, as revised by ordinances passed by the Palm Beach Gardens City Council. All full time police officers are covered under the Fund.

The Fund provides retirement, death and disability benefits for its members. Benefit provisions are established and may be amended by the City, in conjunction with the Palm Beach County Police Benevolent Association. A member hired before September 13, 2012 may retire with normal benefits after the earlier of age 52 with 10 years of credited service, or 20 years of credited service regardless of age. A member hired on or after September 13, 2012 may retire with normal benefits upon the attainment of age 59 and 10 years of credited service. Reduced early retirement benefits are available once a member reaches age 50 and accumulates 10 years of credited service. For members retiring prior to September 13, 2012, normal retirement benefits are 3.5% of the member's average monthly earnings times his or her credited service years, up to a maximum of 100% of average monthly earnings, plus a monthly supplemental benefit of \$12.50 per year of service. For members hired prior to September 13, 2012 and retiring on or after September 13, 2012, but not having attained the normal retirement date prior to September 13, 2012, normal retirement benefits are 3.5% of the member's average monthly earnings times his or her credited service years earned prior to September 13, 2012 plus 2.75% of the member's average monthly earnings times his or her credited service years earned on or after September 13, 2012, up to a maximum of 75% of average monthly earnings, plus a monthly supplemental benefit of \$12.50 per year of service. For members hired on or after September 13, 2012, normal retirement benefits are 2.75% of the member's average monthly earnings times his or her credited service years, up to a maximum of 75% of average monthly earnings, plus a monthly supplemental benefit of \$12.50 per year of service. Early retirement benefits are the same as normal retirement benefits, reduced by 3.0% for each year by which early retirement precedes the normal retirement date. Average monthly earnings for purposes of calculating benefits is the average of salary during the last five years of employment producing the highest average.

Salary means the average monthly earnings reported to the Internal Revenue Service for income tax purposes, plus deferred compensation. Beginning with salary after December 31, 2008, the definition of salary includes amounts paid by the City as differential wages to members who are absent from employment while in qualified military service. Notwithstanding the preceding two sentences, effective September 13, 2012, salary will henceforth mean base pay, excluding all other compensation, provided that the salary of any member employed on September 13, 2012 shall include payment for unused accrued sick and annual leave up to the dollar amount of unused sick and annual leave that the member has accrued as of September 13, 2012. However, in no event will the salary of any member who is employed on September 13, 2012 be less than the member's salary on September 12, 2012, as determined in accordance with the definition of salary in effect on September 12, 2012.

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

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2017 and 2016

Note 2 - Fund description and contribution information (continued)

Fund description (continued)

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

Pre-retirement death benefits for service related deaths are paid to the member's beneficiary for life. Benefits are calculated at 50% of the member's average monthly earnings, with a minimum equal to the accrued pension benefit (with no early retirement reduction).

Pre-retirement death benefits for non-service related deaths are paid to the member's beneficiary for life. For members with less than 5 years of contributing service at the date of death, the benefit is the return of the member's contributions without interest. For members with 5 years or more of contributing service at the date of death, the benefit is equal to that payable at early or normal retirement age. If the member is eligible for normal retirement, the benefit is equal to his or her accrued pension benefit, and is payable for life.

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

Membership in the Fund consisted of the following at October 1, 2016, the date of the latest actuarial valuation:

Retirees, beneficiaries, and DROP participants receiving benefits	78
Terminated employees entitled to benefits but not yet receiving them	3
Active members	<u>86</u>
Total	<u>167</u>

Contributions

Contribution requirements are established and may be amended by the City in conjunction with the Palm Beach County Police Benevolent Association. Contribution requirements are based on the benefit structure established by the City. Members are required to contribute 8.6% of their covered salary. Pursuant to Chapter 185 of Florida Statutes, a premium tax on certain casualty insurance contracts written on Palm Beach Gardens properties is collected by the state and remitted to the Fund for the state's annual contribution amount. The City is required to contribute the remaining amounts necessary to finance the benefits through periodic contributions at actuarially determined rates. Administrative costs are financed through investment earnings.

A rehired member may buy back one or more years of continuous past service by paying into the Fund the amount of contributions the employee would otherwise have paid for such service, plus the investment earnings that would have been earned had such funds been invested by the Fund during that time.

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2017 and 2016

Note 2 - Fund description and contribution information (continued)

Contributions (continued)

Pursuant to Chapter 185 of Florida Statutes, a premium tax on certain casualty insurance contracts written within City corporate boundaries is collected by the State and remitted to the Fund for the State's annual contribution amount. The State contribution for the fiscal year was \$624,188. Of the State contribution, the Base Amount (\$292,446), the Gap Amount (\$182,769), and 50% of the Growth Amount (\$74,486) were used to fund the pension fund; 50% of the Growth Amount (\$74,487) was allocated to Share Plan Accounts. As of September 30, 2017, the amounts reserved for allocation to Share Plan accounts totaled \$312,765.

Note 3 - Deposits and investments

Deposits

Custodial credit risk – Florida Statutes require the Fund to maintain its deposits with financial institutions in a qualified public depository, as determined by the Treasurer of the State of Florida (the "Treasurer").

The Fund's accounts maintained in qualified public depositories are covered by federal depository insurance for an amount equal to the aggregate of each participant's ascertainable, non-contingent interest in the Fund (up to \$250,000 per participant). Amounts in excess of federal depository insurance are secured by the Public Depository Trust Fund (the "Trust Fund") maintained by the Treasurer. The Trust Fund is a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a member fails.

Investments

Authorized investments – Florida Statutes and the Fund's investment policy limit investments to certificates of deposit up to \$100,000 maximum value; money market deposit accounts; obligations issued by the United States Government or by an agency of the United States Government; bonds issued by the State of Israel; corporate stocks and bonds; mutual funds; commingled stock, bond, and money market funds; real estate investments and securities; and to be announced (TBA) securities that are issued by a Federal Agency or are of investment grade. The following investments are permissible with approval from the Board of Trustees: securities paying interest only (ID's), securities representing principal only (PO's), accrual bonds (z-tranches), inverse or reverse floaters with a multiple greater than 1.00 or less than -1.00, asset pools not domiciled in the United States, Collateralized Bond Obligations (CBO's), Collateralized Debt Obligations (CDO's), Collateralized Loan Obligations (CLO's), and companion bonds. Investments in companies identified as scrutinized companies by the Florida State Board of Administration (SBA) are prohibited, with the exception of investments in scrutinized companies that are held within commingled funds (if the commingled fund sponsor does not offer a similar fund that does not hold investments in scrutinized companies). Investments in unhedged and/or leveraged derivatives are prohibited.

Investment Policy – The Fund's policy in regard to the allocation of invested assets is established and may be amended by the Fund's Board of Trustees. It is reviewed quarterly with the assistance of the Fund consultant. The Board recognizes that the obligations of the Fund are long-term, and that the investment policy should be made with a view toward performance and return over a number of years. The general investment objective, then, is to obtain a reasonable total rate of return – defined as interest and dividend income plus realized and unrealized capital gains and/or losses – that exceeds the actuarial interest rate assumption on an annual basis year after year.

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2017 and 2016

Note 3 - Deposits and investments (continued)

The following was the Board's adopted asset allocation policy as of September 30, 2017:

Asset Allocation Policy
 Note: Target allocation from Investment Policy and Annualized Return
 from Investment Manager

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	55.0%	7.5%
International Equity	10.0%	8.5%
Domestic Bonds	23.5%	2.5%
International Bonds	4.0%	3.5%
Real Estate	7.5%	4.5%
	<u>100.0%</u>	

The long-term real annualized returns shown above are best estimates of arithmetic real rates of return for each major asset class as provided by the investment monitor.

At September 30, 2017, the Fund had the following investments:

2017	Credit rating (Moody's)	Fair value	Investment maturity (in years)			
			Less than 1	1 - 5	5 - 10	More than 10
Money market funds and Cash	Aaa-mf	\$ 1,992,143	\$ 1,992,143	\$ -	\$ -	\$ -
U.S. Government Obligations	Aaa	3,472,564	30,927	1,676,259	750,590	1,014,788
Corporate obligations	Aaa .. B1	9,549,524	64,965	3,493,602	4,275,728	1,715,229
Mortgage/Asset Backed Securities	Aaa	1,272,575	3,446	15,122	117,574	1,136,433
Municipal obligations	Aaa .. A1	922,611	-	168,143	358,793	395,675
Collateralized Mortgage Obligations	Aaa	1,595,194	-	-	283,157	1,312,037
Fixed income subtotal		18,804,611	\$ 2,091,481	\$ 5,353,126	\$ 5,785,842	\$ 5,574,162
Equity securities						
Domestic equities	N/R*	8,708,688				
Foreign equities	N/R*	196,988				
ETFs	N/R*	65,172				
Pooled equity trust funds	N/R*	50,428,386				
International bond mutual funds	N/R*	3,495,094				
Commingled real estate funds (at net asset value)	N/R*	7,056,734				
Total investments		\$ 88,755,673				

*Not Rated

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2017 and 2016

Note 3 - Deposits and investments (continued)

At September 30, 2016, the Fund had the following investments:

2016	Credit rating (Moody's)	Fair value	Investment maturity (in years)			
			Less than 1	1 - 5	5 - 10	More than 10
Money market funds	Aaa-mf	\$ 838,694	\$ 838,694	\$ -	\$ -	\$ -
U.S. Government obligations	Aaa	2,432,691	170,325	831,525	817,425	613,416
Corporate obligations	Aaa .. Baa3	12,384,934	2,517,950	1,814,654	4,166,506	3,885,824
Mortgage/Asset backed securities	Aaa	970,789	-	30,357	168,957	771,475
Municipal obligations	Aa2 .. A1	588,915	-	214,909	162,728	211,278
Fixed income subtotal		17,216,023	\$ 3,526,969	\$ 2,891,445	\$ 5,315,616	\$ 5,481,993
Equity securities						
Domestic equities	N/R*	7,493,473				
Foreign equities	N/R*	41,049				
ETFs	N/R*	32,294				
Pooled equity trust funds	N/R*	45,913,612				
International bond mutual funds	N/R*	3,389,879				
Commingled real estate funds (at net asset value)	N/R*	6,568,344				
Total investments		\$ 80,654,674				

*Not Rated

Interest rate risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Although the Fund's investment policy does not provide limitations as to maturities, the Fund minimizes risk of fair value losses in its fixed income portfolio due to rising interest rates by structuring its 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.

Credit risk – This is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization (NSRO), such as Moody's or Standard & Poor's. The Fund's investment policy limits investments in fixed income securities, with the exception of international bond mutual funds, to securities with a Moody's rating of Aaa, Aa, or A or a Standard & Poor's rating of AAA, AA, or A. Equity investments must be traded on one or more of the recognized national exchanges and have a Value Line Investment Survey Rank for Safety rating of 1, 2, or 3 or a Standard & Poor's rating of A+, A, or A-. Money market deposits must have a Moody's rating of P1 or a Standard & Poor's rating of A1.

Custodial credit risk – This is the risk that in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are held by the counterparty. The Fund's policy is to maintain its investments in custodial accounts that identify securities held as assets of the Fund by registering securities in the name of the Fund, or in street name or nominee name as the Fund's agent.

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2017 and 2016

Note 3 - Deposits and investments (continued)

Concentration of credit risk – The Fund's investment policy limits investments in the stock of any one issuing company to 5% of the Fund's assets, and to 5% of the outstanding capital stock of any issuing company. Furthermore, investments in corporate common stock, international equities, convertible bonds, and convertible preferred issues shall not exceed 65% of the Fund's assets at cost.

Fair Value Hierarchy – The fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, provides three levels of inputs to measure fair value. Because of the inherent uncertainty of valuations, estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed, and differences could be material.

The Fund classifies its investments into a hierarchical disclosure framework as follows:

Level I – Securities traded in an active market with available quoted prices for identical assets as of the reporting date.

Level II – Securities not traded on an active market but for which observable market inputs are readily available or Level I securities where there is a contractual restriction as of the reporting date.

Level III – Securities not traded in an active market and for which no significant observable market inputs are available as of the reporting date.

At September 30, 2017, the Fund's fair value measurements for investments were as follows:

	09/30/2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Corporate obligations	\$ 9,549,524	\$ -	\$ 9,549,524	\$ -
U.S. Government obligations	3,472,564	-	3,472,564	-
Mortgage/Asset backed securities	1,272,575	-	1,272,575	-
Municipal obligations	922,611	-	922,611	-
Collateralized mortgage obligations	1,595,194	-	1,595,194	-
Domestic securities	8,708,688	8,708,688	-	-
Foreign securities	196,988	196,988	-	-
Other Equities	65,172	65,172	-	-
Pooled equity trust funds	50,428,386	50,428,386	-	-
International bond mutual funds	3,495,094	3,495,094	-	-
Total investments by fair value level	79,706,796	\$ 62,894,328	\$ 16,812,468	\$ -
Investments measured at amortized cost				
Money market funds	1,992,143			
Total investments measured at amortized cost	1,992,143			
Investments measured at the net asset value (NAV)				
Commingled real estate funds	7,056,734			
Total investments measured at the NAV	7,056,734			
Total investments measured at fair value	\$ 88,755,673			

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2017 and 2016

Note 3 - Deposits and investments (continued)

At September 30, 2016, the Fund's fair value measurements for investments were as follows:

	09/30/2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Corporate obligations	\$ 12,384,934	\$ -	\$ 12,384,934	\$ -
U.S. Government obligations	2,432,691	-	2,432,691	-
Mortgage/Asset backed securities	970,789	-	970,789	-
Municipal obligations	588,915	-	588,915	-
Domestic securities	7,493,473	7,493,473	-	-
Foreign securities	41,049	41,049	-	-
Other Equities	32,294	32,294	-	-
Pooled equity trust funds	45,913,612	45,913,612	-	-
International bond mutual funds	3,389,879	3,389,879	-	-
Total investments by fair value level	73,247,636	\$ 56,870,307	\$ 16,377,329	\$ -
Investments measured at amortized cost				
Money market funds	838,694			
Total investments measured at amortized cost	838,694			
Investments measured at the net asset value (NAV)				
Commingled real estate funds	6,568,344			
Total investments measured at the NAV	6,568,344			
Total investments measured at fair value	\$ 80,654,674			

Note 4 – Restricted Net Position

Portions of the fund net position are restricted for benefits that accrue in relation to the DROP plan described in Note 2. Fund net position at September 30, 2017 and 2016 consists of the following:

	2017	2016
Restricted for DROP benefits (fully funded)	\$ 15,628,985	\$ 15,862,830
Restricted for pension benefits	74,234,934	66,012,587
Reserve for allocation to Share Plan accounts	312,765	238,277
Total fund net position	<u>\$ 90,176,684</u>	<u>\$ 74,092,896</u>

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2017 and 2016

Note 5 - Net pension liability of the City

The components of the net pension liability of the City at September 30, 2017 and 2016, were as follows:

	<u>2017</u>	<u>2016</u>
Total Pension Liability	\$104,877,295	\$101,877,717
Fund Fiduciary Net Position	<u>90,176,684</u>	<u>82,113,694</u>
City's Net Pension Liability	<u>\$ 14,700,611</u>	<u>\$ 19,764,023</u>
Fund Fiduciary Net Position as a percentage of the Total Pension Liability	86.0%	80.6%

Mortality rates were based on the RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected to all future years after 2000 using Scale BB. For females, the base mortality rates include a 100% white collar adjustment. For males, the base mortality rate include a 90% blue collar adjustment and a 10% white collar adjustment. These are the same rates used for Special Risk Class members of the Florida Retirement System (FRS) in the July 1, 2015 FRS Actuarial Valuation Report.

A single discount rate of 6.80% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension fund investments of 6.80%. The projection of cash flows used to determine this single discount rate assumed that fund member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the total actuarially determined contribution rates and the member rate. Based on these assumptions, the pension fund's fiduciary net position was projected to be available to make all projected future benefit payments of current fund members. Therefore, the long-term expected rate of return on pension fund investments (6.80%) was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of net pension liability to changes in the discount rate - The following presents the net pension liability of the City, calculated using the discount rate of 6.80%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.80%) or 1-percentage higher (7.80%) than the current rate:

Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption

1% Decrease 5.80%	Current Single Discount Rate Assumption 6.80%	1% Increase 7.80%
\$ 25,229,950	\$ 14,700,611	\$ 5,986,294

Note 6 - Income taxes

The Fund administrator and the Fund's tax counsel believes that the Fund is currently designed and is being operated in compliance with applicable requirements of the Internal Revenue Code and that, therefore, the Fund continues to qualify under Section 401 (a) as a tax-exempt as of September 30, 2017. Therefore, no provision for income taxes is included in the Fund's financial statements.

Note 7 – Subsequent events

Management has evaluated subsequent events through March 23, 2018 in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Year Ending September 30,	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 1,490,207	\$ 1,355,530	\$ 1,206,826	\$ 1,229,681
Interest	6,909,106	6,784,226	6,504,741	6,083,570
Benefit changes	-	-	-	885,269
Difference between actual & expected experience	56,862	976,528	344,110	(56,911)
Assumption changes	1,015,319	573,052	875,147	-
Benefit payments	(6,532,546)	(3,938,855)	(3,297,505)	(2,277,672)
Refunds	(13,857)	(8,046)	-	(6,852)
Other (Net Decrease in State Contribution Reserve)	74,487	(70,233)	(426,717)	134,105
Net change in total pension liability	<u>2,999,578</u>	<u>5,672,202</u>	<u>5,206,602</u>	<u>5,991,190</u>
Total pension liability - beginning	<u>101,877,717</u>	<u>96,205,515</u>	<u>90,998,913</u>	<u>85,007,723</u>
Total pension liability	<u>\$ 104,877,295</u>	<u>\$ 101,877,717</u>	<u>\$ 96,205,515</u>	<u>\$ 90,998,913</u>
Plan fiduciary net position				
Contributions - Employer	\$ 2,843,423	\$ 2,897,754	\$ 3,007,780	\$ 2,712,635
Contributions - State of Florida	624,188	643,259	524,479	546,749
Contributions - Member	515,513	452,421	422,145	391,188
Net investment income	10,747,480	8,107,238	925,753	6,798,928
Benefit payments	(6,532,546)	(3,938,855)	(3,297,504)	(2,277,672)
Refunds	(13,857)	(8,046)	-	(6,852)
Administrative expense	(121,211)	(132,973)	(116,088)	(114,098)
Net changes in Plan fiduciary net position	<u>8,062,990</u>	<u>8,020,798</u>	<u>1,466,565</u>	<u>8,050,878</u>
Total Plan fiduciary net position - beginning	<u>82,113,694</u>	<u>74,092,896</u>	<u>72,626,331</u>	<u>64,575,453</u>
Total Plan fiduciary net position - ending	<u>90,176,684</u>	<u>82,113,694</u>	<u>74,092,896</u>	<u>72,626,331</u>
Net pension liability ending	<u>\$ 14,700,611</u>	<u>\$ 19,764,023</u>	<u>\$ 22,112,619</u>	<u>\$ 18,372,582</u>
Plan fiduciary net position as a percentage of the total pension liability	85.98%	80.60%	77.02%	79.81%
Covered payroll	\$ 5,994,337	\$ 5,260,709	\$ 4,908,663	\$ 4,548,698
Net pension liability as a percentage of covered payroll	245.24%	375.69%	450.48%	403.91%

Note to Schedule:

GASB 67 requires 10 year trend information. As fiscal year 2014 is the first year of implementation, additional years will be displayed as the information becomes available.

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS

SCHEDULE OF CONTRIBUTIONS

<u>FY Ending September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>*Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a % of Covered Payroll</u>
2017	\$ 3,256,067	\$ 3,393,124 *	\$ (137,057)	\$ 5,994,337	56.61%
2016	\$ 3,316,250	\$ 3,456,991 **	\$ (140,741)	\$ 5,260,709	65.71%
2015	\$ 3,357,659	\$ 3,420,424 ***	\$ (62,765)	\$ 4,908,663	69.68%
2014	\$ 3,125,279	\$ 3,125,279 ****	\$ -	\$ 4,548,698	68.71%

GASB 67 requires 10 year trend information. As fiscal year 2014 is the first year of implementation, additional years will be displayed as the information becomes available.

Notes: * FY2017 contributions from the City of Palm Beach Gardens and the State of Florida, as shown on the Statements of Changes in Fiduciary Net Position, were \$2,843,423 and \$624,188, respectively, for a total of \$3,467,611. However, of the \$624,188 State Contribution, \$549,701 was available to be credited towards the Actuarially Determined Contribution, as presented above, and \$74,487 was allocated to Share Plan Accounts. The \$549,701, in addition to the City contribution of \$2,843,423, results in a total Actual Contribution of \$3,393,124.

** FY2016 contributions from the City of Palm Beach Gardens and the State of Florida, as shown on the Statements of Changes in Fiduciary Net Position, were \$2,897,754 and \$643,259, respectively, for a total of \$3,541,013. However, of the \$643,259 State Contribution, \$559,237 was available to be credited towards the Actuarially Determined Contribution as presented above. This amount, in addition to the City contribution of \$2,897,754, results in a total Actual Contribution of \$3,456,991.

*** FY2015 contributions from the City of Palm Beach Gardens and the State of Florida, as shown on the Statements of Changes in Fiduciary Net Position, were \$3,007,780 and \$524,479, respectively, for a total of \$3,532,259. However, of the \$524,479 State Contribution, \$412,644 was available to be credited towards the Actuarially Determined Contribution as presented above. This amount, in addition to the City contribution of \$3,007,780, results in a total Actual Contribution of \$3,420,424.

****FY2014 contributions from the City of Palm Beach Gardens and the State of Florida, as shown on the Statements of Changes in Fiduciary Net Position, were \$2,712,635 and \$546,749, respectively, for a total of \$3,259,384. However, of the \$546,749 State Contribution, \$412,644 was available to be credited towards the Actuarially Determined Contribution as presented above. This amount, in addition to the City contribution of \$2,712,635, results in a total Actual Contribution of \$3,125,279.

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN

<u>Year Ending September 30,</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
2017	13.60%
2016	10.96%
2015	1.29%
2014	10.73%
2013	14.53%
2012	18.63%
2011	0.22%
2010	10.09%

Note: GASB 67 requires 10-year trend information. As fiscal year 2014 was the first year of implementation, additional years will be displayed as the information becomes available.

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Valuation Date October 1, 2016
Measurement Date September 30, 2017
Note: Actuarially determined contribution rates are calculated as of October 1, which is two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent, Closed
Remaining Amortization Period	20 years (single equivalent amortization period)
Asset Valuation Method	Recognizes 20% of difference between market value of assets and expected actuarial asset value
Inflation	2.5%
Salary Increases	5.5% to 7.0% depending on service, including inflation
Investment Rate of Return	6.80%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Mortality Table for Annuitants with mortality improvement projected to all future years using Scale BB. For females, the base mortality rates include a 100% white collar adjustment. For males, the base mortality rate include a 90% blue collar adjustment and a 10% white collar adjustment. These are the same rates used for Special Risk Class members of the Florida Retirement System (FRS) in the July 1, 2015 FRS Actuarial Valuation Report.

Benefit changes:

None.

Changes in assumptions:

For the year ended September 30, 2017, the investment return assumption was lowered from 6.9% to 6.8%. This rate will continue to be lowered by 0.1% each year until 6.5% is reached.

OTHER SUPPLEMENTARY INFORMATION

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Administrative Expenses		
Accounting services	\$ 15,600	\$ 15,150
Actuarial services	41,702	44,256
Legal services	13,175	16,332
Administrative services	33,700	31,089
Fiduciary liability insurance	5,795	5,675
General liability insurance	996	1,013
Annual membership fees	690	690
Trustee expenses	7,169	16,288
Postage	91	175
Bank charges	2,293	2,305
Total administrative expenses	<u>\$ 121,211</u>	<u>\$ 132,973</u>
Investment Expenses		
Investment management fees	217,698	196,240
Custodial fees	22,479	19,367
Performance monitoring fees	21,407	22,360
Total investment expenses	<u>\$ 261,584</u>	<u>\$ 237,967</u>

OTHER REPORT

**Report of Independent Auditor on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of the Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Trustees
City of Palm Beach Gardens Police Officers' Pension Fund
Palm Beach Gardens, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of City of Palm Beach Gardens Police Officers' Pension Fund (the "Fund") as of and for the year ended September 30, 2017, and the related notes to the financial statements, and have issued our report thereon, dated March 23, 2018.

Internal Controls Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund'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*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Cheryl Behrman LLP". The signature is written in a cursive, flowing style.

Orlando, Florida
March 23, 2018